

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended April 30, 2015

Commission file number 1-31552

SMITH & WESSON HOLDING CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Nevada
*(State or Other Jurisdiction of
Incorporation or Organization)*

87-0543688
*(I.R.S. Employer
Identification No.)*

**2100 Roosevelt Avenue
Springfield, Massachusetts 01104
(800) 331-0852**

*(Address including zip code, and telephone number,
including area code, of principal executive offices)*

Securities registered pursuant to Section 12(b) of the Act:

(Title of Class)
Common Stock, Par Value \$.001 per Share

(Name of Each Exchange on Which Registered)
Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of Common Stock held by non-affiliates of the registrant (41,672,768 shares) based on the last reported sale price of the registrant's Common Stock on the Nasdaq Global Select Market on October 31, 2014, which was the last business day of the registrant's most recently completed second fiscal quarter, was \$423,395,323. For purposes of this computation, all officers, directors, and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers, directors, or 10% beneficial owners are, in fact, affiliates of the registrant.

As of June 16, 2015, there were outstanding 54,169,521 shares of the registrant's Common Stock, par value \$.001 per share.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for the 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

SMITH & WESSON HOLDING CORPORATION
ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended April 30, 2015

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Smith & Wesson®, M&P®, S&W®, Performance Center®, Bodyguard®, Caldwell® Shooting Supplies, Wheeler® Engineering, Tipton® Gun Cleaning Supplies, Frankford Arsenal® Reloading Tools, Lockdown® Vault Accessories, BOG-POD®, and Golden Rod® Moisture Control are registered U.S. trademarks of our company or one of our subsidiaries. Thompson/Center Arms™, M&P Shield™, Combat Magnum®, Thompson/Center Arms Venture™, Smith & Wesson CONNECT™, and Hooyman™ Premium Tree Saws are unregistered trademarks of our company or one of our subsidiaries. This report also contains trademarks and trade names of other companies.

This report includes market and industry data that we obtained from periodic industry publications, third-party studies and surveys, government agency sources, filings of public companies in our industry, and internal company surveys. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable. Although we believe the foregoing industry and market data to be reliable at the date of the report, this information could prove to be inaccurate as a result of a variety of matters.

Statement Regarding Forward-Looking Information

The statements contained in this annual report on Form 10-K that are not purely historical are forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include statements regarding our “expectations,” “anticipations,” “intentions,” “beliefs,” or “strategies” regarding the future. Forward-looking statements also include statements regarding net sales, margins, expenses, earnings, royalties, and capital expenditures for fiscal 2016 and thereafter; the amount of environmental and other reserves; estimates of fair value; goodwill and intangible assets; the effect of a variety of economic, social, and political factors on our business; the outcome of the lawsuits to which we are subject and their effect on us; future investments for capital expenditures; future products and product developments; the features and performance of our products; the success of particular product or marketing programs; any manufacturing partnerships, strategic alliances, or acquisitions we may enter into or make; future enterprise resource planning implementations and system improvements; future enhancements to our manufacturing capabilities; and liquidity and anticipated cash needs and availability. All forward-looking statements included in this report are based on information available to us as of the filing date of this report, and we assume no obligation to update any such forward-looking statements. Our actual results could differ materially from the forward-looking statements. Among the factors that could cause actual results to differ materially are the factors discussed under Item 1A, “Risk Factors.”

PART I

Item 1. Business

Introduction

We are one of the world's leading manufacturers of firearms. We manufacture a wide array of handguns (including revolvers and pistols), long guns (including modern sporting rifles, bolt action rifles, and single shot rifles), handcuffs, and firearm-related products and accessories for sale to a wide variety of customers, including gun enthusiasts, collectors, hunters, sportsmen, competitive shooters, individuals desiring home and personal protection, law enforcement and security agencies and officers, and military agencies in the United States and throughout the world. We are one of the largest manufacturers of handguns, modern sporting rifles, and handcuffs in the United States and an active participant in the hunting rifle market. Beginning in fiscal 2015, we are now also a leading provider of shooting, reloading, gunsmithing, and gun cleaning supplies. We sell our products under the Smith & Wesson, M&P, Thompson/Center Arms, Caldwell Shooting Supplies, Wheeler Engineering, Tipton Gun Cleaning Supplies, Frankford Arsenal Reloading Tools, Lockdown Vault Accessories, Hooyman Premium Tree Saws, BOG-POD, and Golden Rod Moisture Control brands.

We manufacture our firearm products at our facilities in Springfield, Massachusetts; Houlton, Maine; and Deep River, Connecticut; and we develop and market our accessories products at our facility in Columbia, Missouri. We plan to continue to capitalize on the goodwill developed through our historic 163 year old "Smith & Wesson" brand as well as our other well-known brands by expanding consumer awareness of the products we produce.

Our objective is to continue to enhance our position as one of the world's leading firearms manufacturers by designing, producing, and marketing high-quality, innovative firearms and related products that meet the needs and desires of consumers and professionals. Key elements of our strategy to achieve this objective are as follows:

- protect and grow our core firearm business;
- focus on profitable growth in firearms and firearm-related products;
- streamline and standardize our business operations;
- emphasize customer satisfaction and loyalty; and
- pursue strategic relationships and acquisitions that are synergistic with our current business.

We estimate that the domestic non-military firearm market based on industry shipments is approximately \$1.9 billion for handguns and \$1.4 billion for long guns, excluding shotguns, with our market share in calendar 2014 being approximately 20% and 6%, respectively. According to 2013 reports by the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives, or ATF, the U.S. firearm manufacturing industry has grown at a compound annual growth rate in units of 20% from 2008 through 2013.

We estimate that the domestic firearm accessories and equipment market based on hunting-related expenditures is approximately \$1.5 billion.

Our wholly owned subsidiary, Smith & Wesson Corp., was founded in 1852 by Horace Smith and Daniel B. Wesson. Mr. Wesson purchased Mr. Smith's interest in 1873. The Wesson family sold Smith & Wesson Corp. to Bangor Punta Corp. in 1965. Lear Siegler Corporation purchased Bangor Punta in 1984, thereby acquiring ownership of Smith & Wesson Corp. Forstmann Little & Co. purchased Lear Siegler in 1986 and sold Smith & Wesson Corp. shortly thereafter to Tomkins Corporation, an affiliate of U.K.-based Tomkins PLC. We purchased Smith & Wesson Corp. from Tomkins in May 2001 and changed our name to Smith & Wesson Holding Corporation in February 2002.

On January 3, 2007, we acquired all of the outstanding capital stock of Thompson Center Holding Corporation and its subsidiaries, including Thompson/Center Arms Company, Inc. (now Thompson/Center Arms Company, LLC), or collectively TCA, which is a brand name recognized by hunting enthusiasts and which holds a leading position in the black powder segment of the long gun market. In addition, TCA possesses expertise in long gun barrel manufacturing, which is important to our manufacture of long guns. TCA entered the bolt-action rifle market in June 2007 by launching internally developed new products with key differentiating features and benefits, such as certified accuracy, integral sight bases, and a three position safety.

On July 20, 2009, we acquired all of the outstanding capital stock of Universal Safety Response, Inc. (since renamed SWSS LLC, formerly Smith & Wesson Security Solutions, Inc. and referred to herein as SWSS). Based on a combination of factors occurring after the acquisition, including federal and corporate budgetary constraints, increased price competition, and a fundamental change in strategic direction, we completed the disposition of SWSS on July 26, 2012. The operating results of SWSS are classified as

discontinued operations and are presented in a separate line in the consolidated statements of income for all periods presented. Reference is made to Note 4 to our consolidated financial statements for a discussion of discontinued operations. Prior to the decision to divest the business, we had reported this business as a separate division under the heading of security solutions. Unless otherwise indicated, amounts reported throughout this Form 10-K represent only our continuing operations.

Effective as of April 30, 2014, our manufacturing agreement with Carl Walther GmbH under which we produced the Walther PPK and PPK/S pistols in the United States at our Houlton, Maine facility expired. In addition, as of April 30, 2013, we did not extend our distribution agreement to serve as the exclusive U.S. importer and distributor of Walther firearms. Walther manufactures our full size M&P22 pistols and will continue to do so through the end of fiscal 2017.

On May 5, 2014, we acquired substantially all of the net assets of Tri-Town Precision Plastics, Inc., or TTPP, a provider of custom injection molding services, rapid prototyping, and tooling, which we refer to as the DRP Acquisition. TTPP was a long-standing supplier of polymer frames and related components for a large number of our firearms, including nearly all of our popular M&P models. The DRP Acquisition was designed to vertically integrate a key component of our manufacturing operations and provide us with increased flexibility within our supply chain.

On December 11, 2014, we acquired all of the issued and outstanding stock of Battenfeld Acquisition Company Inc., including its wholly owned subsidiary, Battenfeld Technologies, Inc., or BTI, a leading provider of hunting and shooting accessories, which we refer to as the BTI Acquisition. The BTI Acquisition was designed to allow us to expand our presence in the firearm accessories market and leverage BTI's broad portfolio of hunting and shooting accessories brands that are popular with consumers.

We maintain our principal executive offices at 2100 Roosevelt Avenue, Springfield, Massachusetts 01104. Our telephone number is (800) 331-0852. Our website is located at www.smith-wesson.com. Through our website, we make available free of charge our annual reports on Form 10-K, our proxy statements, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and amendments to any of them filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These documents are available as soon as reasonably practicable after we electronically file them with the Securities and Exchange Commission, or the SEC. We also post on our website the charters of our Audit, Compensation, and Nominations and Corporate Governance Committees; our Corporate Governance Guidelines, our Code of Conduct, and any amendments or waivers thereto; and any other corporate governance materials contemplated by the regulations of the SEC and the Nasdaq Global Select Market. The documents are also available in print by contacting our corporate secretary at our executive offices.

Strategy

Our objective is to continue to enhance our position as one of the world's leading firearm manufacturers by designing, producing, and marketing high-quality, innovative firearms and related products that meet the needs and desires of consumers and professionals. Key elements of our strategy to achieve this objective are as follows:

Protect and Grow Our Core Firearm Business

We plan, protect, and grow our core firearm business by continuing to enhance our presence in our existing domestic and international markets, capitalizing on our brands such as Smith & Wesson, M&P, and Thompson/Center Arms, introducing innovative new products, and entering new markets. We continually seek to introduce new products to increase our current market share, especially in the polymer handgun market as represented by our M&P brand. In addition, the largest portion of our business historically resulted from the sale of handguns in the domestic sporting goods market. With the acquisition of Thompson/Center Arms in fiscal 2007 and the introduction of our modern sporting rifles, we expanded our business into multiple segments of the long gun market. During the last two fiscal years, we have introduced numerous new handgun and long gun models, including our M&P22 Compact pistol; product extensions for our M&P9, M&P40, and M&P45 pistols; M&P10; non-laser M&P Bodyguard .380; Model 66 Combat Magnum revolver; and the Model 69 Magnum revolver. We plan to continue to introduce new firearm products in fiscal 2016.

Focus on Profitable Growth in Firearms and Firearm-Related Products

We are focused on growth, but only in those areas that provide an acceptable return on invested capital. In order to meet those profitability goals, we are primarily focused on leveraging existing products and introducing new products when appropriate. In addition, we are continuing our focus on capacity utilization, strategic pricing and marketing initiatives, flexible manufacturing, standardized process, and vertical integration for efficiency and scalability. The DRP Acquisition in early fiscal 2015 was designed to vertically integrate a key component of our manufacturing operations and provide us with increased flexibility within our supply chain. In fiscal 2015, we also acquired BTI, which has a track record of delivering strong financial and operating performance by providing a broad portfolio of hunting and shooting related products.

Streamline and Standardize Our Business Operations

We are continuing our efforts to enhance our manufacturing productivity in terms of increased daily production quantities, increased operational availability of equipment, reduced machinery down time, extended machinery useful life, reduced overtime, increased efficiency, enhanced product quality, and expanded outsourcing. We plan to continue to seek gains in manufacturing efficiency and capacity to assure that we can meet customer demand for our most popular products. We also plan to continue to streamline and standardize our business, which includes investing in an integrated and configurable technology infrastructure in areas such as enterprise resource planning, or ERP, and compliance. During fiscal 2015, we continued to improve and enhance our ERP systems, and we intend to continue investing in improving our systems in order to enhance our efficiency, improve information reporting, and strengthen internal controls. These system improvements may include implementing SAP at our additional facilities if we believe such an implementation would help us achieve these objectives. We intend to convert our Deep River facility to SAP in fiscal 2016.

Emphasize Customer Satisfaction and Loyalty

We plan to continue to emphasize customer satisfaction and loyalty by offering high-quality products and services on a timely and cost-effective basis and by offering customer service, training, and support.

Pursue Strategic Relationships and Acquisitions that are Synergistic with Our Current Business

We intend to develop and expand strategic relationships and review and pursue strategic acquisitions that complement, enhance, or are additive to our business. For example, in fiscal 2015, the DRP Acquisition was designed for vertical integration and the BTI Acquisition was designed to allow us to expand our presence in the firearm accessories market and leverage BTI's broad portfolio of hunting and shooting accessories brands. In addition, our strategic alliance with General Dynamics Ordnance and Tactical Systems is primarily designed to assist us in the pursuit of the U.S. Army's Modular Handgun System solicitation.

Firearm Products and Services

General

Our firearm products combine our legacy of 163 years of American manufacturing and engineering expertise with modern technological advances. We strive to leverage our tradition of innovation in materials, performance, and engineering, along with our proven history of reliability, to produce feature-rich, safe, durable, accurate, and high-performing firearms that satisfy the needs of our broad range of customers. Our introduction of new firearm products is intended to enhance our competitive position and broaden our participation in the overall firearm market.

We have substantially enhanced the breadth and quality of our portfolio of firearm products over the years. We have always been a leader in the revolver market. The introduction of our popular M&P branded pistol in January 2005 resulted in our company becoming one of the leaders in the polymer pistol market serving both law enforcement agencies and the consumer sporting goods market. The launch of our M&P branded modern sporting rifle in January 2006 has enabled us to capture what we estimate is the leading share of the modern sporting rifle market. The addition of our Thompson/Center Arms brand of hunting firearms and interchangeable firearm systems into our product portfolio in January 2007 also enhanced our long gun barrel manufacturing capabilities for our modern sporting rifles. We currently participate in three categories of the long gun market: bolt action rifles, muzzleloaders, and modern sporting rifles; and both core categories of the handgun market, namely semi-automatic pistols and revolvers.

All of our firearms are currently sold under our Smith & Wesson, M&P, and Thompson/Center Arms brands. In addition, our Performance Center offers specialized and enhanced models sold under the Smith & Wesson and M&P brands. Depending upon the product or service, our customers include distributors; federal, state, and municipal law enforcement agencies and officers; government and military agencies; businesses; retailers; and consumers.

Our product development strategy is to understand our customers' needs and then design and develop products to uniquely meet those needs. Throughout the process, we test multiple concepts with firearm owners and potential purchasers. We compare these test results against a growing database of prior concepts to identify those with the greatest market potential. Additional market research is completed to optimize the desired features and benefits. While this development process is ongoing, our launch timing for new products depends on market conditions to maximize sales across the entire product portfolio. In fiscal 2015, we launched several new products and product line extensions under our Smith & Wesson, M&P, and Thompson/Center Arms brands as well as several new products from our Performance Center.

We introduced a number of M&P pistol products in fiscal 2015. Capitalizing on the growing consumer demand for concealed carry firearms, we introduced our M&P Bodyguard 380 lightweight, sub-compact pistol without a laser. This firearm features M&P slide serrations for increased grip and M&P sights and is suited for users who prefer a smaller profile firearm without a laser. We expanded the highly popular, concealed carry M&P Shield line with additional no-thumb safety models in 9mm and .40S&W. We also introduced the new M&P22 Compact pistol. This reduced-scale version of a full size M&P pistol is chambered in the popular .22LR caliber. Featuring the comfortable to shoot M&P ergonomics, the M&P22 Compact is well suited for recreational shooting and training. Other new models added to the M&P line include the M&P9 and M&P40 pistols featuring a flat, dark earth color frame, and the M&P9 and M&P45 pistols with an extra threaded barrel kit.

In fiscal 2015, we expanded our Smith & Wesson brand with the introduction of a new model of the popular Smith & Wesson J-Frame Revolver that incorporates a factory installed LaserMax CenterFire laser sighting system. This model enhanced the versatility of our line of small frame revolvers and extended the Smith & Wesson line of self-defense firearms. The Model 69 .44 Magnum revolver, introduced last fiscal year, received the NRA Golden Bullseye award for Handgun of the Year from *Shooting Illustrated* magazine at the 2015 NRA Show.

Our customers continue to demand premium models of our firearms that provide a competitive edge in sport shooting and handgun hunting. To meet this need, we introduced several new Smith & Wesson Performance Center models for hunting, competitive shooting, and personal protection. The newest Performance Center Model 460XVR Bone Collector limited edition features our largest X-frame revolver in .460 S&W Magnum caliber enhanced with a Performance Center tuned action and additional, desirable Performance Center features. We also introduced a complete line of Performance Center ported M&P pistols featuring enhanced triggers, ported barrels, and competition optics ready slides in 9mm or .40S&W calibers, and 4.25-inch or 5-inch long slides and barrel configurations and the Performance Center Model 929 9mm revolver, which was introduced last fiscal year and was named the “Most Significant Handgun of 2014” by the Shooting Gallery magazine. Built to the specifications of Smith & Wesson Champion shooter Jerry Miculek, this signature model that bears his name was selected for the award based on its uniqueness and its impact on revolver-based competitions.

Within our Thompson/Center Arms brand, we continued to focus on growing our bolt action rifle business while maintaining our leadership in muzzleloaders and interchangeable systems.

Our firearm business is seasonal with revenue peaking in our fourth fiscal quarter ending April 30 as a result of most industry events and distributor shows being scheduled during the early spring months. In addition, because of our operating schedule, which includes a summer and a winter shutdown of our firearm facilities, we have increased operating days during our fourth fiscal quarter, which allows our shipping and production volumes to exceed other quarters.

Our firearm net sales for the years ended April 30, 2015, 2014, and 2013 were \$531.2 million, \$626.6 million, and \$587.5 million, respectively. Firearms gross profit for the years ended April 30, 2015, 2014, and 2013 totaled \$188.6 million, \$259.1 million, and \$218.1 million, respectively. Total assets for our firearm business totaled \$345.3 million and \$381.5 million as of April 30, 2015 and 2014, respectively. Reference is made to our consolidated financial statements, commencing on page F-1 of this report, for more information regarding our firearm business.

Sales of our handguns accounted for \$395.5 million in net sales, or 71.7% of our net sales, for the fiscal year ended April 30, 2015, \$423.0 million in net sales, or 67.5% of our net sales, for the fiscal year ended April 30, 2014, and \$324.6 million in net sales, or 55.3% of our net sales, for the fiscal year ended April 30, 2013. Sales of long guns accounted for \$90.2 million in net sales, or 16.3% of our net sales, for the fiscal year ended April 30, 2015, \$155.3 million in net sales, or 24.8% of our net sales, for the fiscal year ended April 30, 2014, and \$179.2 million in net sales, or 30.5% of our net sales, for the fiscal year ended April 30, 2013. Sales of other products and services accounted for \$45.0 million in net sales, or 8.2% of our net sales, for the fiscal year ended April 30, 2015, \$42.7 million in net sales, or 6.8% of our net sales, for the fiscal year ended April 30, 2014, and \$42.1 million in net sales, or 7.2% of our net sales, for the fiscal year ended April 30, 2013.

Handguns

We currently manufacture an extensive variety of handgun models that include revolvers and pistols. A revolver is a handgun with a cylinder that holds the ammunition in a series of rotating chambers that are successively aligned with the barrel of the firearm during each firing cycle. There are two general types of revolvers: single-action and double-action. To fire a single-action revolver, the hammer is pulled back to cock the firearm and align the cylinder before the trigger is pulled. To fire a double-action revolver, a single trigger pull advances the cylinder as it cocks and releases the hammer. A pistol is a handgun in which the ammunition chamber is an integral part of the barrel and which is fed ammunition from a magazine contained in the grip. The firing cycle ejects the spent casings and loads a new round into the chamber.

We have long been known as an innovator and a leader in the revolver market and most of our revolvers are currently marketed under the Smith & Wesson brand. We sell a wide range of sizes from small-frame, concealed carry revolvers used primarily for personal protection to large-frame revolvers used primarily for recreational and competitive sport shooting. Our extra-large frame revolvers are designed primarily to address the handgun-hunting market.

Our small-frame revolvers have been carried by law enforcement personnel and personal defense-minded citizens for 163 years. We hold a number of patents on various firearm applications, including the use of scandium, a material that possesses many of the same attributes as titanium but at a more reasonable cost. Our revolvers are available in a variety of models and calibers, with applications in virtually all professional and consumer markets.

We offer pistols under both our Smith & Wesson brand and our M&P brand. Our full size and compact M&P pistol products have been engineered with input from the professional users and are designed to offer performance, safety, and durability that meet the standards of global law enforcement and military personnel, as well as to contain features attractive to consumers. We believe that our M&P branded pistol products are the most ergonomic, feature-rich, and innovative products on the market today. Our range of full size and compact M&P pistol products are made with a polymer frame, a rigid stainless steel chassis, and a black, through-hardened corrosion resistant finished stainless steel barrel and slide for durability. Our M&P pistol products feature patented and easily changed palmswell grips in three sizes, allowing the user to customize grips in a matter of seconds; a passive trigger safety to prevent the pistol from firing if dropped; an enlarged trigger guard to accommodate gloved hands; a sear lever release that eliminates the need to press the trigger in order to disassemble the firearm; an ambidextrous slide stop and reversible magazine release to accommodate right- and left-handed shooters; an optional internal locking system and magazine safety; and a universal equipment rail to allow the addition of accessories, including lights and lasers.

In fiscal 2012, we launched the M&P Shield pistol to address the growing personal protection and concealed carry market. The M&P Shield features a slim concealable profile, 9mm and .40S&W calibers, and M&P ergonomics. We introduced additional M&P Shield models during fiscal 2015. We consider the M&P Shield pistol to be one of the most popular firearms in the market.

Our Performance Center has been providing specialized products and services for the most demanding firearm enthusiasts since 1990. To meet the requirements of law enforcement professionals, competitive shooters, collectors, and discriminating sport enthusiasts who demand superior firearm products, our Performance Center personnel conceptualize, engineer, and craft firearm products from the ground up. Our craftsmen, many of whom are actively involved in competitive shooting, are highly skilled and experienced gunsmiths. Performance Center products are offered under both the Smith & Wesson brand and the M&P brand and are typically made in limited production quantities, although we offer a number of catalog variations in order to enhance product availability.

Our "Classics" department makes it possible to own historic firearms that are manufactured today but modeled after original favorites, such as the Model 29, the firearm made famous by the movie character Dirty Harry. These firearms are newly crafted with designs that take advantage of some of the most famous and collectible guns that we have ever made. Our Classics department also makes commemorative firearms and employs master engravers to craft one-of-a-kind custom firearms. These custom-made applications reflect the skill and vision of the master engraver and the artistic expression of the owner. We offer a number of catalog variations of Classics and engraved Classics to our customers.

Long Guns

Our M&P branded modern sporting rifles are specifically designed to satisfy the functionality and reliability needs of global military, law enforcement, and security personnel. These long guns are also popular as hunting and sporting target rifles and are sold to consumers through our sporting good distributors, retailers, and dealers. We offer M&P modern sporting rifles in four different calibers (.22LR, 5.56mm NATO (.223), .300 Whisper, and .308 Winchester (7.62x51mm)) for multiple recreational and professional uses. We also offer upper assemblies so gun owners can easily modify their M&P to suit the needs and tasks of the various forms of sport shooting and hunting. Our broad product portfolio of modern sporting rifles includes a .22 caliber model, an opening price-point sport model, a hunting caliber for longer range effectiveness, and several models designed for the exclusive use of military and law enforcement agencies throughout the world.

We manufacture two lines of bolt-action rifles under our Thompson/Center Arms brand consisting of several models in each line. These long guns are offered in up to 15 different calibers. Bolt-action rifles operate by the cycling of a bolt handle that allows for both the loading and unloading of rounds via a magazine fed system. This design allows for multi-round capacity and a level of strength that permits larger calibers. Bolt action rifles are the most popular firearm among hunters because of their reputation for accuracy, reliability, and relatively light-weight design.

Under our Thompson/Center Arms brand, we also offer four lines of high-quality American-made single shot “black powder,” or “muzzleloader,” firearms. Ammunition for our black powder firearms are loaded through the muzzle rather than the breech, as is the case with conventional firearms. Our black powder firearms are highly accurate, dependable rifles configured with muzzleloading barrels for hunting. Black powder firearms are purchased by hunting enthusiasts, primarily for use during exclusive black powder hunting seasons for hunting big game, such as deer and elk.

We offer two models of interchangeable, single shot firearm systems that deliver numerous gun, barrel, caliber configurations, and finishes. These firearm systems can be purchased fully assembled or as frame assemblies that can be configured by the owner as a center-fire rifle, rim-fire rifle, shotgun, black powder firearm, or single-shot handgun for use across the entire range of big- and small-game hunting. As a result, a firearm owner can easily change barrels, stocks, and forends, resulting in “one gun for all seasons” that can be continuously modified to suit the needs and tasks of the owner for various forms of sport shooting and hunting.

Other Firearm Products and Services

Our other firearm products and services include the following:

Parts: We sell parts to support our firearm business. The major products include barrels and magazines that are manufactured at our facilities or purchased through third parties.

Handcuffs: We are one of the largest manufacturers of handcuffs and restraints in the United States. We fabricate these products from the highest grade carbon or stainless steel. Our patented Lever Lock cuffs offer a new, double-locking system for added security and comfort, with no extra tools or keys. Double heat-treated internal locks help prevent tampering and smooth ratchets allow for swift cuffing and an extra measure of safety. We have the ability to customize handcuffs to fit customer specifications.

Smith & Wesson Academy: Established in 1969, the Smith & Wesson Academy is the nation’s oldest private law enforcement training facility. The Smith & Wesson Academy has trained law enforcement personnel from all 50 states and more than 50 foreign countries. Classes are conducted at our facility in Springfield, Massachusetts or on location around the world. Through the Smith & Wesson Academy, we offer state-of-the-art-instruction designed to meet the training needs of law enforcement and security customers worldwide.

Specialty Services: We utilize our substantial capabilities in metal processing and finishing to provide services to third-party customers. Our services include forging, heat treating, finishing, plating, and plastic injection molding.

Licensing: Several of our registered trademarks, including the “S&W” logo, the script “Smith & Wesson”, the “M&P” logo, the script “Thompson/Center Arms”, and the script “Performance Center” are well known and have a reputation for quality, value, and trustworthiness. As a result, we license our trademarks to third parties for use in connection with their products and services. Products of our licensees are distributed throughout the world. As of April 30, 2015, we licensed our trademarks to 14 different companies that market and sell products complementing our products, one more than in fiscal 2014.

Accessories Products and Services

We are a leading provider of shooting, reloading, gunsmithing, and gun cleaning supplies. We develop, produce, and deliver innovative, high-quality products under several brands. We offer an extensive array of products, including shooting and field rests, gunsmithing tools, gun vises, hearing protection, ammo tumblers, and vault accessories. Since 2011, we have introduced more than 215 variations of accessories products and we currently hold over 40 patents. Our accessories business has grown primarily through organic initiatives focusing on new product introductions each year as well as through strategic acquisitions. Our brand portfolio includes the highly regarded Caldwell line of shooting supplies, which has provided shooting accessories for more than 14 years. We also sell products under other brand names, including Wheeler Engineering, Tipton Gun Cleaning Supplies, Frankford Arsenal Reloading Tools, Lockdown Vault Accessories, Hooyman Premium Tree Saws, BOG-POD, and Golden Rod Moisture Control.

For the period from December 11, 2014, the date of the BTI Acquisition, to April 30, 2015, net sales of our accessories products were \$20.6 million, and accessories gross profit for the year ended April 30, 2015 totaled \$6.4 million.

Marketing, Sales, and Distribution

General

We go to market in three primary ways in our firearm division: two-step distribution, strategic retailers, and two buying groups consisting of certain large, regional retailers utilizing a direct sales force to service these customers. We also sell firearms directly to law enforcement agencies. In our accessories division, we go to market through two-step distribution, strategic retailers, and direct-to-dealer sales utilizing a combination of direct sales and sales representatives. We make our overseas sales primarily through distributors, which in turn sell to retail stores and government agencies. Our top five commercial distributors in the United States accounted for a total of 34.3% and 42.9%, respectively, of our net sales for the fiscal years ended April 30, 2015 and 2014. Those commercial distributors are not regional and have many of the same dealer customers. Therefore, we believe that the loss of one or more of the distributors would not materially impact sales, as the remaining distributors would be allocated additional sales.

We market our products to consumers primarily through independent dealers, large retailers, in-store retail channels, and range operations utilizing consumer-focused product marketing and promotional campaigns, which include print, broadcast, and digital advertising campaigns; social and electronic media; and in-store retail merchandising systems and strategies. We are also an industry leader in vertical print media as gauged by our regular tracking of editorial coverage in numerous outdoor magazines, including such leaders as *Guns & Ammo*, *American Rifleman*, *Shooting Times*, *American Handgunner*, *Shooting Illustrated*, *Outdoor Life*, *American Hunter*, and *Field & Stream*. We also sponsor numerous outdoor television and radio programs that generate significant editorial exposure. During fiscal 2015, we enhanced our Smith & Wesson CONNECT awards program, which allows sales associates at certain retailers to earn points that are redeemable for prizes from the sale of our products.

We sponsor a significant number of firearm safety, shooting, and hunting events and organizations. We print various product catalogs that are distributed to our dealers and mailed directly, on a limited basis, to consumers. We also attend various trade shows, such as the Shooting, Hunting, Outdoor Trade (SHOT) Show, the NRA Annual Meeting & Exhibits, the National Association of Sporting Goods Wholesalers Show, the International Association of Chiefs of Police Show, the AUSA Show, the IWA Show in Europe, and various distributor, buying group, and consumer shows.

For the fiscal years ended April 30, 2015, 2014, and 2013, advertising and promotion expenses amounted to \$20.2 million, \$19.5 million, and \$15.1 million, respectively, excluding the cost of rebates and promotions reflected in gross profit.

We sell our products worldwide. International sales accounted for 4%, 3%, and 3% of our net sales for the fiscal years ended April 30, 2015, 2014, and 2013, respectively. Our firearm business had no assets located outside the United States during any of the periods presented; our accessories business owns tooling that is located at various suppliers in Asia.

E-Marketing

We utilize our www.smith-wesson.com, www.tcarms.com, and www.btibrands.com websites to market our products and services and to provide a wide range of information regarding our company to customers, consumers, dealers, distributors, investors, and government and law enforcement agencies worldwide. We utilize e-marketing, including social and digital marketing such as Facebook, Twitter, YouTube, and e-blasts to our consumer and trade customers to provide additional product and service information to such customers.

Retail

We operate online retail stores from which we sell hunting and shooting accessories under the Smith & Wesson, M&P, Thompson/Center Arms, Caldwell, Wheeler, Tipton, Frankford Arsenal, Lockdown, Hooyman, BOG-POD, and Golden Rod branded products, apparel, and related hunting and shooting supplies. Firearms are not sold through the online retail stores.

Service and Support

Our firearm division operates a toll free customer service number from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday, and offers a customer service e-mail option to answer questions and resolve issues regarding our firearm products. In addition, we offer a limited one year warranty program and a lifetime service policy under which we repair defects in material or workmanship in our firearm products without charge for as long as the original purchaser owns the firearm. We also maintain a number of authorized warranty centers throughout the world and provide both warranty and charge repair services at our facilities.

Our accessories division operates a toll free customer service number from 8:00 a.m. to 5:00 p.m. Central Time, Monday through Friday to answer questions and resolve issues regarding our accessories products. We offer a limited one year or a limited lifetime warranty program to the original purchaser of our accessories products, depending on the product purchased.

Manufacturing

We have three manufacturing facilities for our firearm products: a 575,000 square-foot facility located in Springfield, Massachusetts; a 38,000 square-foot facility located in Houlton, Maine; and a 150,000 square-foot facility located in Deep River, Connecticut. We conduct our handgun and long gun manufacturing and most of our specialty service activities at our Springfield facility. We historically utilized our Houlton facility for the production of metal pistols, handcuffs, and other restraint devices, but in fiscal 2015, our Houlton facility was converted into a machining center and all assembly, finishing, and small parts operations were transferred to our Springfield facility. We continue to produce handcuffs and other restraint devices at our Houlton facility. Our Deep River facility is utilized for custom plastic injection molding services, rapid prototyping, and tooling. We have a 145,000 square-foot warehousing and assembly facility for our accessories products located in Columbia, Missouri. All of our facilities are ISO 9001 certified.

We perform most of the machining and all of the assembly, inspection, and testing of the firearms manufactured at our facilities. Every firearm is test fired before shipment. Our major firearm components are cut by computer-assisted machines, and we employ sophisticated automated testing equipment to assist our skilled employees to ensure the proper functioning of our firearms. Our Springfield and Houlton facilities are currently operating on two shift patterns; a four shift, 168 hour per week schedule and a three shift, 120 hour per week schedule. We seek to minimize inventory costs through an integrated planning and production system. During fiscal 2014, we transitioned our ERP system in our Springfield and Houlton facilities to SAP, and we intend to continue investing in improving our systems in order to enhance efficiency, improve information reporting, and strengthen internal controls. We also intend to convert our Deep River facility to SAP in fiscal 2016.

Suppliers

Although we manufacture most of the components for our firearms, we purchase certain components and parts, including bolt carriers, rifle receivers, magazines, slides, small parts, barrels, and rifle stocks, from third parties. We also purchase ammunition for product testing. Most of our major suppliers for our firearm-division products are U.S.-based and provide materials, components, and parts, such as raw steel, polymer components, and metal-injected-molded components. The costs of these materials, components, and parts are at competitive rates. We have become increasingly dependent on a small number of key vendors that supply components and parts for our firearms as a result of our decision to enhance our manufacturing flexibility by using third parties that can supplement our internal capacity to better react to changes in market conditions. We also use numerous raw materials, such as steel, wood, lead, brass, and plastics, in producing and testing our products. We have alternative sources for these raw materials. Most of our major suppliers for our accessories-division products are based in Asia.

Research and Development; New Product Introductions

Through our advanced products engineering departments, we enhance existing products and develop new firearm and accessories products. In fiscal 2015, 2014, and 2013, our gross spending on research activities relating to the development of new products was \$6.9 million, \$5.6 million, and \$4.8 million, respectively. As of April 30, 2015, we had 47 employees at our Springfield, Massachusetts and Columbia, Missouri facilities engaged in ongoing research and development activities for both our firearm and accessories products as part of their responsibilities.

Patents, Trademarks, and Copyrights

We recognize the importance of innovation and the importance of protecting our intellectual property. Accordingly, we own numerous patents related to our firearm, handcuff, and accessories products. We apply for patents whenever we develop new products or processes deemed commercially viable. We do not believe that our business is materially dependent on any single patent.

Because of the significance of our brand names, trademarks and copyrights also are important to our business. We have an active global program of trademark registration, monitoring, and enforcement. We believe that our SMITH & WESSON trademark and our S&W monogram, as well as our M&P and Thompson/Center Arms brands are known and recognized by the public worldwide and are important to our business. In addition, we market our accessories products under several brand names, including Caldwell Shooting Supplies, Wheeler Engineering, Tipton Gun Cleaning Supplies, Frankford Arsenal Reloading Tools, Lockdown Vault Accessories, Hooyman Premium Tree Saws, BOG-POD, and Golden Rod Moisture Control, among others.

We intend to vigorously pursue and challenge infringements of our patents, trademarks, copyrights, and service marks, as we believe the goodwill associated with them is a cornerstone of our branding and licensing strategy.

Competition

The firearm industry is dominated by a small number of well-known companies. We encounter competition from both domestic and foreign manufacturers. Some competitors manufacture a wide variety of firearms as we do, while the majority of our competitors manufacture only certain types of firearms. We are one of the largest manufacturers of handguns, modern sporting rifles, and handcuffs in the United States and an active participant in the hunting rifle market. We compete primarily based upon innovation, quality, reliability, durability, price, performance, consumer brand awareness, and customer service and support. Our customer service organization is proactive in offering timely responses to customer inquiries. We believe we can effectively compete with all our present competitors.

Our primary competitors are Ruger and Taurus in the revolver market and Glock, Ruger, Sig Sauer, and Springfield Armory in the pistol market. We compete primarily with Colt, Sig Sauer, Bushmaster, Rock River, and DPMS in the modern sporting rifle market and Browning, Marlin, Remington, Ruger, Savage, Weatherby, CVA, Traditions, and Winchester in the hunting rifle market.

Peerless Handcuff Company is the only major handcuff manufacturer with significant market share in the United States that directly competes with us. As a result of competitive foreign pricing, we sell nearly 90% of our handcuffs and restraints in the United States.

Our competitors in the accessories market are not as clearly defined as the firearms market because of the broad range of brand names and products. Our primary competitor in the accessories market is Vista Outdoors, formerly known as Alliant Techsystems Inc. (ATK). Other notable competitors to our accessories brands include Hyskore, Hornady, Laserlyte, Lyman, Birchwood Casey, and MTM Case-Gard.

Customers

We sell our firearm products and services through a variety of federally licensed distribution channels. Depending upon the product or service, our firearm customers include distributors; federal, state, and municipal law enforcement agencies and officers; government and military agencies; businesses; retailers; and consumers. Our accessories customers are generally businesses, retailers, and consumers. The ultimate users of our firearm and accessories products include gun enthusiasts, collectors, sportsmen, competitive shooters, hunters, individuals desiring home and personal protection, law enforcement and military personnel and agencies, and other government organizations.

During fiscal 2015, 8.2% of our firearm net sales were to state and local law enforcement agencies and the federal government, 4.0% of our firearm net sales were to international customers; and the remaining 87.8% of our firearm net sales were through federal firearm licensees to domestic consumers. Our domestic firearm net sales are primarily made to distributors that sell to licensed dealers that in turn sell to the end users. In some cases, we sell directly to large retailers and dealers.

Net sales of our accessories products during fiscal 2015 were 9.0% to international customers and 91.0% to domestic customers.

We grant payment terms to most commercial customers ranging from 30 to 90 days. However, in some instances, we provide longer payment terms, particularly as it relates to our hunting dating programs.

Governmental Regulations

Our firearm business is primarily regulated by the ATF, which licenses the manufacture, sale, and import of firearms in the United States. The ATF conducts periodic audits of our firearm facilities. The U.S. Department of State currently oversees the export of firearms, and we must obtain an export permit for all international shipments.

There are also various state and local regulations relating to firearm characteristics, features, and sales, as well as firearm magazine capacities. Local firearm dealers must comply with state and local laws and regulations pertaining to firearms and magazine sales within their jurisdictions. We manufacture several firearm models and magazines with various capacities that comply with those laws and regulations for sales in those states and localities. In Massachusetts, for example, there are regulations related to the weight of the trigger pull, barrel length, material strength, and independent testing of handguns. California and New York, as well as other states, also have similar laws and restrictions. In addition, California requires new pistols to contain a microstamping mechanism, which must be able to etch or imprint a microstamp array of characters that identify the make, model, and serial number of the pistols onto each cartridge case when the pistol is fired. No commercially produced firearm has utilized the microstamping process, which is considered by many to be unfeasible, and we have no plans to utilize any microstamping feature in our firearms. Therefore, we will not sell into the state of California any pistol that is subject to the microstamping feature requirement.

Warnings and instructions concerning the safe operation of our firearms are contained in Safety & Instruction Manuals included in all boxes in which firearms are shipped and are also available for download from our Smith & Wesson and Thompson/Center Arms websites.

Our accessories business is subject to various standard business regulations that apply to all companies whose products are used by consumers.

Environmental Health and Safety

We are subject to numerous federal, state, and local laws that regulate both the health and safety of our workforce as well as our environmental liability, including, but not limited to, those regulations monitored by the Occupational Health and Safety Administration (OSHA), the National Fire Protection Association, and the Department of Public Health. Though not exhaustive, examples of applicable regulations include confined space safety, walking and working surfaces, machine guarding, and life safety.

We are required to comply with regulations that mitigate any release into the environment. These laws have required, and are expected to continue to require, us to make significant expenditures of both a capital and expense nature. Several of the more significant federal laws applicable to our operations include the Clean Air Act; the Clean Water Act; the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA; and the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, or RCRA.

We are required to remediate hazardous waste at our facilities. Currently, we own a designated site in Springfield, Massachusetts that contains two release areas, which are the focus of remediation projects as part of the Massachusetts Contingency Plan, or MCP. The MCP provides a structured environment for the voluntary remediation of regulated releases. We may be required to remove hazardous waste or remediate the alleged effects of hazardous substances on the environment associated with past disposal practices at sites not owned by us. We have received notice that we are a potentially responsible party from the Environmental Protection Agency and/or individual states under CERCLA or a state equivalent at two sites.

In our efforts to satisfy our environmental responsibilities and to comply with environmental laws and regulations, we have established, and periodically update, policies relating to the environmental standards of performance for our operations. We maintain programs that monitor compliance with various environmental regulations. However, in the normal course of our manufacturing operations, we may be subject to governmental proceedings and orders pertaining to waste disposal, air emissions, and water discharges from our operations into the environment. We regularly incur substantial capital and operating costs to comply with environmental laws, including remediation of known environmental conditions at our main facility in Springfield, Massachusetts. We spent \$652,000 in fiscal 2015 on environmental compliance, consisting of \$411,000 for disposal fees and containers, \$110,000 for remediation, \$43,000 for DEP analysis and fees, and \$88,000 for air filtration maintenance. Although we have potential liability with respect to the future remediation of certain pre-existing sites, we believe that we are in substantial compliance with applicable material environmental laws, regulations, and permits.

In the normal course of our business, we may become involved in various proceedings relating to environmental health and safety matters, and we are currently engaged in an environmental investigation and remediation. Our manufacturing facilities are located on properties with a long history of industrial use, including the use of hazardous substances. We have identified soil and groundwater contamination at our Springfield, Massachusetts plant that we are investigating, monitoring, or remediating, as appropriate.

As of April 30, 2015, we had recorded \$675,000 of environmental reserve in non-current liabilities. Our estimate of these costs is based upon currently enacted laws and regulations, currently available facts, experience in remediation efforts, existing technology, and the ability of other potentially responsible parties or contractually liable parties to pay the allocated portions of any environmental obligations.

When the available information is sufficient to estimate the amount of liability, that estimate has been used; when the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range has been used. We may not have insurance coverage for our environmental remediation costs. We have not recognized any gains from probable recoveries or other gain contingencies. The environmental reserve was calculated using undiscounted amounts based on independent environmental remediation reports obtained.

On May 5, 2014, we acquired substantially all of the net assets of TTPP for \$22.8 million, plus a \$1.0 million working capital adjustment, for a total purchase price of \$23.8 million, utilizing cash on hand. Under the asset purchase agreement, the former stockholder of TTPP indemnified us for losses arising from, among other things, environmental conditions related to its manufacturing activities. Of the purchase price, \$3.0 million was placed in an escrow account, of which \$2.8 million remains available. A portion of

this escrow account will be applied to environmental remediation at the manufacturing site in Deep River, Connecticut. It is not presently possible to estimate the ultimate amount of all remediation costs and potential uses of the escrow. We believe the likelihood of environmental remediation costs exceeding the amount available in escrow to be remote.

Based on information known to us, we do not expect current environmental regulations or environmental proceedings and claims to have a material adverse effect on our consolidated financial position, results of operations, or cash flows. However, it is not possible to predict with certainty the impact on us of future environmental compliance requirements or of the cost of resolution of future environmental health and safety proceedings and claims, in part because the scope of the remedies that may be required is not certain, liability under federal environmental laws is joint and several in nature, and environmental laws and regulations are subject to modification and changes in interpretation. There can be no assurance that additional or changing environmental regulation will not become more burdensome in the future and that any such development would not have a material adverse effect on our company.

Employees

As of May 31, 2015, we had 1,749 employees, including 30 part-time employees. Of these employees, 1,375 were engaged in manufacturing, 80 in sales and marketing, 33 in finance and accounting, 47 in research and development, 34 in information services, and 180 in various executive or other administrative functions. None of our employees are represented by a union in collective bargaining with us. Of our employees, 24.0% have 10 or more years of service with our company and 14.7% have greater than 25 years of service with our company. We believe that our employee relations are good and that the high quality of our employee base is instrumental to our success.

Backlog

As of April 30, 2015 and 2014, we had a backlog of orders for our firearm business of \$169.4 million and \$230.4 million, respectively. Our accessories business had a backlog of orders of \$9.8 million as of April 30, 2015. Our backlog consists of orders for which purchase orders have been received and which are generally scheduled for shipment within six months and subject to capacity constraints. We allow orders received that have not yet shipped to be cancelled, with cancellations being more likely in periods following surges in demand. Therefore, our backlog may not be indicative of future sales.

Executive Officers

The following table sets forth certain information regarding our executive officers:

Name	Age	Position
P. James Debney	47	President and Chief Executive Officer
Jeffrey D. Buchanan	59	Executive Vice President, Chief Financial Officer, and Treasurer
Robert J. Cicero	48	Vice President, General Counsel, Chief Compliance Officer, and Secretary
Mark P. Smith	39	Vice President, Manufacturing and Supply Chain Management

P. James Debney has served as President and Chief Executive Officer of our company and as a member of our board of directors since September 2011. He was Vice President of our company from April 2010 until September 2011, and President of our firearm division from November 2009 until September 2011. Mr. Debney was President of Presto Products Company, a \$500 million business unit of Alcoa Consumer Products, a manufacturer of plastic products, from December 2006 until February 2009. He was Managing Director of Baco Consumer Products, a business unit of Alcoa Consumer Products, a manufacturer of U.K.-branded and private label foil, film, storage, food, and trash bag consumer products, from January 2006 until December 2006; Manufacturing and Supply Chain Director from August 2003 until December 2005; and Manufacturing Director from April 1998 until July 2003. Mr. Debney joined Baco Consumer Products in 1989 and held various management positions in operations, production, conversion, and materials.

Jeffrey D. Buchanan has served as Executive Vice President, Chief Financial Officer, and Treasurer of our company since January 2011. Mr. Buchanan served as Secretary of our company from January 2011 until April 2012. Mr. Buchanan served as a director of our company from November 2004 until December 2010. He was of counsel to the law firm of Ballard Spahr LLP from May 2010 until December 2010. Mr. Buchanan served as a Senior Managing Director of CKS Securities, LLC, a registered broker-dealer, from August 2009 until May 2010 and as a Senior Managing Director of Alare Capital Securities, L.L.C., a registered broker-dealer, from November 2006 until July 2009. From 2005 to 2006, Mr. Buchanan was principal of Echo Advisors, Inc., a corporate consulting and advisory firm focusing on mergers, acquisitions, and strategic planning. Mr. Buchanan served in various positions for Three-Five Systems, Inc., a publicly traded electronic manufacturing services company, including Executive Vice President, Chief Financial Officer, and Treasurer, from May 1996 until February 2005. In September 2005, Three-Five Systems, Inc. filed a voluntary

petition for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. Mr. Buchanan was a business attorney from 1986 until 1996 for the law firm of O'Connor, Cavanagh, Anderson, Killingsworth & Beshears and for the law firm of Davis Wright Tremaine LLP from 1984 until 1986. He was a senior staff person at Deloitte & Touche LLP from 1982 to 1984. Mr. Buchanan is a director of Synaptics Incorporated, a publicly traded company that develops custom user interface solutions.

Robert J. Cicero has served as Vice President and General Counsel of our company since October 2011 and Chief Compliance Officer and Secretary of our company since April 2012. Mr. Cicero was Associate General Counsel, Compliance Officer and Assistant Secretary of Chemtura Corporation, a global specialty chemicals company, from March 2009 until October 2011; Assistant General Counsel from July 2005 until March 2009; and Chief Counsel from September 2003 until July 2005. He was an Associate in the Executive Compensation and Employee Benefits Group for the law firm of Shearman & Sterling LLP from May 2000 until September 2003; an Associate in the Labor and Employment Section for the law firm of Morgan, Lewis & Bockius, LLP, from May 1998 until May 2000; and an Associate in the Labor and Employment Section for the law firm of Akin Gump Strauss Hauer & Feld, LLP from June 1996 until May 1998. Mr. Cicero was an Assistant Corporation Counsel in the New York City Office of the Corporation Counsel from September 1993 until June 1996.

Mark P. Smith has served as Vice President of Manufacturing and Supply Chain Management of our company since May 2011. Mr. Smith was Vice President of Supply Chain Management of our company from May 2010 until May 2011. He was Director- Supply Chain Solutions for Alvarez & Marsal Business Consulting, LLC from April 2007 until April 2010. Mr. Smith held various positions for Ecolab, Inc., a developer and marketer of programs, products, and services for the hospitality, foodservice, healthcare, industrial, and energy markets, from March 2001 until April 2007, including Program Manager, Acquisition Integration Manager, Senior Manufacturing Planner, Plant Engineer, and Senior Production / Quality Supervisor. Mr. Smith was a Production Supervisor for Bell Aromatics, a manufacturer of flavors and fragrances, from August 1999 until March 2001.

Item 1A. Risk Factors

Investors should carefully consider the following risk factors, together with all the other information included in the Form 10-K, in evaluating our company, our business, and our prospects.

Our performance is influenced by a variety of economic, social, and political factors.

Our performance is influenced by a variety of economic, social, and political factors. General economic conditions and consumer spending patterns can negatively impact our operating results. Economic uncertainty, unfavorable employment levels, declines in consumer confidence, increases in consumer debt levels, increased commodity prices, and other economic factors may affect consumer spending on discretionary items and adversely affect the demand for our products. Economic conditions also affect governmental political and budgetary policies. As a result, economic conditions also can have an effect on the sale of our products to law enforcement, government, and military customers.

Political and other factors also can affect our performance. Concerns about presidential, congressional, and state elections and legislature and policy shifts resulting from those elections can affect the demand for our products. For example, we experienced strong consumer demand for our firearm products following a new administration taking office in Washington, D.C. in 2009. In addition, speculation surrounding increased gun control at the federal, state, and local level and heightened fears of terrorism and crime can affect consumer demand for our products. Often, such concerns result in an increase in near-term consumer demand and subsequent softening of demand when such concerns subside.

Federal and state legislatures frequently consider legislation relating to the regulation of firearms. These proposed bills are often varied, but may seek to restrict the makeup of a firearm, including limitations on magazine capacity; mandate the use of certain technologies in a firearm; or ban the sale and, in some cases, the ownership of various types of firearms. If such restrictive legislation is enacted, we could find it difficult, expensive, or even impossible to comply with them, impeding new product development and distribution of existing products.

We remain dependent on the sale of our firearm products in the sporting goods distribution channel.

We manufacture a wide array of handguns, modern sporting rifles, hunting rifles, black powder firearms, handcuffs, and firearm-related products and accessories for sale to a wide variety of customers, including gun enthusiasts, collectors, hunters, sportsmen, competitive shooters, individuals desiring home and personal protection, law enforcement and security agencies and officers, and military agencies in the United States and throughout the world. We have made substantial efforts during the last several years to increase our sales to law enforcement and military agencies in the United States and throughout the world. Our efforts to increase firearms sales to law enforcement agencies has been successful to date with a number of agencies in the United States and agencies abroad selecting or approving for carry our firearms. We have not, however, yet secured any major contracts to supply

firearms to any large domestic military agencies. Although we believe that we now are able to offer a broad array of competitive products to the military, we cannot predict whether or when we will be able to secure any major military supply contracts. As a result, approximately 87.4% of our net firearm sales in fiscal 2015 remained in the sporting goods distribution channel.

From time to time, we have been capacity constrained.

From time to time, we have been capacity constrained and have been unable to satisfy on a timely basis the demand for some of our products. Overall, capacity constraints were factors in fiscal 2014 and 2013, despite our achieving significant improvements in our production throughput as a result of enhanced production methods, the purchase of additional equipment, and the expansion of our supply base for capacity relief on targeted constrained processes. In fiscal 2015, we continued to be capacity constrained with respect to certain of our popular products. During the last several fiscal years, we also have enhanced our manufacturing productivity by adding capacity, increasing daily production quantities, increasing operational availability of equipment, reducing machinery down time, extending machinery useful life, and increasing manufacturing efficiency. Future significant increases in consumer demand for our products or increased business from law enforcement or military agencies may require us to expand further our manufacturing capacity, particularly through the purchase of additional manufacturing equipment and the addition of manufacturing space. We may not be able to increase our capacity in time to satisfy increases in demand that may occur from time-to-time, and we may not have adequate financial resources to increase capacity to meet demand. Capacity constraints may prevent us from satisfying customer orders and result in a loss of market share to competitors that are not capacity constrained. In addition, we may suffer excess capacity and increased overhead costs if we increase our capacity to meet actual or anticipated demand and that demand decreases or does not materialize.

Our Springfield, Massachusetts facility is critical to our success.

Our Springfield, Massachusetts facility is critical to our success, as we currently produce the majority of our firearm products at this facility.

The facility also houses our principal research, development, engineering, design, shipping, sales, marketing, finance, and management functions. Any event that causes a disruption of the operation of this facility for even a relatively short period of time would adversely affect our ability to produce and ship many of our firearm products and to provide service to our firearm customers. In addition, business disruptions at our facility in Deep River, Connecticut, where polymer frames and related components for many of our firearms are produced, could adversely affect our operating results. We frequently make certain changes in our manufacturing operations to modernize the facility and associated equipment and systems as a result of the age of the facility and the need to introduce certain efficiencies in manufacturing and other processes in order to produce our anticipated volume of products in a more efficient and cost-effective manner. We anticipate that we will continue to incur significant capital and other expenditures with respect to the facility, but we may not be successful in continuing to improve efficiencies.

Our efforts to develop new products may be costly and ineffective.

Our efforts to develop new products may not be successful, and any new product that we develop may not result in customer or market acceptance. The development of new products is a lengthy and costly process. Any new products that we develop and introduce to the marketplace may be unsuccessful or achieve success that does not meet our expectations for a variety of reasons, including delays in introduction, unfavorable cost comparisons with alternative products, and unfavorable performance. Significant expenses related to proposed new products that prove to be unsuccessful for any reason will adversely affect our operating results.

We often rely on third parties, including independent sales representatives and agents that act on our behalf.

We are often represented by third parties, including independent sales representatives and agents. These representatives and agents sometimes have the ability to enter into agreements on our behalf. The actions of these third parties could adversely affect our business if they enter into low margin contracts or conduct themselves in a manner that damages our reputation in the marketplace. We also face a risk that these third parties could violate domestic or foreign laws, which could put us at risk for prosecution in the United States or internationally.

Poor product quality or performance could adversely affect our operating results and reputation.

Poor product quality or performance could adversely affect our operating results and reputation. We generally provide a limited one year warranty and a lifetime service policy to the original purchaser of our new firearm products and a limited one year warranty to the original purchaser of our new accessories products. Product liability claims could harm our reputation; cause us to lose business; and cause us to incur significant warranty, support, and repair costs.

While we believe we have a strong track record of developing, manufacturing, and selling high-quality products, from time to time, we have experienced manufacturing issues with respect to some of our firearms and have initiated product recalls and safety alerts. We issued a safety alert in August 2013 related to all M&P Shield products manufactured prior to August 19, 2013. We issued a recall that occurred in June 2013 with respect to our Thompson/Center Arms bolt action. In November 2011, we issued a recall with respect to our Thompson/Center Arms Venture rifles. Since fiscal 2010, the aggregate expense recognized relating to these recalls was \$5.5 million.

We may incur higher medical benefit costs in the future.

We are self-insured for our employee medical plan. While our medical costs in recent years have generally increased at the same level as the regional average, our aging workforce and other employee demographics could result in an increase in our medical costs beyond what we have experienced or expect. We have stop-loss coverage in place for catastrophic events, but the aggregate impact of a high number of claims up to our stop-loss limit may have an effect on our profitability.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, will potentially impact our healthcare cost structure and may, over time, increase our employee healthcare related expenses. Provisions of this law have become and will become effective in calendar 2015 and at various dates over the next several years. Many of the regulations and guidance for this law still not have been implemented and some face legal challenges. Because of the breadth and complexity of this law, the uncertainty surrounding this law, the lack of regulations and guidance for implementation, and the phased-in nature of the new requirements, we cannot predict with certainty the future effect of this law on us. The new healthcare legislation may increase the costs of providing medical insurance to our employees, which could have an adverse effect on our operations.

Liability insurance is expensive and may be difficult to obtain.

Liability insurance coverage is expensive and from time to time may be difficult to obtain. Our liability insurance costs were \$5.1 million in fiscal 2015 and \$4.7 million in fiscal 2014. An inability to obtain liability insurance, significant increases in the cost of insurance we obtain, or losses in excess of our liability insurance coverage would have a material adverse effect on us.

Our business is seasonal.

Historically, our fourth fiscal quarter ending April 30 has been our strongest quarter with industry events and distributor shows heavily scheduled during the early spring months. In addition, because of our operating schedule, which includes a summer and a winter shutdown of our firearm facilities, we have increased operating days during our fourth fiscal quarter, which allows our shipping and production volumes to exceed other quarters.

Shortages of, and price increases for, components, parts, raw materials, and other supplies may delay or reduce our sales and increase our costs.

Although we manufacture most of the components for our firearms, we purchase certain components and parts, including bolt carriers, rifle receivers, magazines, slides, small parts, barrels, and rifle stocks, from third parties. We rely on third-party suppliers and manufacturers for substantially all of our accessories' components and products, and we have limited control over these suppliers and manufacturers. We also purchase ammunition for product testing.

Most of our major suppliers for our firearm-division products are U.S.-based and provide materials, components, and parts, such as raw steel, polymer components, and metal-injected-molded components. The costs of these materials, components, and parts are at competitive rates. We have become increasingly dependent on a small number of key vendors that supply components and parts for our firearms as a result of our decision to enhance our manufacturing flexibility by using third parties that can supplement our internal capacity to better react to changes in market conditions. Most of our major suppliers for our accessories components and products are based in Asia. We also use numerous raw materials in producing and testing our products, including steel, wood, lead, brass, and plastics.

Our inability to obtain sufficient quantities of components, parts, raw materials, and other supplies from independent sources necessary for the production of our products could result in reduced or delayed sales or lost orders. Any delay in or loss of sales could adversely impact our operating results. Many of the components, parts, raw materials, and other supplies used in the production of our products are available only from a limited number of suppliers. In most cases, we do not have long-term supply contracts with these suppliers. As a result, we could be subject to increased costs, supply interruptions, and difficulties in obtaining materials and finished products. Our suppliers also may encounter difficulties or increased costs in obtaining the materials necessary to produce the components and parts that we use in our products. The time lost in seeking and acquiring new sources or the inability to locate alternative sources of comparable quality at an acceptable price, or at all, could negatively impact our net sales and profitability. Shortages of ammunition also can adversely affect the demand for our products.

We have occasionally received, and may receive in the future, product deliveries from suppliers that fail to conform to our quality control standards. In such circumstances, our ability to sell those products could have a negative effect on our net sales and increase our administrative and shipping costs if we are unable to obtain replacement products in a timely manner.

Damage or disruption to manufacturing and distribution capabilities of, or the disruption of deliveries from, our suppliers because of severe or catastrophic events, including weather, natural disaster, fire or explosion, terrorism, pandemics, or labor disruptions, including at ports or at our suppliers, could impair our ability to manufacture or sell our products. Although we have insurance to cover potential loss from most of our suppliers for these events, we could experience losses in excess of our insured limits. In addition, failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could have a material adverse effect on us, as well as require additional resources to restore our supply chain.

Interruptions or other issues with our ERP systems, including upon implementation of additional functionality, could cause disruption to our operations.

We transitioned to a new ERP system in our Springfield and Houlton facilities during fiscal 2014 utilizing SAP. We experienced some disruption in August 2013 as we introduced our SAP system. SAP is an all-inclusive ERP system. Therefore, disruptions in that system could impede our ability to manufacture products, order materials, generate management reports, invoice customers, or comply with laws and regulations. We intend to add additional functionality to SAP, and we have planned a conversion of our Deep River facility to SAP in fiscal 2016. We may implement SAP at our additional facilities. Those additions and new implementations could result in a major disruption to our business, and any disruption could have a negative effect on our net sales and profitability. In addition, implementing our ERP system has required and will continue to require significant resources and refinement to fully realize the expected benefits of the system.

A significant disruption in our computer systems or a cyber-security breach could adversely affect our operations.

We rely extensively on our computer systems to manage our ordering, pricing, inventory replenishment, and other processes. Our systems are subject to damage or interruption from various sources, including power outages, computer and telecommunications failures, computer viruses, cyber security breaches, vandalism, severe weather conditions, catastrophic events, and human error, and our disaster recovery planning cannot account for all eventualities. If our systems are damaged, fail to function properly, or otherwise become compromised or unavailable, we may incur substantial costs to repair or replace them, and we may experience loss of critical data and interruptions or delays in our ability to perform critical functions, which could adversely affect our business and operating results. Any compromise of our data security could also result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to our reputation, loss or misuse of the information, and a loss of confidence in our data security measures, which could harm our business.

We face intense competition that could result in our losing or failing to gain market share and suffering reduced sales.

We operate in intensely competitive markets that are characterized by competition from major domestic and international companies. This intense competition could result in pricing pressures, lower sales, reduced margins, and lower market share. Any movement away from high-quality, domestic firearms to lower priced or comparable foreign alternatives would adversely affect our business. Some of our competitors have greater financial, technical, marketing, distribution, and other resources and, in certain cases, may have lower cost structures than we possess and that may afford them competitive advantages. As a result, they may be able to devote greater resources to the promotion and sale of products, to negotiate lower prices on raw materials and components, to deliver competitive products at lower prices, and to introduce new products and respond to customer requirements more effectively and quickly than we can.

Competition in the firearm industry is primarily based on innovation, quality, reliability, durability, price, performance, consumer brand awareness, and customer service and support. Our ability to compete in one or more of these areas could have a negative impact on our business.

Potential strategic alliances may not achieve their objectives, which could impede our growth.

We have entered into strategic alliances in the past and anticipate that we will enter into new strategic alliances in the future. We continually explore strategic alliances designed to expand our product offerings, enter new markets, and improve our distribution channels. For example, in fiscal 2015, we announced our strategic alliance with General Dynamics Ordnance and Tactical Systems to pursue the U.S. Army's modular handgun system solicitation to replace the M9 standard Army sidearm. Our existing strategic alliances and any new strategic alliances may not achieve their intended objectives, and parties to our strategic alliances may not perform as contemplated. The failure of these alliances may impede our ability to introduce new products and enter new markets.

Acquisitions involve significant risks, and any acquisitions that we undertake in the future could be difficult to integrate, disrupt our business, dilute stockholder value, and harm our operating results.

We may in the future expand our operations through strategic acquisitions in order to enhance existing products and offer new products, enter new markets and businesses, strengthen and avoid interruption from our supply chain, and enhance our position in current markets and business. Acquisitions involve significant risks. We cannot accurately predict the timing, size, and success of any future acquisitions. We may be unable to identify suitable acquisition candidates or to complete the acquisitions of candidates that we identify. Increased competition for acquisition candidates or increased asking prices by acquisition candidates may increase purchase prices for acquisitions to levels beyond our financial capability or to levels that would not result in the returns required by our acquisition criteria. Acquisitions also may become more difficult in the future as we or others acquire the most attractive candidates. Unforeseen expenses, difficulties, and delays frequently encountered in connection with expansion through acquisitions could inhibit our growth and negatively impact our operating results.

Our ability to complete acquisitions that we desire to make in the future will depend upon various factors, including the following:

- the availability of suitable acquisition candidates at attractive purchase prices;
- the ability to compete effectively for available acquisition opportunities;
- the availability of cash resources, borrowing capacity, or stock at favorable price levels to provide required purchase prices in acquisitions;
- the ability of management to devote sufficient attention to acquisition efforts; and
- the ability to obtain any requisite governmental or other approvals.

As a part of any potential acquisition, we may engage in discussions with various acquisition candidates. In connection with these discussions, we and each potential acquisition candidate may exchange confidential operational and financial information, conduct due diligence inquiries, and consider the structure, terms, and conditions of the potential acquisition. In certain cases, the prospective acquisition candidate agrees not to discuss a potential acquisition with any other party for a specific period of time and agrees to take other actions designed to enhance the possibility of the acquisition, such as preparing audited financial information. Potential acquisition discussions frequently take place over a long period of time and involve difficult business integration and other issues. As a result of these and other factors, a number of potential acquisitions that from time-to-time appear likely to occur do not result in binding legal agreements and are not consummated, but may result in increased legal, consulting, and other costs.

Unforeseen expenses, difficulties, and delays frequently encountered in connection with future acquisitions could inhibit our growth and negatively impact our profitability. Any future acquisitions may not meet our strategic objectives or perform as anticipated. In addition, the size, timing, and success of any future acquisitions may cause substantial fluctuations in our operating results from quarter to quarter. For example, our acquisition of Thompson/Center Arms in January 2007 and SWSS in July 2009 resulted in substantial write-offs. Consequently, our operating results for any quarter may not be indicative of the results that may be achieved for any subsequent quarter or for a full fiscal year. These interim fluctuations could adversely affect the market price of our common stock.

If we finance any future acquisitions in whole or in part through the issuance of common stock or securities convertible into or exercisable for common stock, existing stockholders will experience dilution in the voting power of their common stock and earnings per share could be negatively impacted. The extent to which we will be able or willing to use our common stock for acquisitions will depend on the market price of our common stock from time-to-time and the willingness of potential acquisition candidates to accept our common stock as full or partial consideration for the sale of their businesses. Our inability to use our common stock as consideration, to generate cash from operations, or to obtain additional funding through debt or equity financings in order to pursue an acquisition could limit our growth.

Our recent acquisitions and any acquisitions that we undertake in the future could be difficult to integrate, disrupt our business, and harm our operations.

In order to pursue a successful acquisition, we may need to integrate the operations of acquired businesses into our operations, including centralizing certain functions to achieve cost savings and pursuing programs and processes that leverage our sales and growth opportunities. In fiscal 2015, we acquired the businesses of TTPP and BTI, and we are in the process of integrating those businesses. The integration of the management, operations, and facilities of acquired businesses with our own could involve difficulties, which could adversely affect our growth rate and operating results.

We may be unable to complete effectively an integration of the management, operations, facilities, and accounting and information systems of acquired businesses with our own; to manage efficiently the combined operations of the acquired businesses with our operations; to achieve our operating, growth, and performance goals for acquired businesses; to achieve additional sales as a result of our expanded operations; or to achieve operating efficiencies or otherwise realize cost savings as a result of anticipated acquisition synergies. The integration of acquired businesses involves numerous risks, including the following:

- the potential disruption of our core businesses;
- risks associated with entering markets and businesses in which we have little or no prior experience;
- diversion of management's attention from our core businesses;
- adverse effects on existing business relationships with suppliers and customers;
- risks associated with increased regulatory or compliance matters;
- failure to retain key customers, suppliers, or personnel of acquired businesses;
- the potential strain on our financial and managerial controls and reporting systems and procedures;
- greater than anticipated costs and expenses related to the integration of the acquired business with our business;
- potential unknown liabilities associated with the acquired company;
- meeting the challenges inherent in effectively managing an increased number of employees in diverse locations;
- failure of acquired businesses to achieve expected results;
- the risk of impairment charges related to potential write-downs of acquired assets in future acquisitions; and
- the challenge of creating uniform standards, controls, procedures, policies, and information systems.

Our growth strategy may require significant additional funds, the amount of which will depend upon our working capital and general corporate needs.

Any borrowings made to finance operations or future acquisitions could make us more vulnerable to a downturn in our operating results, a downturn in economic conditions, or increases in interest rates on borrowings. If our cash flow from operations is insufficient to meet our debt service requirements, we could be required to sell additional equity securities, refinance our obligations, or dispose of assets in order to meet our debt service requirements. Adequate financing may not be available if and when we need it or may not be available on terms acceptable to us. The failure to obtain sufficient financing on favorable terms and conditions could have a material adverse effect on us.

From time to time, we may seek additional equity or debt financing to provide funds for the expansion of our business. We cannot predict the timing or amount of any such financing requirements at this time. If such financing is not available on satisfactory terms, we may be unable to expand our business or to develop new business at the rate desired and our operating results may suffer. Debt financing increases expenses and must be repaid regardless of operating results. Equity financing could result in additional dilution to existing stockholders.

As of April 30, 2015, we had \$175.0 million of long-term debt outstanding. The degree to which we are leveraged could adversely affect our ability to obtain further financing for working capital, acquisitions, or other purposes and could make us more vulnerable to industry downturns and competitive pressures. Our ability to meet our debt service obligations will depend upon our future performance, which will be subject to the financial condition, business environment, and other factors affecting our operations, many of which are beyond our control.

The failure to manage our growth could adversely affect our operations.

To continue to expand our business and enhance our competitive position, we must make significant investments in systems, equipment, facilities, and personnel. In addition, we may commit significant funds to enhance our sales, marketing, information technology, research and development, and licensing efforts in order to expand our business. As a result of the increase in fixed costs and operating expenses, our failure to increase sufficiently our net sales to offset these increased costs would adversely affect our operating results.

The failure to manage our growth effectively could adversely affect our operations. We have substantially increased the number of our manufacturing and design programs and plan to expand further the number and diversity of our programs in the future. Managing our planned growth effectively will require us to

- enhance our operational, financial, and management systems;
- enhance our facilities and purchase additional equipment, which will include ongoing modernization and expansion of our Springfield, Massachusetts, Deep River, Connecticut, and Houlton, Maine facilities; and
- successfully hire, train, and motivate additional employees, including additional personnel for our technological, sales, marketing, and licensing efforts.

The expansion of our products and customer base may result in increases in our overhead and selling expenses. We also may be required to increase staffing and other expenses as well as our expenditures on capital equipment and leasehold improvements in order to meet the demand for our products. Any increase in expenditures in anticipation of future sales that do not materialize would adversely affect our profitability.

In fiscal 2011, we were awarded a \$6.0 million refundable tax credit from the Massachusetts Economic Assistance Coordinating Council under the Economic Development Incentive Program, or EDIP. This credit was granted by the Commonwealth of Massachusetts in consideration of our restructuring plan to move the production of our hunting products from New Hampshire to Massachusetts and is subject to our compliance with a written EDIP Investment Analysis Plan, including the requirement to hire 225 employees during calendar year 2011 and to invest \$62.9 million over five years on qualified depreciable assets. If significant external factors prevent us from maintaining the required level of employment or investment in the future, we may be required to repay part or all of the tax credit received. Through the end of fiscal 2015, we recorded all of the tax credits allowed to us because of our compliance with the written EDIP Investment Analysis Plan. However, we are still required to maintain employment and capital spending levels throughout the remaining term of the EDIP in order to ensure that we do not have to repay any of the credit received.

Our business is highly dependent upon our brand recognition and reputation, and the failure to maintain or enhance our brand recognition or reputation would likely have a material adverse effect on our business.

Our brand recognition and reputation are critical aspects of our business. We believe that maintaining and further enhancing our brands, particularly our Smith & Wesson, M&P, and Thompson/Center Arms brands and the various brands sold by our accessories division, as well as our reputation are critical to retaining existing customers and attracting new customers. We also believe that the importance of our brand recognition and reputation will continue to increase as competition in our markets continues to develop.

We anticipate that our advertising, marketing, and promotional efforts will increase in the foreseeable future as we continue to seek to enhance our brands and consumer demand for our products. Historically, we have relied on print and electronic media advertising to increase consumer awareness of our brands to increase purchasing intent and conversation. We anticipate that we will increasingly rely on other forms of media advertising, including social media and e-marketing. Our future growth and profitability will depend in large part upon the effectiveness and efficiency of our advertising, promotion, public relations, and marketing programs. These brand promotion activities may not yield increased revenue and the efficacy of these activities will depend on a number of factors, including our ability to do the following:

- determine the appropriate creative message and media mix for advertising, marketing, and promotional expenditures;
- select the right markets, media, and specific media vehicles in which to advertise;
- identify the most effective and efficient level of spending in each market, media, and specific media vehicle; and
- effectively manage marketing costs, including creative and media expenses, in order to maintain acceptable customer acquisition costs.

Increases in the pricing of one or more of our marketing and advertising channels could increase our marketing and advertising expenses or cause us to choose less expensive but possibly less effective marketing and advertising channels. If we implement new marketing and advertising strategies, we may utilize marketing and advertising channels with significantly higher costs than our current channels, which in turn could adversely affect our operating results. Implementing new marketing and advertising strategies also would increase the risk of devoting significant capital and other resources to endeavors that do not prove to be cost effective. We also may incur marketing and advertising expenses significantly in advance of the time we anticipate recognizing revenue associated with such expenses, and our marketing and advertising expenditures may not generate sufficient levels of brand awareness and conversation or result in increased revenue. Even if our marketing and advertising expenses result in increased revenue, the increase might not offset our related expenditures. If we are unable to maintain our marketing and advertising channels on cost-effective terms or replace or supplement existing marketing and advertising channels with similarly or more effective channels, our marketing and

advertising expenses could increase substantially, our customer base could be adversely affected, and our business, operating results, financial condition, and reputation could suffer.

We may have difficulty collecting amounts owed to us.

Certain of our customers have experienced, and may in the future experience, credit-related issues. We perform ongoing credit evaluations of customers, but these evaluations may not be completely effective. We grant payment terms to most customers ranging from 30 to 90 days and do not generally require collateral. However, in some instances we provide longer payment terms, particularly as it relates to our hunting products. Should more customers than we anticipate experience liquidity issues, or if payment is not received on a timely basis, we may have difficulty collecting amounts owed to us by such customers and our business, operating results, and financial condition could be adversely impacted.

For our fiscal year ended April 30, 2015, we did not have any customers that exceeded 10% of net sales or 10% of accounts receivable as of April 30, 2015. However, one of our customers accounted for approximately 13.4% and 11.6% of our net sales for the fiscal years ended April 30, 2014 and 2013, respectively, as well as \$11.7 million, or 20.1%, of accounts receivable as of April 30, 2014.

Our inability to protect our intellectual property or obtain the right to use intellectual property from third parties could impair our competitive advantage, reduce our sales, and increase our costs.

Our success and ability to compete depend in part on our ability to protect our intellectual property. We rely on a combination of patents, copyrights, trade secrets, trademarks, confidentiality agreements, and other contractual provisions to protect our intellectual property, but these measures may provide only limited protection. Our failure to enforce and protect our intellectual property rights or obtain the right to use necessary intellectual property from third parties could reduce our sales and increase our costs. In addition, the laws of some foreign countries do not protect proprietary rights as fully as do the laws of the United States.

Patents may not be issued for the patent applications that we have filed or may file in the future. Our issued patents may be challenged, invalidated, or circumvented, and claims of our patents may not be of sufficient scope or strength, or issued in the proper geographic regions, to provide meaningful protection or any commercial advantage. We have registered certain of our trademarks in the United States and other countries. We may be unable to enforce existing or obtain new registrations of principle or other trademarks in key markets. Failure to obtain or enforce such registrations could compromise our ability to protect fully our trademarks and brands and could increase the risk of challenges from third parties to our use of our trademarks and brands.

In the past, we did not consistently require our employees and consultants to enter into confidentiality agreements, employment agreements, or proprietary information and invention agreements; however, such agreements are now required. Therefore, our former employees and consultants may try to claim some ownership interest in our intellectual property and may use our intellectual property competitively and without appropriate limitations.

We may incur substantial expenses and devote significant resources in prosecuting others for their unauthorized use of our intellectual property rights.

We may become involved in litigation regarding patents and other intellectual property rights. Other companies, including our competitors, may develop intellectual property that is similar or superior to our intellectual property, duplicate our intellectual property, or design around our patents and may have or obtain patents or other proprietary rights that would prevent, limit, or interfere with our ability to make, use, or sell our products. Effective intellectual property protection may be unavailable or limited in some foreign countries in which we sell products or from which competing products may be sold. Unauthorized parties may attempt to copy or otherwise use aspects of our intellectual property and products that we regard as proprietary. Our means of protecting our proprietary rights in the United States or abroad may prove to be inadequate and competitors may be able to independently develop similar intellectual property. If our intellectual property protection is insufficient to protect our intellectual property rights, we could face increased competition in the markets for our products.

Should any of our competitors file patent applications or obtain patents that claim inventions also claimed by us, we may choose to participate in an interference proceeding to determine the right to a patent for these inventions because our business would be harmed if we fail to enforce and protect our intellectual property rights. Even if the outcome is favorable, this proceeding could result in substantial cost to us and disrupt our business.

In the future, we also may need to file lawsuits to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others. This litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources, which could have a material adverse effect on us.

We face risks associated with international activities, including related to compliance with the Foreign Corrupt Practices Act or other applicable anti-corruption legislation.

Political and economic conditions abroad may result in a reduction of or inhibition of our growth in our sales in numerous foreign countries and our purchase of certain accessories and components from certain countries in Asia and Europe, including China, Taiwan, and Italy. Protectionist trade legislation in either the United States or foreign countries, such as a change in the current tariff structures, export or import compliance laws, or other trade policies, could reduce our ability to sell our products in foreign markets, the ability of foreign customers to purchase our products, and our ability to import components, parts, and products from foreign suppliers. Our efforts to comply with the Foreign Corrupt Practices Act, or FCPA, or other applicable anti-corruption laws and regulations may limit our international business activities, necessitate the implementation of certain processes and compliance programs, and subject us to enforcement actions or penalties for noncompliance. Both the U.S. and foreign governments have increased their oversight and enforcement activities in this area in recent years, and we expect applicable agencies to continue to increase such activities in the future.

Our foreign sales and purchases of certain accessories and components also create a number of logistical and communication challenges. These activities also expose us to various economic, political, and other risks, including the following:

- compliance with U.S. and local laws and regulatory requirements including adverse changes in those laws and requirements;
- transportation delays or interruptions and other effects of less developed infrastructures;
- foreign exchange rate fluctuations;
- limitations on imports and exports;
- imposition of restrictions on currency conversion or the transfer of funds;
- the possibility of appropriation of our assets without just compensation;
- taxes, tariffs, and duties;
- the burdens and costs of compliance with a variety of foreign laws; and
- political or economic instability in countries in which we conduct business, including possible terrorist acts.

Certain of our businesses are subject to extensive regulation.

Our firearm business, as well as the business of all products and marketers of firearms and firearm parts, is subject to numerous federal, state, local, and foreign laws, regulations, and protocols, including the rules and regulations of the ATF. If we fail to comply with ATF rules and regulations, the ATF may limit our activities or growth, fine us, or ultimately put us out of business.

Also, the export of our products is controlled by the International Traffic in Arms Regulations, or ITAR. ITAR implements the provisions of the Arms Export Control Act as described in the Code of Federal Regulations and is enforced by the U.S. Department of State. In order for us to sell some of our products in accordance with ITAR, including firearms to foreign customers, we must obtain export licenses from the U.S. government, primarily the U.S. Department of State. The U.S. Department of State has discretion as to whether to grant a license, and approval depends on the foreign policies and national security interests of the United States. In addition, Congress may take action to block a proposed sale of firearms for export valued at \$1 million or higher. Consequently, we may not be able to obtain export licenses, or to complete profitable contracts as a result of political or other reasons that are outside our control. Failure to receive required licenses or authorizations or the termination or suspension of our export privileges could have an adverse effect on our business. Further, because our manufacturing process includes certain toxic, flammable, and explosive chemicals, we are subject to the Chemical Facility Anti-Terrorism Standards, or CFATS, as administered by the Department of Homeland Security, which requires that we take additional reporting and security measures related to our manufacturing process.

In addition, like many other manufacturers, we are subject to compliance with the Fair Labor Standards Act, the Occupational Safety and Health Act, Massachusetts data privacy laws, and many other regulations surrounding employment law, environmental law, taxation, and consumer protection.

Compliance with all of these laws, regulations, and protocols is costly and time consuming. Although we take every measure to ensure compliance with the many regulations we are subject to, inadvertent violation of any of these regulations could cause us to incur fines and penalties and may also lead to restrictions on our ability to manufacture and sell our products and services and to import or export the products that we sell. In addition, these laws, regulations, and protocols, as well as their interpretation by

regulatory authorities, may change at any time. There can be no assurance that such changes to the laws, regulations, and protocols or to their interpretations will not adversely affect our business.

We are subject to lawsuits and governmental investigations and inquiries.

We are currently involved in numerous lawsuits, including a lawsuit involving a municipality and several product liability lawsuits.

We are vigorously defending ourselves in the lawsuits to which we are subject. There can be no assurance, however, that we will not have to pay significant damages or amounts in settlement above insurance coverage. An unfavorable outcome or prolonged litigation could harm our business. Litigation of this nature also is expensive and time consuming and diverts the time and attention of our management.

Reference is made to Note 17 to our consolidated financial statements for a discussion of these and other lawsuits to which we are subject.

We have been and may continue to be subject to governmental investigations and inquiries. Such investigations and inquiries could subject us to various sanctions, including significant civil and criminal penalties, the indictment of our company or various of our officers and employees, our being prevented from bidding on domestic military and government contracts, our disbarment by the U.S. Department of State, private civil litigation arising out of the outcome of the investigations or inquiries, the diversion of time and attention of our management from normal business operations, and a negative impact on the perception of our company by investors, customers, and others. For example, we remain subject to a settlement agreement with the SEC under which we have the obligation to report to the SEC on our FCPA compliance efforts. If the SEC determines that we have not met our obligations under the terms of the settlement agreement, it can reopen its investigation, which could adversely affect our business.

Environmental laws and regulations may impact our business.

We are subject to numerous federal, state, and local laws that regulate or otherwise relate to the protection of the environment, including the Clean Air Act, the Clean Water Act, CERCLA, and the Solid Waste Disposal Act, as amended by RCRA. CERCLA, RCRA, and related state laws subject us to the potential obligation to remove or mitigate the environmental effects of the disposal or release of certain pollutants at our manufacturing facilities and at third-party or formerly owned sites at which contaminants generated by us may be located. This requires us to make expenditures of both a capital and expense nature.

In our efforts to satisfy our environmental health and safety responsibilities and to comply with all applicable laws and regulations, we maintain policies relating to the environmental health and safety standards for our operations and conduct programs to monitor compliance with various environmental regulations. However, in the normal course of our manufacturing operations, we may become subject to governmental proceedings and orders pertaining to waste disposal, air emissions, and water discharges into the environment. We believe based on the information available to us that we are in substantial compliance with applicable environmental regulations.

From a remediation perspective, we may not have identified all existing contamination on our properties and we cannot predict whether our operations will cause contamination in the future. As a result, we could incur additional costs to clean up contamination that exceed the amount of our reserves. We will periodically review the probable and reasonably estimable environmental costs in order to update the environmental reserves. Furthermore, it is not possible to predict with certainty the impact on us of future environmental health and safety compliance requirements or of the cost of resolution of future regulatory proceedings and claims, in part because the scope of the remedies that may be required is not certain, liability under federal environmental laws is joint and several in nature, and environmental health and safety laws and regulations are subject to modification and changes in interpretation. Additional or changing environmental health and safety regulation may become burdensome in the future, and any such development could have an adverse effect on us.

Our indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flow to satisfy significant debt service obligations.

As of April 30, 2015, our consolidated long-term indebtedness was \$175.0 million and we did not have any short-term indebtedness. On June 15, 2015, we entered into a new credit agreement, which consists of a \$175.0 million revolving line of credit and a \$105.0 million term loan, which both mature on June 15, 2020, or the Credit Agreement. We used the proceeds from the term loan to redeem the entire \$100.0 million outstanding principal balance of our 5.875% Senior Notes due 2017, or the 5.875% Senior Notes, plus accrued and unpaid interest to the redemption date, in June 2015. We also have \$75.0 million of 5.000% Senior Notes due 2018, or the 5.000% Senior Notes, outstanding. The Credit Agreement and the indenture governing the 5.000% Senior Notes, or the

5.000% Senior Notes Indenture, each contain certain affirmative and negative financial and other restrictive covenants. Reference is made to Note 5 to our consolidated financial statements for further discussion of our indebtedness. We may also incur additional indebtedness in the future, including borrowings under our credit facility. Our indebtedness, after taking into account additional borrowings under our credit facility, and the fact that a substantial portion of our cash flow from operations must be used to make principal and interest payments on our indebtedness, could have important consequences, including the following:

- increasing our vulnerability to general adverse economic and industry conditions;
- reducing the availability of our cash flow for other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, which would place us at a competitive disadvantage compared to our competitors that may have less debt;
- limiting, by the financial and other restrictive covenants in our debt agreements, our ability to borrow additional funds; and
- having a material adverse effect on our business if we fail to comply with the covenants in our debt agreements, because such failure could result in an event of default that, if not cured or waived, could result in all or a substantial amount of our indebtedness becoming immediately due and payable.

Our ability to incur significant future indebtedness, whether to finance potential acquisitions or for general corporate purposes, will depend on our ability to generate cash. To a certain extent, our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control. If our business does not generate sufficient cash flow from operations or if future borrowings are not available to us under our credit facility in amounts sufficient to enable us to fund our liquidity needs, our financial condition and operating results may be adversely affected. If we cannot make scheduled principal and interest payments on our debt obligations in the future, we may need to refinance all or a portion of our indebtedness on or before maturity, sell assets, delay capital expenditures, or seek additional equity.

Our governing documents and Nevada law could make it more difficult for a third party to acquire us and discourage a takeover.

Certain provisions of our articles of incorporation and bylaws and Nevada law make it more difficult for a third party to acquire us and make a takeover more difficult to complete, even if such a transaction were in our stockholders' interest or might result in a premium over the market price for the shares held by our stockholders.

The issuance of additional common stock in the future, including shares that we may issue pursuant to option grants, may result in dilution in the net tangible book value per share of our common stock.

Our board of directors has the legal power and authority to determine the terms of an offering of shares of our capital stock, or securities convertible into or exchangeable for these shares, to the extent of our shares of authorized and unissued capital stock.

The sale of a substantial number of shares that are eligible for sale could adversely affect the price of our common stock.

As of April 30, 2015, there were 54,062,459 shares of our common stock outstanding. Substantially all of these shares are freely tradable without restriction or further registration under the securities laws, unless held by an "affiliate" of our company, as that term is defined in Rule 144 under the securities laws. Shares held by affiliates of our company, which generally include our directors, officers, and certain principal stockholders, are subject to the resale limitations of Rule 144 described below.

In general, under Rule 144 as currently in effect, any person or persons whose shares are aggregated for purposes of Rule 144, who is deemed an affiliate of our company and beneficially owns restricted securities with respect to which at least six months has elapsed since the later of the date the shares were acquired from us, or from an affiliate of ours, is entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the then outstanding shares of our common stock and the average weekly trading volume in common stock during the four calendar weeks preceding such sale. Sales by affiliates under Rule 144 also are subject to certain manner-of-sale provisions and notice requirements and to the availability of current public information about us. Rule 701, as currently in effect, permits our employees, officers, directors, and consultants who purchase shares pursuant to a written compensatory plan or contract to resell these shares in reliance upon Rule 144, but without compliance with specific restrictions.

Rule 701 provides that affiliates may sell their Rule 701 shares under Rule 144 without complying with the holding period requirement and that non-affiliates may sell their shares in reliance on Rule 144 without complying with the holding period, public information, volume limitation, or notice provisions of Rule 144. A person who is not an affiliate, who has not been an affiliate within

three months prior to sale, and who beneficially owns restricted securities with respect to which at least one year has elapsed since the later of the date the shares were acquired from us, or from an affiliate of ours, is entitled to sell such shares under Rule 144 without regard to any of the volume limitations or other requirements described above. Sales of substantial amounts of our common stock in the public market could adversely affect the market price for our common stock.

As of April 30, 2015, we had outstanding nonqualified stock options to purchase 1,879,630 shares of common stock under our incentive stock plans and other option agreements, 731,629 undelivered time-based restricted stock units, or RSUs, and 459,250 unearned performance-based restricted stock units, or PSUs, under our incentive stock plans. We issued 161,456 of the 6,000,000 shares of common stock reserved for issuance under our 2011 Employee Stock Purchase Plan, or the ESPP, during fiscal 2015. We have registered for offer and sale the shares of common stock that are reserved for issuance pursuant to our incentive stock plans and available for issuance pursuant to the ESPP. Shares covered by such registration statements upon the exercise of stock options or pursuant to the ESPP generally will be eligible for sale in the public market, except that affiliates will continue to be subject to volume limitations and other requirements of Rule 144. The issuance or sale of such shares could depress the market price of our common stock.

We may issue securities that could dilute stockholder ownership and the net tangible book value per share of our common stock.

We may decide to raise additional funds through public or private debt or equity financing to fund our operations. If we raise funds by issuing equity securities, the percentage ownership of our current stockholders will be reduced and the new equity securities may have rights superior to those of our common stock. We may not obtain sufficient financing on terms that are favorable to us. We may delay, limit, or eliminate some or all of our proposed operations if adequate funds are not available. We may also issue equity securities as consideration for acquisitions we may make. The issuance of additional common stock in the future, including shares that we may issue pursuant to option grants, may result in dilution in the net tangible book value per share of our common stock.

Our operating results may involve significant fluctuations.

Various factors contribute to significant periodic and seasonal fluctuations in our operating results. These factors include the following:

- the volume of customer orders relative to our capacity;
- the success of product and service introductions and market acceptance of new products by us and our competitors;
- timing of expenditures in anticipation of future customer orders;
- effectiveness in managing manufacturing processes and costs;
- changes in cost and availability of labor and components;
- ability to manage inventory and inventory obsolescence;
- social and political factors specific to our industry;
- pricing and other competitive pressures; and
- changes or anticipated changes in economic conditions.

Accordingly, you should not rely on the results of any period as an indication of our future performance. If our operating results fall below expectations of securities analysts or investors, our stock price may decline.

The market price of our common stock could be subject to wide fluctuations as a result of many factors.

Many factors could affect the market price of our common stock, including the following:

- variations in our operating results;
- the relatively small public float of our common stock;
- introductions of new products and services by us or our competitors;
- the performance of our distributors;
- changes in the estimates of our operating performance or changes in recommendations by any securities analysts that follow our stock;

- general economic, political, and market conditions and consumer spending patterns;
- governmental policies and regulations;
- the general performance of the markets in which we participate; and
- factors relating to suppliers and competitors.

In addition, market demand for small-capitalization stocks, and price and volume fluctuations in the stock market unrelated to our performance, could result in significant fluctuations in the market price of our common stock. The performance of our common stock could adversely affect our ability to raise equity in the public markets and adversely affect the growth of our business.

We depend on key personnel, our business may be harmed, if we fail to retain and attract skilled management and other key personnel.

Our success depends to a significant extent upon the continued services of our current management team, including P. James Debney, our President and Chief Executive Officer. The loss of Mr. Debney or one or more of our other key executives or employees could have a material adverse effect on our business. Except for Mr. Debney, we do not maintain “key person” insurance policies on the lives of any of our executive officers or any of our other employees. We employ all of our executive officers and key employees on an at-will basis, and their employment can be terminated by us or them at any time, for any reason and without advance notice, subject, to certain severance obligations upon termination. In order to retain valuable employees, in addition to salary and cash incentives, we regard our ability as a public company to grant stock-based compensation as an important component of our ability to attract and retain key personnel. The value to employees of stock-based compensation over time will be significantly affected by movements in our stock price that are beyond our control and may at any time be insufficient to counteract offers from other companies.

Our success also depends on our ability to attract, retain, and motivate additional skilled management personnel. We plan to continue to expand our work force to continue to enhance our business and operating results. We believe that there is significant competition for qualified personnel with the skills and knowledge that we require, particularly as a result of ongoing firearm industry consolidation and other industry developments. Many of the other companies with which we compete for qualified personnel have greater financial and other resources than we do. They also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high-quality candidates than those which we have to offer. If we are not able to retain our current key personnel, or attract the necessary qualified key personnel to accomplish our business objectives, we may experience constraints that will impede significantly the achievement of our business objectives and our ability to pursue our business strategy. New hires require significant training and, in most cases, take significant time before they achieve full productivity. New employees may not become as productive as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals. If our recruiting, training, and retention efforts are not successful or do not generate a corresponding increase in revenue, our business will be harmed.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We own or lease three manufacturing facilities for our firearms products. We own our principal facility, which is a 575,000 square-foot facility located in Springfield, Massachusetts. We also own a 38,000 square-foot facility located in Houlton, Maine and we lease a 150,000 square-foot facility located in Deep River, Connecticut. The Springfield facility is primarily used to manufacture our handguns, modern sporting rifles, and hunting rifles; and the Houlton facility was primarily used to manufacture handguns, handcuffs, and restraints. In fiscal 2015, our Houlton facility was converted into a machining center and all assembly, finishing, and small parts operations were transferred to our Springfield facility. Our Deep River facility is primarily used for custom plastic injection molding services, rapid prototyping, tooling, and supports our firearms platform. Our accessories products are warehoused and assembled in a leased 145,000 square-foot facility located in Columbia, Missouri. We believe that each facility is in good condition and capable of producing products at current and levels of production capacity. In addition, we own a 57,000 square-foot facility in Springfield, Massachusetts that we use for the Smith & Wesson Academy, a state-accredited firearm training institution and a private shooting facility. The leases for our Deep River and Columbia facilities are set to expire on May 4, 2024 and April 30, 2023, respectively.

We lease 3,000 square feet of office space in Scottsdale, Arizona, which has offices for certain senior personnel in our investor relations, legal, and finance departments as well as office space for our board of directors. The lease expires on February 28, 2018.

We lease 4,500 square feet of a facility located in Rochester, New Hampshire, which is used primarily for research and development activities. The lease expires on September 30, 2015.

We believe that all of our facilities are adequate for present requirements and that our current equipment is in good condition and suitable for the operations involved.

Item 3. *Legal Proceedings*

The nature of the legal proceedings against us is discussed in Note 17 to our consolidated financial statements, which is incorporated herein by reference.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock has been traded on the Nasdaq Global Select Market under the symbol "SWHC" since July 20, 2006. The following table sets forth the high and low sale prices of our common stock for each quarter in our fiscal years ended on April 30 indicated as reported on the Nasdaq Global Select Market.

	High	Low
2015		
First quarter	\$ 17.28	\$ 12.32
Second quarter	\$ 13.43	\$ 9.03
Third quarter	\$ 12.68	\$ 9.22
Fourth quarter	\$ 15.30	\$ 12.16
2014		
First quarter	\$ 11.96	\$ 8.53
Second quarter	\$ 13.38	\$ 10.25
Third quarter	\$ 15.56	\$ 10.76
Fourth quarter	\$ 15.70	\$ 11.31

On June 16, 2015, the last reported sale price of our common stock was \$15.98 per share. On June 16, 2015, there were 735 record holders of our common stock.

Dividend Policy

We have never declared or paid cash dividends on our preferred stock or our common stock. We currently plan to retain any earnings to finance the growth of our business rather than to pay cash dividends. Payment of any cash dividends in the future will depend on our financial condition, operating results, and capital requirements as well as other factors deemed relevant by our board of directors. In addition, our credit facility and the indenture governing our 5.000% Senior Notes restrict our ability to pay dividends.

Equity Compensation Plan Information

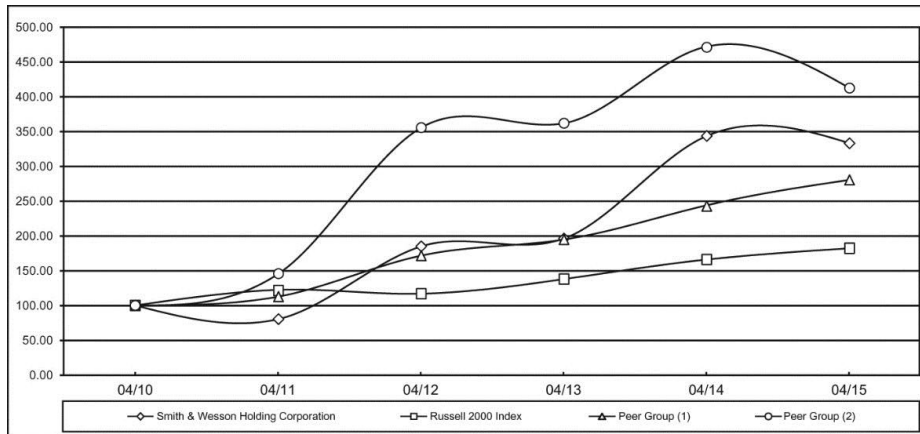
For equity compensation plan information, refer to Item 12 in Part III of this Annual Report on Form 10-K.

Performance Graph

The following line graph compares cumulative total stockholder returns for the five years ended April 30, 2015 for (i) our common stock; (ii) the Russell 2000 Index; (iii) Sturm, Ruger & Company, Inc., which is the most direct comparable company (Peer Group (2) on the graph below); (iv) a peer group consisting of Sturm, Ruger & Company, Inc. TASER International, Inc., Arctic Cat Inc., and National Presto Industries, Inc. (Peer Group (1) on the graph below). The graph assumes an investment of \$100 on April 30, 2010. The calculation of cumulative stockholder return on the Russell 2000 Index and the peer groups include reinvestment of dividends, but the calculation of cumulative stockholder return on our common stock does not include reinvestment of dividends because we did not pay any dividends during the measurement period. The performance shown is not necessarily indicative of future performance.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN*

Among Smith & Wesson Holding Corporation, The Russell 2000 Index,
And Two Peer Groups



* \$100 invested on April 30, 2010 in stock or index — including reinvestment of dividends. Fiscal year ending April 30.

The performance graph above shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. The performance graph above will not be deemed incorporated by reference into any filing of our company under the Securities Act of 1933, as amended, or the Exchange Act.

Item 6. Selected Financial Data

The consolidated statements of income and cash flows data for the fiscal years ended April 30, 2015, 2014, and 2013 and the consolidated balance sheet data as of April 30, 2015 and 2014 have been derived from our audited consolidated financial statements included elsewhere in this report. The consolidated statements of income/(loss) and cash flows data for the fiscal years ended April 30, 2012 and 2011 and the consolidated balance sheet data as of April 30, 2013, 2012, and 2011 have been derived from our audited consolidated financial statements not included herein. You should read this information in conjunction with our consolidated financial statements, including the related notes, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this report.

	Fiscal Year Ended April 30,				
	2015	2014	2013	2012	2011
	(In thousands, except share, per share, and ratio data)				
Net sales	\$ 551,862	\$ 626,620	\$ 587,514	\$ 411,997	\$ 342,233
Cost of sales	356,936	367,515	369,442	284,091	237,545
Gross profit	194,926	259,105	218,072	127,906	104,688
Operating expenses	105,298	108,117	85,238	82,990	86,897
Operating income	89,628	150,988	132,834	44,916	17,791
Total other income/(expense), net	(10,896)	(14,266)	(4,928)	(5,901)	(4,257)
Income from continuing operations before income taxes	78,732	136,722	127,906	39,015	13,534
Income tax expense	28,905	48,095	46,500	12,582	5,454
Income from continuing operations	49,827	88,627	81,406	26,433	8,080
Discontinued operations:					
Loss from operation of discontinued security solutions division	(297)	(456)	(3,605)	(15,945)	(96,055)
Income tax benefit	(83)	(1,134)	(912)	(5,617)	(5,206)
Income/(loss) from operation of discontinued security solutions division	(214)	678	(2,693)	(10,328)	(90,849)
Net income/(loss)	\$ 49,613	\$ 89,305	\$ 78,713	\$ 16,105	\$ (82,769)
Net income/(loss) per share:					
Basic - continuing operations	\$ 0.92	\$ 1.51	\$ 1.25	\$ 0.41	\$ 0.13
Basic - total	\$ 0.92	\$ 1.52	\$ 1.21	\$ 0.25	\$ (1.37)
Diluted - continuing operations	\$ 0.90	\$ 1.47	\$ 1.22	\$ 0.40	\$ 0.13
Diluted - total	\$ 0.90	\$ 1.49	\$ 1.18	\$ 0.25	\$ (1.30)
Weighted average number of shares outstanding:					
Basic	53,988	58,668	65,155	64,788	60,622
Diluted	55,228	60,114	66,642	67,277	63,621
Depreciation and amortization	\$ 30,893	\$ 21,704	\$ 16,730	\$ 15,487	\$ 13,230
Capital expenditures	\$ 28,199	\$ 53,282	\$ 41,421	\$ 13,770	\$ 19,837
Year-end financial position:					
Working capital	\$ 116,065	\$ 146,628	\$ 146,973	\$ 107,369	\$ 87,727
Current ratio	2.4	2.6	2.8	2.3	1.7
Total assets	\$ 494,992	\$ 381,503	\$ 326,989	\$ 261,674	\$ 280,028
Current portion of notes payable	\$ —	\$ —	\$ —	\$ —	\$ 30,000
Notes payable, net of current portion	\$ 175,000	\$ 100,000	\$ 43,559	\$ 50,000	\$ 50,000

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following management's discussion and analysis in conjunction with our consolidated financial statements and the related notes thereto contained elsewhere in this report. This discussion contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors, including those set forth under Item 1A, "Risk Factors" and elsewhere in this report.

The results of SWSS, our former security solutions division, are being presented as discontinued operations in the consolidated statements of income for all periods presented. See Note 4 — *Discontinued Operations* in the notes to consolidated financial statements for additional information regarding these discontinued operations. Unless otherwise indicated, any reference to income statement items in this Management's Discussion and Analysis of Financial Condition and Results of Operations refers to results from continuing operations.

On May 5, 2014, we completed the DRP Acquisition, which expanded our capabilities to include custom injection molding services, rapid prototyping, and tooling. On December 11, 2014, we completed the BTI Acquisition. BTI, based in Columbia, Missouri, is a leading provider of hunting and shooting accessories and offers innovative, high-quality products under several brands. Results of operations for the fiscal year ended April 30, 2015 include activity for the period subsequent to the respective DRP and BTI Acquisitions. Subsequent to the BTI Acquisition, we began reporting our results of operations in two segments: (1) accessories, representing BTI, and (2) firearms, representing all other operations.

2015 Highlights

Our fiscal 2015 net sales of \$551.9 million represented a decrease of 11.9% from our fiscal 2014 net sales. Net sales for our firearm division decreased by 15.2% to \$531.2 million from the prior fiscal year. Our accessories division generated \$20.6 million of net sales, or 3.7% of total net sales, following the BTI Acquisition on December 11, 2014. Income from continuing operations for fiscal 2015 was \$49.8 million, or \$0.90 per fully diluted share, compared with income from continuing operations of \$88.6 million, or \$1.47 per fully diluted share, for fiscal 2014. Our operating results for fiscal 2015 were affected by numerous factors, including the following:

- The 15.2% decrease in firearm net sales was primarily driven by lower consumer demand and excess distributor and retailer inventories in the firearm industry following the surge in demand in the prior fiscal year. The lower demand and excess channel inventories primarily impacted sales of our long guns, specifically our modern sporting rifles, which was partially offset by increased bolt action and single shot hunting rifle sales. In fiscal 2015, consumer demand for handguns, as reflected in NICS background checks, increased over fiscal 2014, which led to increased sales of our small concealed carry polymer pistols and revolvers. However, those increased sales were more than offset by a decrease in sales of our larger frame M&P branded polymer pistols because a portion of the increased consumer demand for our handguns was satisfied by excess channel inventory. The DRP and BTI Acquisitions resulted in a 5.7% increase in total net sales for fiscal 2015. A reduction in units produced as a result of the lower demand and excess channel inventories negatively impacted our firearm net sales by 16.6%.
- Our gross margin decreased 6.0 percentage points from the prior fiscal year primarily as a result of a combination of the reduced sales volumes for our higher-margin products, higher manufacturing-related spending relative to sales volumes, additional promotional product discounts, and unfavorable manufacturing fixed-cost absorption for fiscal 2015. As a result of the BTI Acquisition, we recorded \$4.2 million of increased cost of goods sold related to a step-up of inventory, which negatively impacted gross margin for our accessories division by 20.1 percentage points and the total company by 0.8 percentage points. The entire step-up of inventory was expensed during fiscal 2015.
- Income from continuing operations was negatively impacted by increased depreciation expense as a result of increased capital spending, including the transition of our ERP system to SAP in fiscal 2014 and acquisition-related costs incurred in fiscal 2015.
- During fiscal 2015, we completed our most recent stock repurchase program by repurchasing 2.1 million shares of our common stock for \$30.0 million utilizing cash on hand, which had a positive impact on our diluted earnings per share from continuing operations.

Our Business

We are one of the world's leading manufacturers of firearms. We manufacture a wide array of handguns (including revolvers and pistols), long guns (including modern sporting rifles, bolt action rifles, and single shot rifles), handcuffs, and firearm-related products and accessories for sale to a wide variety of customers, including gun enthusiasts, collectors, hunters, sportsmen, competitive shooters, individuals desiring home and personal protection, law enforcement and security agencies and officers, and military agencies

in the United States and throughout the world. We are one of the largest manufacturers of handguns, modern sporting rifles, and handcuffs in the United States and an active participant in the hunting rifle market. Beginning in fiscal 2015, we are now also a leading provider of shooting, reloading, gunsmithing, and gun cleaning supplies. We sell our products under the Smith & Wesson, M&P, Thompson/Center Arms, Caldwell Shooting Supplies, Wheeler Engineering, Tipton Gun Cleaning Supplies, Frankford Arsenal Reloading Tools, Lockdown Vault Accessories, Hooyman Premium Tree Saws, BOG-POD, and Golden Rod Moisture Control brands.

We manufacture our firearm products at our facilities in Springfield, Massachusetts; Houlton, Maine; and Deep River, Connecticut; and we develop and market our accessories products at our facility in Columbia, Missouri. We plan to continue to capitalize on the goodwill developed through our historic 163 year old "Smith & Wesson" brand as well as our other well-known brands by expanding consumer awareness of the products we produce.

Key Performance Indicators

We evaluate the performance of our business based upon operating profit, which includes net sales, cost of sales, selling and administrative expenses, and certain components of other income and expense. We also track our return on invested capital, and we use adjusted EBITDAS (earnings before interest, taxes, depreciation, amortization, and stock-based compensation expense, excluding certain non-operational items), which is a non-GAAP financial metric, as a supplemental measure of our performance in order to provide investors with an improved understanding of underlying performance trends. We evaluate our various firearm products by such measurements as gross margin per unit produced, units produced per day, revenue by trade channel, and incoming orders per day. We evaluate our various accessories products by such measurements as incoming orders per day, sales by customer, and gross margin by product line.

Key Industry Data

Firearms have been subject to legislative actions in the past, and the market has reacted to these actions. There was a substantial increase in sales in the early 1990s during the period leading up to and shortly after the enactment of the Brady Bill. In the period from 1992 through 1994, U.S. handgun sales increased by over 50%, as consumers purchased handguns because of the fear of prohibition of handgun ownership. Sales levels then returned to pre-1992 levels and grew at normal industry growth rates until late in calendar 2008, when sales increased in what appears to be fears surrounding crime and terrorism, an economic downturn, and a change in the White House administration. Similar to the increase in 1992, this increase in sales was temporary in nature and sales returned to more normal levels in fiscal 2010. In late calendar 2012 and early calendar 2013, orders again increased rapidly in what appeared to be in response to fears of renewed legislative activity surrounding restrictions on the sale or makeup of firearms. Although we believe the fear of additional legislation around firearm restrictions still exists, the demand for firearms returned to more normal levels during fiscal 2015. We believe that an expanding base of consumers, the variety of products we offer, and the attractive price points we maintain will be important factors to achieve our goal to increase our market share. Based on data from calendar 2014, we estimate that we have a 20% share of the U.S. consumer market for handguns. This compares with approximately 10% in the period just before we acquired Smith & Wesson Corp. in 2001.

Results of Operations

Net Sales

The following table sets forth certain information regarding net sales for the fiscal years ended April 30, 2015, 2014, and 2013 (dollars in thousands):

	2015	2014	\$ Change	% Change	2013
Handguns	\$ 395,500	\$ 422,992	\$ (27,492)	-6.5%	\$ 324,627
Long Guns	90,178	155,311	(65,133)	-41.9%	179,187
Walther	506	5,651	(5,145)	-91.0%	41,646
Other Products & Services	45,038	42,666	2,372	5.6%	42,054
Firearm Division	531,222	626,620	(95,398)	-15.2%	587,514
Accessories Division	20,640	—	20,640	N/A	N/A
Total Net Sales	<u>\$ 551,862</u>	<u>\$ 626,620</u>	<u>\$ (74,758)</u>	<u>-11.9%</u>	<u>\$ 587,514</u>

Fiscal 2015 Net Sales Compared with Fiscal 2014

Net sales in our firearm division for fiscal 2015 decreased 15.2% from the prior fiscal year. Although consumer demand for handguns, as reflected in NICS background checks, increased over fiscal 2014, we believe that a portion of the consumer demand was satisfied with excess channel inventory. Thus, our handgun sales decreased \$27.5 million, or 6.5%, from the prior fiscal year because

of the decrease in sales of our larger frame M&P branded polymer pistol products, partially offset by increased sales of our small concealed carry polymer pistols and revolvers. Net sales for our long guns decreased \$65.1 million, or 41.9%, from the prior fiscal year, primarily because of reduced sales of our modern sporting rifles as a result of lower demand, partially offset by increased lower price point sport rifle sales as well as bolt action and single-shot hunting rifle sales. Other products and services net sales increased by 5.6% from the prior fiscal year, primarily as a result of sales of our injection molding products following the DRP Acquisition in early fiscal 2015, which represented 2.0% of firearm net sales, as well as increased handcuff sales. Firearm net sales were positively impacted by a price increase in January 2014 on a selected number of our products. In total, price increases favorably impacted firearm net sales for fiscal 2015 compared with the prior fiscal year by 0.3% while decreases in the number of units sold impacted firearm net sales by 16.6%. New products, defined as any new SKU not shipped in the prior year, represented 17.4% of firearm net sales for fiscal 2015. Net sales in our accessories division following the BTI Acquisition in December 2014 represented 3.7% of total net sales for fiscal 2015.

Our firearm segment order backlog as of April 30, 2015 was \$169.4 million, which was \$61.0 million lower than at the end of fiscal 2014. Our accessories segment order backlog as of April 30, 2015 was \$9.8 million. We allow orders received that have not yet shipped to be cancelled, with cancellations being more likely in periods following surges in demand. Therefore, our backlog may not be indicative of future sales.

Net sales into our sporting goods distribution channel, excluding Walther products, for fiscal 2015 were \$485.1 million, a \$70.8 million, or a 12.7%, decrease from sales of \$555.9 million for fiscal 2014, primarily as a result of reduced sales of our M&P branded polymer pistols and hunting and modern sporting rifles, partially offset by increased revolver sales and \$18.7 million of sales into our sporting goods distribution channel from our accessories division. Excluding our accessories division, net sales into our sporting goods distribution channel were \$466.3 million for fiscal 2015, a decrease of 16.1%. Firearm net sales into our professional channels, which exclude Walther products and include international and law enforcement sales, were \$64.4 million, a \$598,000, or 0.9%, decrease from fiscal 2014 net sales of \$65.0 million. Our accessories division generated \$1.9 million of international sales into our professional channels during fiscal 2015.

Fiscal 2014 Net Sales Compared with Fiscal 2013

Net sales for fiscal 2014 increased 6.7% over fiscal 2013 as we were able to address increased consumer demand, particularly for our handgun products, which saw a net sales increase of 30.3% over fiscal 2013. Handgun net sales for fiscal 2014 were driven primarily by increased production volumes of our M&P branded polymer pistol products and smaller sized pistols and revolvers. Net sales for our long guns for fiscal 2014 decreased \$23.9 million, or 13.3%, from fiscal 2013, primarily because of reduced bolt action rifle sales as we serviced the Thompson/Center Arms bolt action rifle recall and reduced sales of our rimfire M&P rifles caused primarily by ammunition constraints. Those lower rifle sales were offset by increased sales of our centerfire M&P rifles, including an M&P rifle newly introduced in 2013. In addition, during fiscal 2013, we implemented a new pricing and discount structure that improved net sales. Walther net sales in fiscal 2014 were \$36.0 million, or 86.4%, less than fiscal 2013, primarily because we ended our exclusive U.S. importer and distributor agreement with Walther at the end of fiscal 2013. Walther net sales for fiscal 2014 related to those products we manufactured on behalf of Walther at our Houlton, Maine facility through an agreement that expired on April 30, 2013. Fiscal 2014 net sales were positively impacted by a price increase in January 2014 on a selected number of our products. In total, increases in pricing favorably impacted fiscal 2014 net sales compared with fiscal 2013 by 1.2% while increases in the number of units sold favorably impacted net sales by 6.6%. New products, defined as any new SKU not shipped in the prior fiscal year, represented 2.2% of total net sales for fiscal 2014.

Net sales into our sporting goods distribution channel for fiscal 2014, excluding Walther products, were \$555.9 million, a \$73.9 million, or 15.3%, increase over sales of \$482.0 million for fiscal 2013, primarily driven by increased handgun sales because of increased production capacity to satisfy demand. Net sales into our professional channels for fiscal 2014, which exclude Walther products and include federal, international, and law enforcement sales, were \$65.0 million, a \$1.2 million, or 1.9%, increase over fiscal 2013 net sales of \$63.8 million. Increased sales into our professional channels were primarily a result of increased handgun sales to law enforcement customers.

Cost of Sales and Gross Profit

The following table sets forth certain information regarding cost of sales and gross profit for the fiscal years ended April 30, 2015, 2014, and 2013 (dollars in thousands):

<u>Total Company</u>	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2013</u>
Cost of sales	\$ 356,936	\$ 367,515	\$ (10,579)	-2.9%	\$ 369,442
% of net sales	64.7%	58.7%			62.9%
Gross profit	\$ 194,926	\$ 259,105	\$ (64,179)	-24.8%	\$ 218,072
% of net sales	35.3%	41.3%			37.1%
<u>Firearm Division</u>	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2013</u>
Cost of sales	\$ 342,663	\$ 367,515	\$ (24,852)	-6.8%	\$ 369,442
% of net sales	64.5%	58.7%			62.9%
Gross profit	\$ 188,559	\$ 259,105	\$ (70,546)	-27.2%	\$ 218,072
% of net sales	35.5%	41.3%			37.1%
<u>Accessories Division</u>	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2013</u>
Cost of sales	\$ 14,273	\$ —	\$ 14,273	N/A	\$ —
% of net sales	69.2%	—			—
Gross profit	\$ 6,367	\$ —	\$ 6,367	N/A	\$ —
% of net sales	30.8%	—			—

Fiscal 2015 Cost of Sales and Gross Profit Compared with Fiscal 2014

Gross margin for fiscal 2015 decreased by 6.0 percentage points from the prior fiscal year, primarily as a result of a combination of reduced sales volumes for our higher-margin products, higher spending relative to sales volumes, additional promotional product discounts, and unfavorable manufacturing fixed-cost absorption during fiscal 2015. That additional spending relative to sales volume and unfavorable manufacturing fixed-cost absorption negatively impacted gross margin by 5.4 percentage points, or \$67.4 million, and the additional promotional product discounts resulted in a 1.1 percentage point, or \$5.9 million, reduction to gross margin. Our price increases made in early calendar 2014 on selected firearm products increased gross margin by 0.2 percentage points, or \$1.9 million, and the DRP Acquisition resulted in a favorable impact of 0.3 percentage points on gross margin for fiscal 2015. As a result of the BTI Acquisition, we were required to record \$4.2 million of increased cost of goods sold related to the step-up of inventory, which negatively impacted gross margin for that division by 20.1 percentage points and the total company by 0.8 percentage points.

Fiscal 2014 Cost of Sales and Gross Profit Compared with Fiscal 2013

Gross profit for fiscal 2014 increased over fiscal 2013, primarily because of an increase in sales volume, a strategic change in production mix to higher margin polymer pistol products, and capacity increases that more than offset spending increases during fiscal 2014. Overall gross margin increased 4.2 percentage points over fiscal 2013 with improved mix contributing 0.7 percentage points, or \$3.7 million, to gross margin because of an increase in the volume of polymer pistols produced, offset by lower margin products, such as Walther products. Improved manufacturing efficiency and absorption because of increased production benefitted gross margin by 3.1 percentage points, or \$31.7 million, while reduced spending on promotions improved gross margin by 0.7 percentage points, or \$4.6 million. The 2013 change to our pricing and discount structure, combined with the January 2014 price increase on selected products, increased gross margin by 0.6 percentage points, or \$6.9 million. Increased manufacturing and volume-related spending negatively impacted gross margin by 1.8 percentage point, or \$11.6 million. During fiscal 2013, we incurred \$3.0 million of warranty costs associated with the Thompson/Center Arms bolt action rifle recall, which negatively impacted gross margin by 0.5% in that year.

Operating Expenses

The following table sets forth certain information regarding operating expenses for the fiscal years ended April 30, 2015, 2014, and 2013 (dollars in thousands):

Total Company	2015	2014	\$ Change	% Change	2013
Research and development	\$ 6,943	\$ 5,648	\$ 1,295	22.9%	\$ 4,790
Selling and marketing	36,033	33,515	2,518	7.5%	30,112
General and administrative	62,322	68,954	(6,632)	-9.6%	50,336
Total operating expenses	\$ 105,298	\$ 108,117	\$ (2,819)	-2.6%	\$ 85,238
% of net sales	19.1%	17.3%			14.5%

Firearm Division	2015	2014	\$ Change	% Change	2013
Research and development	\$ 6,401	\$ 5,648	\$ 753	13.3%	\$ 4,790
Selling and marketing	33,650	33,515	135	0.4%	30,112
General and administrative	55,976	68,954	(12,978)	-18.8%	50,336
Total operating expenses	\$ 96,027	\$ 108,117	\$ (12,090)	-11.2%	\$ 85,238
% of net sales	18.1%	17.3%			14.5%

Accessories Division	2015	2014	\$ Change	% Change	2013
Research and development	\$ 542	\$ —	\$ 542	N/A	\$ —
Selling and marketing	2,383	—	2,383	N/A	—
General and administrative	6,346	—	6,346	N/A	—
Total operating expenses	\$ 9,271	\$ —	\$ 9,271	N/A	\$ —
% of net sales	44.9%	—			—

Fiscal 2015 Operating Expenses Compared with Fiscal 2014

In our firearm division, research and development expenses increased \$753,000 from the prior fiscal year, primarily because of increased expenses related to new product development testing materials. Selling and marketing expenses were relatively flat from the prior fiscal year with decreases in salary and benefit costs offset by additional co-op advertising and other advertising and promotional expenses. General and administrative costs decreased \$13.0 million from the prior fiscal year and reflected a \$7.5 million reduction from eliminating management incentive compensation expense, a \$4.8 million reduction in profit sharing expense, a \$3.7 million reduction in stock-based compensation expense, and a \$3.2 million reduction in professional fees, primarily relating to consulting services for training and post-implementation support of our ERP system, all of which were partially offset by \$2.1 million of acquisition-related costs and \$1.7 million of additional depreciation expense. General and administrative expenses for our accessories division of \$6.3 million included \$3.6 million of intangible amortization expense as a result of the BTI Acquisition.

Fiscal 2014 Operating Expenses Compared with Fiscal 2013

Research and development expenses for fiscal 2014 increased \$858,000 compared with fiscal 2013, primarily because of \$466,000 additional salary and benefit costs and \$209,000 of additional depreciation expense. Selling and marketing expenses increased \$3.4 million for fiscal 2014, which was primarily as a result of \$2.5 million of additional advertising expense on marketing programs for dealers and \$599,000 of additional trade show expenses due to timing. General and administrative costs for fiscal 2014 increased \$18.6 million over fiscal 2013, primarily because of \$4.2 million of increased salary and benefits expense from additional headcount to support our business growth and management incentive accruals; \$4.1 million of additional stock-based compensation expense primarily related to options, RSUs, and PSUs granted to our employees late in fiscal 2013 and early fiscal 2014; \$1.5 million of additional profit sharing expense as a result of increased eligible compensation; \$1.3 million of additional depreciation expense; and \$7.2 million of additional consulting fees primarily associated with the support and employee training for our ERP system.

Operating expenses as a percentage of net sales increased by 2.8%, predominately because of the increased spending for our new dealer incentive program, servicing our ERP system, and additional stock-based compensation expense mentioned above.

Operating Income from Continuing Operations

The following table sets forth certain information regarding operating income from continuing operations for the fiscal years ended April 30, 2015, 2014, and 2013 (dollars in thousands):

<u>Total Company</u>	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2013</u>
Operating income	\$ 89,628	\$ 150,988	\$ (61,360)	-40.6%	\$ 132,834
% of net sales	16.2%	24.1%			22.6%

<u>Firearm Division</u>	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2013</u>
Income from operations	\$ 92,531	\$ 150,988	\$ (58,457)	-38.7%	\$ 132,834
% of net sales	17.4%	24.1%			22.6%

<u>Accessories Division</u>	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2013</u>
Loss from operations	\$ (2,903)	\$ —	\$ (2,903)	N/A	\$ —
% of net sales	-14.1%	—			—

Fiscal 2015 Operating Income from Continuing Operations Compared with Fiscal 2014

For fiscal 2015, operating income from continuing operations declined \$61.4 million compared with the prior fiscal year, primarily because of lower sales of our modern sporting rifles and large frame M&P branded polymer pistols and the related operating profit impacts from higher spending, unfavorable manufacturing fixed-cost absorption from reduced net sales, increased advertising and promotional spending, additional depreciation expense from increased capital expenditures, and acquisition-related costs. The loss from operations related to our accessories division was primarily due to the fair value inventory step-up that was expensed during fiscal 2015 as well as the amortization of intangibles recorded as a result of the BTI Acquisition.

Fiscal 2014 Operating Income from Continuing Operations Compared with Fiscal 2013

For fiscal 2014, operating income from continuing operations increased by \$18.2 million over fiscal 2013, primarily because of increased sales volume as a result of increased production capacity and the related gross profit, the corresponding impact of improved favorable fixed-cost absorption, increased manufacturing efficiencies, and price increases on selected products, partially offset by a 26.8% increase in operating expenses primarily because of expenses associated with our marketing programs for dealers and trade show expenses, administrative costs relating to the support and employee training for our ERP system, additional stock-based compensation expense primarily from RSUs and PSUs granted to our employees late in fiscal 2013 and early fiscal 2014, salary and benefit costs, and additional depreciation expense from increased capital expenditures.

Other (Expense)/Income

The following table sets forth certain information regarding other (expense)/income for the fiscal years ended April 30, 2015, 2014, and 2013 (dollars in thousands):

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2013</u>
Other (expense)/income	\$ 39	\$ (2,154)	\$ 2,193	-101.8%	\$ 39

Other expense for fiscal 2014 included a \$2.0 million expense related to the resolution of an SEC investigation.

Interest Expense

The following table sets forth certain information regarding interest expense for the fiscal years ended April 30, 2015, 2014, and 2013 (dollars in thousands):

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2013</u>
Interest expense	\$ 11,330	\$ 12,261	\$ (931)	-7.6%	\$ 5,781

Interest expense decreased for fiscal 2015 compared with the prior fiscal year primarily as a result of \$4.3 million of bond premium and \$795,000 of debt issuance write off costs incurred to retire the then-outstanding 9.5% Senior Notes due 2016, or the 9.5% Senior Notes, during fiscal 2014. Interest expense for fiscal 2015 also included the additional interest expense to service our \$75.0 million of 5.000% Senior Notes that were not outstanding during fiscal 2014 as well as amortization of debt issuance costs.

Interest expense increased for fiscal 2014 over fiscal 2013, primarily as a result of servicing our \$100.0 million of 5.875% Senior Notes compared with the exchanged \$43.6 million of 9.5% Senior Notes in fiscal 2013 as well as the additional bond premium and debt issuance write-off costs we recorded to retire the outstanding 9.5% Senior Notes as described above.

Income Tax Expense

The following table sets forth certain information regarding income tax expense for the fiscal years ended April 30, 2015, 2014, and 2013 (dollars in thousands):

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2013</u>
Income tax expense	\$ 28,905	\$ 48,095	\$ (19,190)	-39.9%	\$ 46,500

Our income tax expense for fiscal 2015 decreased \$19.2 million from the prior fiscal year because of lower operating profit and the effect of changes in temporary differences between book value and tax bases of assets and liabilities. These amounts are reflected in the balance of our net deferred tax liabilities, which totaled \$17.5 million, after valuation allowance, as of April 30, 2015. In addition, our effective tax rate for the fiscal year ended April 30, 2015 was 36.71%, which was an increase of 1.53% from the effective tax rate of 35.18% for the fiscal year ended April 30, 2014.

We had federal net operating loss carryforwards amounting to \$541,000, \$649,000, and \$757,000 as of April 30, 2015, 2014, and 2013, respectively. The net operating loss carryforwards as of April 30, 2015 expire in fiscal 2020. Internal Revenue Code Section 382 limits our utilization of these losses to approximately \$108,000 for fiscal 2015 and each subsequent year. It is possible that future substantial changes in our ownership could occur that could result in a reduction in some or all of our loss carryforwards pursuant to Internal Revenue Code Section 382. If such an ownership change were to occur, there would be an annual limitation on the remaining tax loss carryforwards that could be utilized. Net deferred taxes decreased from a net asset of \$5.7 million as of April 30, 2014 to a net liability of \$17.5 million as of April 30, 2015, primarily from the difference between the book versus tax basis of intangible assets recorded as a result of the DRP and BTI Acquisitions during fiscal 2015 as well as the difference between book versus tax depreciation.

There were \$16.8 million and \$16.2 million of state net operating loss carryforwards as of April 30, 2015 and 2014, respectively. The state net operating loss carryforwards will expire between April 30, 2016 and April 30, 2033. There were \$3.0 million and \$2.6 million of state tax credit carryforwards as of April 30, 2015 and 2014, respectively. The state tax credit carryforwards will expire between April 30, 2018 and April 30, 2025, or have no expiration date.

As of April 30, 2015, valuation allowances of \$700,000 and \$1.9 million were provided on our deferred tax assets for state net operating losses, and state tax credits, respectively, that we do not anticipate using prior to their expiration. As of April 30, 2014, valuation allowances of \$686,000, and \$1.7 million were provided on our deferred tax assets for same state net operating loss carryforwards and state tax credits, respectively, that we do not anticipate using prior to their expiration. No other material valuation allowances were provided on our deferred federal income tax assets as of April 30, 2015 or 2014, as we believe that it is more likely than not that all such assets will be realized.

Income from Continuing Operations

The following table sets forth certain information regarding income from continuing operations and the related per share data for the fiscal years ended April 30, 2015, 2014, and 2013 (dollars in thousands, except per share data):

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2013</u>
Income from continuing operations	\$ 49,827	\$ 88,627	\$ (38,800)	-43.8%	\$ 81,406
Income per share from continuing operations					
Basic	\$ 0.92	\$ 1.51	\$ (0.59)	-39.1%	\$ 1.25
Diluted	\$ 0.90	\$ 1.47	\$ (0.57)	-38.9%	\$ 1.22

Fiscal 2015 Income from Continuing Operations Compared with Fiscal 2014

Income from continuing operations of \$49.8 million for fiscal 2015 was \$38.8 million lower than the \$88.6 million for the prior fiscal year, primarily because of lower sales volumes, a corresponding decrease in gross profit, unfavorable manufacturing spending, additional advertising and promotional expense, additional depreciation expense from increased capital expenditures, and acquisition-related costs. Income per share from continuing operations for fiscal 2015 was favorably impacted by \$0.02 from our open market purchases of our common stock that occurred during fiscal 2015 under our stock repurchase program. There was also a favorable impact to income per share from continuing operations of \$0.04 per share as a result of the DRP Acquisition. Income per share from continuing operations for fiscal 2015 was negatively impacted by \$0.12 per share as a result of increased cost of goods sold from the fair value inventory step-up, acquisition-related costs, and additional intangible amortization expense as a result of the DRP and BTI Acquisitions completed during fiscal 2015. Excluding the expenses for inventory step-up and amortization of intangible assets, the fiscal 2015 acquisitions had a favorable impact on income per share from continuing operations.

Fiscal 2014 Income from Continuing Operations Compared with Fiscal 2013

Income from continuing operations of \$88.6 million for fiscal 2014 was \$7.2 million higher than the \$81.4 million recorded for fiscal 2013, primarily because of increased sales volumes and corresponding gross profit, as well as our pricing and discount structure in fiscal 2014 that resulted in improved profitability. Net income per basic and diluted share from continuing operations for fiscal 2014 was favorably impacted as a result of our completed tender offer and open market purchases of our common stock that occurred in December 2012 and August through January 2014 totaling \$135.0 million at an average price of \$11.01 per share, or 12.3 million shares.

Liquidity and Capital Resources

Our principal cash requirements are to finance the growth of our operations, including capital expenditures and any potential acquisitions, and to service our existing debt. Capital expenditures for enhancements to manufacturing flexibility, tooling for new product offerings, and various information technology projects represent important cash needs.

The following table sets forth certain cash flow information for the fiscal years ended April 30, 2015, 2014, and 2013 (dollars in thousands):

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2013</u>
Operating activities	\$ 114,807	\$ 90,206	\$ 24,601	27.3%	\$ 98,098
Investing activities	(186,057)	(62,616)	(123,441)	-197.1%	(32,910)
Financing activities	44,612	(59,217)	103,829	175.3%	(21,418)
Total cash flow	<u>\$ (26,638)</u>	<u>\$ (31,627)</u>	<u>\$ 4,989</u>	<u>15.8%</u>	<u>\$ 43,770</u>

Operating Activities

Operating activities represent the principal source of our cash flow.

Cash flows from operating activities in fiscal 2015 were \$114.8 million, or \$24.6 million higher than for the prior fiscal year, primarily as a result of the following: a \$25.7 million decrease in inventory levels as a result of an initiative to reduce finished parts inventory as well as reduced manufacturing volumes; a decrease in accounts receivable of \$11.0 million due to the timing of customer payments and lower sales volumes; a \$9.2 million increase in amortization and depreciation expense from increased capital spending and as a result of our acquisitions; and lower income tax payments from lower taxable income. Cash from operating activities was negatively impacted by \$7.3 million of reduced accounts payable as a result of reduced manufacturing purchases; a \$9.5 million reduction in payroll accruals due to lower profit-related compensation accruals; and a \$4.9 million reduction in profit sharing accruals as a result of lower operating profits compared with the prior fiscal year.

Cash flows from operating activities in fiscal 2014 were \$90.2 million, or \$7.9 million lower than in fiscal 2013, primarily as a result of a \$23.7 million increase in inventory levels to accommodate customer demand for our polymer pistol products and increased long gun finished goods inventory due to the bolt action rifle recall and ammunition constraints. Adjustments to book versus tax difference on inventory and deferred compensation increased the overall net deferred tax asset by \$1.5 million in fiscal 2014. In addition, accounts receivable increased \$9.6 million as a result of increased net sales volume and timing of customer payments. Cash provided by operating activities for fiscal 2014 was favorably impacted by a \$10.6 million increase in net income; a \$5.0 million increase in amortization and depreciation expense from increased capital spending, particularly spending related to our ERP system; a \$4.1 million increase in stock-based compensation expense relating to awards issued to our employees at the end of fiscal 2013 and beginning of fiscal 2014; and a \$6.5 million increase in accounts payable due to timing of inventory purchases.

Investing Activities

Cash used in investing activities was \$186.1 million, or \$123.4 million higher for fiscal 2015 compared with the prior fiscal year, primarily as a result of \$135.4 million of payments for the BTI Acquisition and to acquire substantially all of the net assets of Hooyman LLC, as discussed in Note 2 to our consolidated financial statements, and a \$23.8 million payment for the DRP Acquisition, partially offset by \$3.5 million of refunds of deposits for machinery and equipment. We also recorded capital spending of \$28.2 million, a reduction of \$25.1 million compared with the prior fiscal year. Major capital expenditures in fiscal 2015 primarily related to enhancements to manufacturing flexibility, tooling for new product offerings, and various information technology projects.

Cash used for investing activities increased by \$29.7 million for fiscal 2014 compared with fiscal 2013 as a result of increased capital spending of \$11.9 million during fiscal 2014 and \$9.3 million of deposits for machinery and equipment. Also impacting the increase in cash used in investing activities over fiscal 2013 was \$7.5 million of proceeds received for the sale of our discontinued operations and \$1.0 million of proceeds from the sale of our land and building located in Rochester, New Hampshire in fiscal 2013.

Financing Activities

Cash provided by financing activities was \$44.6 million for fiscal 2015 compared with cash used in financing activities of \$59.2 million for fiscal 2014. Cash provided by financing activities was primarily a result of \$75.0 million of proceeds related to the issuance of our 5.000% Senior Notes, partially offset by our completed \$30.0 million stock repurchase program. We also paid \$2.4 million of debt issuance costs related to the 5.000% Senior Notes issuance as discussed in Note 5 to our consolidated financial statements.

Cash used in financing activities was \$59.2 million for fiscal 2014 compared with \$21.4 million for fiscal 2013, primarily as a result of our completed tender offer and stock repurchases as described below. The cash used in financing activities was offset by \$56.4 million of net proceeds related to the issuance of new 5.875% Senior Notes in exchange for our 9.5% Senior Notes. We paid \$4.3 million of interest and \$3.8 million of debt issuance costs relating to this exchange.

During the past three fiscal years, our board of directors authorized the repurchase of \$165.0 million of our common stock through multiple stock repurchase programs, all of which were completed as of April 30, 2015. Since fiscal 2013, we repurchased 12.9 million shares of our common stock in the open market for \$149.4 million and 1.4 million shares of our common stock pursuant to a tender offer for \$15.6 million utilizing cash on hand.

On November 25, 2014, we partially exercised an accordion feature on our line of credit to increase it by \$50.0 million to \$125.0 million, and on December 11, 2014, we borrowed \$100.0 million on our expanded line of credit to fund the BTI Acquisition. We repaid the entire \$100.0 million of borrowings under our line of credit during the fourth quarter of fiscal 2015. On April 13, 2015, we exercised the remaining \$50.0 million expansion under the accordion feature of our credit agreement to increase the line of credit available to us to \$175.0 million. As of April 30, 2015, we had a \$175.0 million revolving line of credit, of which we had no borrowings, and open letters of credit aggregating \$1.1 million. As discussed below, in June 2015, we entered into a new credit agreement, which consists of a revolving line of credit and term loan that replaced the existing \$175.0 million credit facility.

At April 30, 2015, we had \$42.2 million in cash and cash equivalents on hand.

During fiscal 2014, we sold an aggregate of \$47.1 million of 5.875% Senior Notes to various qualified institutional buyers in exchange for approximately \$42.8 million of our then-outstanding 9.5% Senior Notes held by existing holders of such notes. We also issued an additional \$52.9 million of new 5.875% Senior Notes for cash. The remaining \$712,000 of 9.5% Senior Notes outstanding after the exchange noted above were extinguished via legal defeasance during fiscal 2014. As a result of this transaction, our indebtedness increased by \$56.4 million and our debt service requirements increased by \$1.8 million per annum. The 5.875% Senior Notes were sold pursuant to the terms and conditions of an indenture and exchange and purchase agreements. The 5.875% Senior Notes bore interest at a rate of 5.875% per annum payable on June 15 and December 15 of each year, beginning on December 15, 2013. We recorded \$4.3 million of interest expense relating to the exchange and defeasance of our 9.5% Senior Notes and amortized \$795,000 of debt issue costs related to the exchange and defeasance during fiscal 2014. As discussed below, the 5.875% Senior Notes were redeemed on June 15, 2015 with proceeds from a term loan we entered into as part of our new credit facility.

During fiscal 2015, we issued an aggregate of \$75.0 million of 5.000% Senior Notes due 2018, or the 5.000% Senior Notes, to various institutional investors pursuant to the terms and conditions of an indenture, or the 5.000% Senior Notes Indenture, and collectively with the indenture governing the 5.875% Senior Notes, the Senior Notes Indentures, and purchase agreements. The 5.000% Senior Notes bear interest at a rate of 5.000% per annum payable on January 15 and July 15 of each year, beginning on January 15, 2015.

At any time prior to July 15, 2016, we may, at our option (a) upon not less than 30 nor more than 60 days' prior notice, redeem all or a portion of the 5.000% Senior Notes at the redemption price of 100% of the principal amount of the 5.000% Senior Notes, plus an applicable premium, plus accrued and unpaid interest as of the redemption date; or (b) redeem up to 35% of the aggregate principal amount of the 5.000% Senior Notes with the net cash proceeds of one or more equity offerings at a redemption price of 105.000% of the principal amount of the 5.000% Senior Notes, plus accrued and unpaid interest as of the redemption date; provided, that in the case of the foregoing clause, at least 65% of the aggregate original principal amount of the 5.000% Senior Notes remains outstanding, and the redemption occurs within 60 days after the closing of the equity offering. On and after July 15, 2016, we may, at our option, upon not less than 30 nor more than 60 days' prior notice, redeem all or a portion of the 5.000% Senior Notes at the redemption price of (a) 102.500% of the principal amount of the 5.000% Senior Notes to be redeemed, if redeemed during the 12-month period beginning on July 15, 2016; or (b) 100% of the principal amount of the 5.000% Senior Notes to be redeemed, if redeemed during the 12-month period beginning on July 15, 2017, plus, in either case, accrued and unpaid interest on the 5.000% Senior Notes as of the applicable redemption date. Subject to certain restrictions and conditions, we may be required to make an offer to repurchase the 5.000% Senior Notes from the holders of the 5.000% Senior Notes in connection with a change of control or disposition of assets. If not redeemed by us or repaid pursuant to the holders' right to require repurchase, the 5.000% Senior Notes mature on July 15, 2018.

The 5.000% Senior Notes are general, unsecured obligations of our company. The 5.000% Senior Notes Indenture contains certain affirmative and negative covenants, including limitations on restricted payments (such as share repurchases, dividends, and early payment of indebtedness), limitations on indebtedness, limitations on the sale of assets, and limitations on liens. Payments that would otherwise be characterized as restricted payments are permitted under the 5.000% Senior Notes Indenture in an amount not to exceed 50% of our consolidated net income for the period from the issue date to the date of the restricted payment, provided that at the time of making such payments, (a) no default has occurred or would result from the making of such payments, and (b) we are able to satisfy the debt incurrence test under the 5.000% Senior Notes Indenture, or the 5.000% Senior Notes Lifetime Aggregate Limit. In addition, the 5.000% Senior Notes Indenture provides for other exceptions to the restricted payments covenant, each of which are independent of the 5.000% Senior Notes Lifetime Aggregate Limit. Among such exceptions are (i) the ability to make share repurchases each fiscal year in an amount not to exceed the lesser of (A) \$50.0 million in any fiscal year or (B) 75.0% of our consolidated net income for the previous four consecutive published fiscal quarters prior to the date of the determination of such consolidated net income, and (ii) share repurchases over the life of the 5.000% Senior Notes in an aggregate amount not to exceed \$75.0 million.

The limitation on indebtedness in the 5.000% Senior Notes Indenture is only applicable at such time that the consolidated coverage ratio (as set forth in the 5.000% Senior Notes Indenture) for us and our restricted subsidiaries is less than 3.00 to 1.00. In general, as set forth in the 5.000% Senior Notes Indenture, the consolidated coverage ratio is determined by comparing our prior four quarters' consolidated EBITDA (earnings before interest, taxes, depreciation, and amortization) to our consolidated interest expense.

On June 15, 2015, we entered into a new credit agreement, or the Credit Agreement, which consists of a \$175.0 million revolving line of credit and a \$105.0 million term loan, which both mature on June 15, 2020. We used the proceeds from the term loan to redeem the entire \$100.0 million outstanding principal balance of our 5.875% Senior Notes, plus accrued and unpaid interest to the redemption date, in June 2015. See Note 5 – *Notes Payable* in the notes to the consolidated financial statements for additional information regarding the new credit facility.

The Credit Agreement contains financial covenants relating to maintaining maximum leverage and minimum debt service coverage. The Senior Notes Indentures contain a financial covenant relating to times interest earned. We were in compliance with all debt covenants as of April 30, 2015. Proceeds under the new revolving line of credit will be used for general corporate purposes.

Based upon our current working capital position, current operating plans, the repurchase of \$100.0 million of our 5.875% Senior Notes, and expected business conditions, we believe that our existing capital resources and credit facilities will be adequate to fund our operations, including our outstanding debt and other commitments, for the next 12 months, apart from any major acquisitions.

Our future capital requirements will depend on many factors, including net sales, the timing and extent of spending to support product development efforts, the expansion of sales and marketing activities, the timing of introductions of new products and enhancements to existing products, the costs to ensure access to adequate manufacturing capacity, and any acquisitions or strategic investments that we may determine to make. Further equity or debt financing may not be available to us on acceptable terms or at all. If sufficient funds are not available or are not available on acceptable terms, our ability to take advantage of unexpected business opportunities or to respond to competitive pressures could be limited or severely constrained.

Inflation

We do not believe that inflation had a material impact on us during fiscal 2015, 2014, or 2013.

Critical Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the financial statement dates and the reported amounts of revenue and expenses during the reporting periods. Our significant estimates include accruals for warranty, product liability, workers' compensation expense, excess and obsolete inventory, allowance for doubtful accounts, income tax expense, including deferred tax asset valuation, and forfeiture rates on stock-based awards. Actual results could differ from those estimates.

Revenue Recognition

For our firearm and accessories products, we recognize revenue when the following four basic criteria have been met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been provided; (3) the fee is fixed or determinable; and (4) collection is reasonably assured.

Product sales account for most of our revenue. We recognize revenue from product sales when the earnings process is complete and the risks and rewards of ownership have transferred to the customer, which is generally upon shipment but could be delayed until the receipt of customer acceptance. We also provide tooling, forging, heat treating, finishing, plating, and engineering support services to customers; we recognize this revenue when accepted by the customer, if applicable, when no further contingencies or material performance obligations exist, and when collectability is reasonably assured, thereby earning us the right to receive and retain payments for services performed and billed.

Valuation of Long-lived Tangible and Intangible Assets

We evaluate the recoverability of long-lived assets, or asset groups, whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. When such evaluations indicate that the related future undiscounted cash flows are not sufficient to recover the carrying values of the assets, such carrying values are reduced to fair value and this adjusted carrying value becomes the asset's new cost basis. We determine fair value primarily using future anticipated cash flows that are directly associated with and that are expected to arise as a direct result of the use and eventual disposition of the asset, or asset group, discounted using an interest rate commensurate with the risk involved.

We have significant long-lived tangible and intangible assets, which are susceptible to valuation adjustments as a result of changes in various factors or conditions. The most significant long-lived tangible and intangible assets are property, plant, and equipment, patents, trademarks, and trade names. We amortize all finite-lived intangible assets either on a straight-line basis or based upon patterns in which we expect to utilize the economic benefits of such assets. We initially determine the values of intangible assets by a risk-adjusted, discounted cash flow approach. We assess the potential impairment of identifiable intangible assets and fixed assets whenever events or changes in circumstances indicate that the carrying values may not be recoverable and at least annually. Factors we consider important, which could trigger an impairment of such assets, include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of or use of the assets or the strategy for our overall business;
- significant negative industry or economic trends;
- significant decline in our stock price for a sustained period; and
- a decline in our market capitalization below net book value.

Future adverse changes in these or other unforeseeable factors could result in an impairment charge that could materially impact future results of operations and financial position in the reporting period identified. No impairment charges were taken for continuing operations in fiscal 2015, 2014, or 2013 based on the review of long-lived assets.

In accordance with Accounting Standards Codification, or ASC, 350, *Intangibles-Goodwill and Other*, we test intangible assets with indefinite lives for impairment on an annual basis on February 1 and between annual tests if indicators of potential impairment exist. The impairment test compares the fair value of the reporting unit to its carrying amount, including intangible assets with indefinite lives, to assess whether impairment is present. We have reviewed the provisions of ASC 280-10, *Segment Reporting Topic*, with respect to the criteria necessary to evaluate the number of reporting units that exist. Based on our review of ASC 280-10-50, we have determined that we operate our continuing operations in two reporting units: one for our Springfield, Massachusetts; Houlton, Maine; and Deep River, Connecticut facilities and a second for our Columbia, Missouri facility. As of April 30, 2015, we recorded

\$75.4 million of goodwill, of which, \$13.8 million was recorded at the time of our DRP Acquisition and \$61.6 million was recorded at the time of our BTI Acquisition.

We periodically review long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of those assets are no longer appropriate. Each impairment test is based on a comparison of the undiscounted cash flows to the recorded carrying value for the asset. If impairment is indicated, the asset is written down to its estimated fair value based on a discounted cash flow analysis. No impairment charges were taken for continuing operations in fiscal 2015, 2014, or 2013 based on the review of long-lived assets.

We utilize an income approach, with discounted cash flows, to estimate the fair value of each reporting unit. We selected this method because we believe that it most appropriately measures our income producing assets. We considered using the market approach and the cost approach, but concluded that they were not appropriate in valuing our reporting units given the lack of relevant and available market comparisons. The income approach is based on the projected cash flows that are discounted to their present value using discount rates that consider the timing and risk of the forecasted cash flows. We believe that this approach is appropriate because it provides a fair value estimate based upon the reporting unit's expected long-term operating cash performance. This approach also mitigates the impact of the cyclical trends that occur in our industry. Fair value is estimated using internally-developed forecasts and assumptions. The discount rate used is the average estimated value of a market participant's cost of capital and debt, derived using customary market metrics. Other significant assumptions include terminal value margin rates, future capital expenditures, and changes in future working capital requirements. We also compare and reconcile our overall fair value to our market capitalization. While there are inherent uncertainties related to the assumptions used and to our application of these assumptions to this analysis, we believe that the income approach provides a reasonable estimate of the fair value of our reporting units. The foregoing assumptions were consistent with our long-term performance, with limited exceptions. We believe that our future investments for capital expenditures as a percent of revenue will decline in future years because of our improved utilization resulting from lean initiatives, and we believe that days sales outstanding will decline with any increase in revenues. We also have assumed that our markets have not contracted for the long term through the current economic downturn; however, it may be a number of years before they fully recover. These assumptions could deviate materially from actual results.

Significant judgments and estimates are involved in determining the useful lives of our long-lived assets, determining what reporting units exist, and assessing when events or circumstances would require an interim impairment analysis of goodwill or other long-lived assets to be performed. Changes in our organization or our management reporting structure, as well as other events and circumstances, including technological advances, increased competition, and changing economic or market conditions, could result in (a) shorter estimated useful lives, (b) additional reporting units, which may require alternative methods of estimating fair values or greater disaggregation or aggregation in our analysis by reporting unit, and (c) other changes in previous assumptions or estimates. A change in the weighted average cost of capital, for example, could materially change the valuation and, if increased, could cause an impairment. In turn, this could have an additional impact on our consolidated financial statements through accelerated amortization and impairment charges.

Inventories

We value firearm inventories, consisting primarily of finished firearms, firearm components, and related products, as well as our accessories inventories, at the lower of cost, using the first-in, first-out, or FIFO, method, or market. An allowance for potential non-saleable inventory due to excess stock or obsolescence is based upon a detailed review of inventory components, past history, and expected future usage.

Warranty

We generally provide a limited one year warranty and a lifetime service policy to the original purchaser of our new firearm products. We provide for estimated warranty obligations in the period in which we recognize the related revenue. We quantify and record an estimate for warranty-related costs based on our actual historical claims experience and current repair costs. We make adjustments to accruals as warranty claims data and historical experience warrant. Should we experience actual claims and repair costs that are higher than the estimated claims and repair costs used to calculate the provision, our operating results for the period or periods in which such returns or additional costs materialize would be adversely impacted.

Trade Receivables

We extend credit to our domestic customers and some foreign distributors based on their financial condition. We sometimes offer discounts for early payment on invoices. When we believe the extension of credit is not advisable, we rely on either a prepayment or a letter of credit. We write off balances deemed uncollectible by us against our allowance for doubtful accounts. We

estimate our allowance for doubtful accounts through current past due balances, knowledge of our customers' financial situations, and past payment history.

Income Taxes

The provision for income taxes is based upon income reported in the accompanying consolidated financial statements. As required by ASC 740-10, *Accounting for Income Taxes*, we record tax assets or liabilities for the temporary differences between the book value and tax bases in assets and liabilities. In assessing the realization of our deferred income tax assets, we consider whether it is more likely than not that the deferred income tax assets will be realized. The ultimate realization of our deferred income tax assets depends upon generating future taxable income during the periods in which our temporary differences become deductible and before our net operating loss carryforwards expire. We evaluate the recoverability of our deferred income tax assets by assessing the need for a valuation allowance on a quarterly basis. If we determine that it is more likely than not that our deferred income tax assets will not be recovered, we establish a valuation allowance against some or all of our deferred income tax assets. Recording a valuation allowance or reversing a valuation allowance could have a significant effect on our future results of operations and financial position. We are unaware of any recent or expected future changes in tax laws that would have a material impact on our financial statements. We measure these deferred taxes by applying tax rates expected to be in place when the deferred items become subject to income tax or deductible for income tax purposes.

Stock-Based Compensation

We account for stock-based employee compensation arrangements in accordance with the provisions of ASC 718 by calculating compensation cost on the date of the grant using the Black-Scholes method for stock options and purchases under the ESPP, grant date fair value for RSUs, and the Monte-Carlo method for market-condition PSUs. We then amortize compensation expense over the vesting period. We estimate the fair value of each stock option or purchase under the ESPP on the date of the grant using the Black-Scholes option pricing model discounted by an estimated forfeiture rate (using the risk-free interest rate, expected term, expected volatility, and dividend yield variables). We estimate the fair value of each RSU award on the date of the grant using grant date fair value discounted by an estimated forfeiture rate and, when applicable, a factor related to any holding period. We estimate the fair value of each PSU award on the date of the grant using the Monte-Carlo model (using the grant date market value of our common stock and the Russell 2000 Index, or RUT, Expected volatilities of our common stock and the RUT, correlation coefficient between our common stock and the RUT, risk-free interest rate, and dividend yield).

Recent Accounting Pronouncements

The nature and impact of recent accounting pronouncements is discussed in Note 3 to our consolidated financial statements, which is incorporated herein by reference.

Contractual Obligations and Commercial Commitments

The following table sets forth a summary of our material contractual obligations and commercial commitments as of April 30, 2015 (in thousands):

	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt obligations	\$ 193,657	\$ 9,625	\$ 108,251	\$ 75,781	\$ —
Capital lease obligation	2,089	596	1,493	—	—
Operating lease obligations	15,794	2,446	3,894	3,544	5,910
Purchase obligations	69,860	69,860	—	—	—
Unrecognized tax benefits	91	91	—	—	—
Total obligations	<u>\$ 281,491</u>	<u>\$ 82,618</u>	<u>\$ 113,638</u>	<u>\$ 79,325</u>	<u>\$ 5,910</u>

During fiscal 2015, we issued an aggregate of \$75.0 million of 5.000% Senior Notes to various institutional investors. Included in the above long-term debt obligation is \$12.0 million of contractually obligated interest payments pertaining to the \$75.0 million remaining balance of our 5.000% Senior Notes, which represents interest payments through July 15, 2018.

During fiscal 2014, we sold an aggregate of \$100.0 million of 5.875% Senior Notes to various qualified institutional buyers in exchange for approximately \$42.8 million of our 9.5% Senior Notes held by the holders of such notes and the purchase by certain of such holders of additional 5.875% Senior Notes for cash. Included in the above long-term debt obligation is \$6.6 million of contractually obligated interest payments pertaining to the \$100.0 million balance of our 5.875% Senior Notes, which represents interest payments through June 15, 2017. On June 15, 2015, we entered into a new credit facility, which consists of a \$175.0 million revolving line of credit and a \$105.0 million term loan, which both mature on June 15, 2020. We used the proceeds from the term loan

to redeem the entire \$100.0 million outstanding principal balance of our 5.875% Senior Notes, plus accrued interest and unpaid interest to the redemption date, in June 2015.

Off-Balance Sheet Arrangements

We do not have any transactions, arrangements, or other relationships with unconsolidated entities that are reasonably likely to affect our liquidity or capital resources. We have no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity, or market or credit risk support or that engage in leasing, hedging, research and development services, or other relationships that expose us to liability that is not reflected on the face of the financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We do not enter into any market risk sensitive instruments for trading purposes. Our principal market risk relates to the variable interest rate associated with our credit facility, which bore interest at a variable rate equal to LIBOR or prime, at our election, plus an applicable margin based on our consolidated leverage ratio. As of April 30, 2015, there were no borrowings outstanding. Had there been borrowings, they would have borne an interest rate of 4.25% per annum if we had selected the prime rate option and a range of 2.18% to 2.28% per annum if we had selected the LIBOR rate option. Additionally, we incur market risk related to changes in the value of the euro relative to the U.S. dollar. We had annual inventory purchases of \$950,000 from a European supplier. A portion of our gross sales during the three months and fiscal year ended April 30, 2015 (\$460,000 and \$2.2 million, respectively, representing approximately 0.25% and 0.40%, respectively, of aggregate gross sales) came from sales of goods that were purchased, in whole or in part, from a European manufacturer, in euros. This exposes us to risk from foreign exchange rate fluctuations. At the end of fiscal 2013, we ended our exclusive U.S. importer and distributor agreement with this European supplier; however, we will continue to purchase limited products from such supplier through the end of fiscal 2017. Because of the minimal purchases planned to this European supplier in fiscal 2016, a 10% drop in the value of the U.S. dollar in relation to the euro would not be material to our business.

Item 8. Financial Statements and Supplementary Data

Reference is made to the financial statements, the notes thereto, and the report thereon, commencing on page F-1 of this report, which financial statements, notes, and report are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Conclusions Regarding Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer, as of April 30, 2015, concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act was recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our fourth fiscal quarter of 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered

relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, misstatements, errors, and instances of fraud, if any, within our company have been or will be prevented or detected. Further, internal controls may become inadequate as a result of changes in conditions, or through the deterioration of the degree of compliance with policies or procedures.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Smith & Wesson Holding Corporation (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. With the participation of the Chief Executive Officer and the Chief Financial Officer, management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of April 30, 2015 as required by Rule 13a-15(c) under the Securities Exchange Act of 1934. The Company utilized the criteria and framework established by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in *Internal Control — Integrated Framework* (2013) in performing this assessment. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of April 30, 2015. Our evaluation of the effectiveness of the design and operation of our disclosure controls and procedures excluded our subsidiary, BTI, which was acquired on December 11, 2014. For the year ended April 30, 2015, BTI had 3.7% of net sales, 3.6% of total assets (excluding BTI goodwill and intangible assets, which was integrated into our systems and control environment), and 0.7% of net operating income (excluding BTI amortization of intangible assets, which was integrated into our systems and control environment) that were included in our consolidated financial statements. In accordance with guidance issued by the SEC, we are allowed to exclude acquisitions from our assessment of internal controls over financial reporting during the first year subsequent to the acquisition while integrating the acquired operations.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has audited the effectiveness of the Company's internal control over financial reporting as of April 30, 2015 as stated in their report dated June 22, 2015, on page F-2 of this Annual Report on Form 10-K.

/s/ P. James Debney

P. James Debney
President and Chief Executive Officer

/s/ Jeffrey D. Buchanan

Jeffrey D. Buchanan
Executive Vice President, Chief Financial Officer,
and Treasurer

Item 9B. Other Information

Not applicable.

PART III**Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item relating to our directors and corporate governance is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2015 Annual Meeting of Stockholders. The information required by this Item relating to our executive officers is included in Item 1, “Business — Executive Officers” of this report.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2015 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2015 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2015 Annual Meeting of Stockholders.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2015 Annual Meeting of Stockholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements and Financial Statement Schedules

(1) Consolidated Financial Statements are listed in the Index to Consolidated Financial Statements on page F-1 of this report.

(2) Financial Statement Schedules: Schedule II — Valuation and Qualifying Accounts for the years ended April 30, 2015, 2014, and 2013 is set forth on page F-32 of this report.

(b) Exhibits

Exhibit Number	Exhibit
2.9	Stock Purchase and Sale Agreement, dated November 25, 2014, by and among the Registrant, Clearview Battenfeld Acquisition Company LLC, and the Members named therein(1)
3.1	Amended and Restated Articles of Incorporation(2)
3.3(b)	Amended and Restated Bylaws(3)
3.9(a)	Certificate of Withdrawal of Certificate of Designation(4)
4.1	Form of Common Stock Certificate(5)
4.30	Indenture, dated as of June 17, 2014, among the Registrant and The Bank of New York Mellon Trust Company, N.A., as Trustee(6)
4.30(a)	First Supplemental Indenture, dated as of June 26, 2014, among the Registrant and The Bank of New York Mellon Trust Company, N.A., as Trustee(7)
10.24(a)*	Amended and Restated 2004 Incentive Stock Plan(8)
10.28*	Amendments to 2004 Incentive Stock Plan(9)
10.51**	Agreement with Respect to Defense of Smith & Wesson: Firearms Litigation, dated as of November 11, 2004(10)
10.56*	Form of Restricted Stock Unit Award Agreement to the 2004 Incentive Stock Plan(11)
10.72*	Form of Indemnity Agreement entered into with the following directors and executive officers: As of June 29, 2009 with Barry M. Monheit, Michael F. Golden, Robert L. Scott, John B. Furman, Mitch A. Saltz, I. Marie Wadecki, and Jeffrey D. Buchanan; as of November 2009 with P. James Debney; as of July 2011 with Robert H. Brust; as of December 14, 2011 with Mark P. Smith; and as of April 24, 2013 with Robert J. Cicero(12)
10.83(a)*	Amended and Restated Severance and Change in Control Agreement, executed December 8, 2011 as of January 3, 2011, by and between the Registrant and Jeffrey D. Buchanan(13)
10.91(a)*	Amended and Restated Employment Agreement, executed December 8, 2011 as of September 26, 2011, between P. James Debney and Smith & Wesson Holding Corporation(13)
10.95*	Letter of Amendment, dated September 9, 2011, between Jeffrey D. Buchanan and the Registrant(13)
10.96*	Letter of Amendment, dated September 9, 2011, between P. James Debney and Smith & Wesson Holding Corporation(13)
10.98*	Form of Non-Qualified Stock Option Award Grant Notice and Agreement to the 2004 Incentive Stock Plan(13)
10.99*	Form of Restricted Stock Unit Award Grant Notice and Agreement to the 2004 Incentive Stock Plan(13)
10.100*	Amended and Restated 2011 Employee Stock Purchase Plan(14)
10.101*	Form of Performance-Based Restricted Stock Unit Award Grant Notice and Agreement to the 2004 Incentive Stock Plan for awards made beginning in April 2012(14)

- 10.102* Form of Time-Based Restricted Stock Unit Award Grant Notice and Agreement to the 2004 Incentive Stock Plan for awards made beginning in April 2012(14)
- 10.104 Credit Agreement, dated as of August 15, 2014, among the Registrant and Smith & Wesson Corp., as Borrowers, the Subsidiaries of the Borrowers party thereto, as the Guarantors, TD Bank, N.A., as the Administrative Agent, the other lenders party thereto from time to time, and TD Securities (USA) LLC, as Sole Lead Arranger and Sole Bookrunner, including all exhibits thereto(15)
- 10.104(a) First Amendment to Credit Agreement, dated as of November 25, 2014, by and among the Registrant, Smith & Wesson Corp., the guarantors, the lenders, and TD Bank, N.A. as Administrative Agent and Swingline Lender(1)
- 10.104(b) Second Amendment to Credit Agreement, dated as of April 13, 2015, by and among the Registrant, Smith & Wesson Corp., the guarantors, the lenders, and TD Bank, N.A. as Administrative Agent and Swingline Lender(16)
- 10.106 Master Letter of Credit Agreement, dated as of August 15, 2014, between TD Bank, N.A. and the Registrant and Smith & Wesson Corp., as modified by the letter agreement, dated as of August 15, 2014, addressed to the Registrant and its Subsidiaries from T.D. Bank, N.A.(15)
- 10.106(a) First Amendment to Master Letter of Credit Agreement, dated as of June 15, 2015, between TD Bank, N.A. and the Registrant and Smith & Wesson Corp.
- 10.107* Smith & Wesson Holding Corporation Executive Severance Pay Plan(17)
- 10.108* Adoption Agreement to the Smith & Wesson Nonqualified Supplemental Deferred Compensation Plan(18)
- 10.109* Smith & Wesson Nonqualified Supplemental Deferred Compensation Plan Document(18)
- 10.110* 2013 Incentive Stock Plan(19)
- 10.111* Form of Restricted Stock Unit Award Grant Notice and Agreement to the 2014 Incentive Stock Plan for awards made beginning in April 2014(20)
- 10.111(a)* Form of Restricted Stock Unit Grant Notice and Agreement to the 2013 Incentive Stock Plan for awards made beginning in September 2014
- 10.111(b)* Form of Restricted Stock Unit Award Grant Notice and Agreement to the 2013 Incentive Stock Plan for awards made beginning in April 2015
- 10.112* Form of Performance Stock Unit Award Grant Notice and Agreement to the 2013 Incentive Stock Plan for awards made beginning in April 2014(20)
- 10.112(a)* Form of Performance Stock Unit Award Grant Notice and Agreement to the 2013 Incentive Stock Plan for awards made beginning in April 2015
- 10.113 Credit Agreement, dated as of June 15, 2015, among the Registrant and Smith & Wesson Corp., as Borrowers, the Subsidiaries of the Borrowers party thereto, as the guarantors, TD Bank, N.A., as the Administrative Agent, the other lenders party thereto from time to time, TD Securities (USA) LLC, Branch Banking and Trust Company, Regions Business Capital, and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Bookrunners, and Branch Banking and Trust Company, Regions Bank, and Wells Fargo Securities, LLC, as Co-Syndication Agents, including all exhibits thereto
- 16 Letter of BDO USA, LLP to the Securities and Exchange Commission dated June 25, 2014(21)
- 21.1 Subsidiaries of the Registrant
- 23.1 Consent of Deloitte & Touche LLP, an Independent Registered Public Accounting Firm
- 23.2 Consent of BDO USA, LLP, an Independent Registered Public Accounting Firm

- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
- 32.1 Section 1350 Certification of Principal Executive Officer
- 32.2 Section 1350 Certification of Principal Financial Officer
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory arrangement.

** An application has been submitted to the Securities and Exchange Commission for confidential treatment, pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, of portions of this exhibit. These portions have been omitted from this exhibit.

- (1) Incorporated by reference to the Registrant's Form 8-K filed with the SEC on November 26, 2014.
- (2) Incorporated by reference to the Registrant's Proxy Statement on Schedule 14A filed with the SEC on August 11, 2004.
- (3) Incorporated by reference to the Registrant's Form 8-K filed with the SEC on March 20, 2015.
- (4) Incorporated by reference to the Registrant's Form 8-K filed with the SEC on October 1, 2013.
- (5) Incorporated by reference to the Registrant's Form S-3 (No. 333-136842) filed with the SEC on August 23, 2006.
- (6) Incorporated by reference to the Registrant's Form 8-K/A filed with the SEC on June 17, 2013.
- (7) Incorporated by reference to the Registrant's Form 8-K filed with the SEC on June 26, 2013.
- (8) Incorporated by reference to the Registrant's Form 8-K filed with the SEC on September 28, 2011.
- (9) Incorporated by reference to the Registrant's Proxy Statement on Schedule 14A filed with the SEC on August 14, 2006.
- (10) Incorporated by reference to the Registrant's Form 10-Q filed with the SEC on March 10, 2005.
- (11) Incorporated by reference to the Registrant's Form 8-K filed with the SEC on May 19, 2006.
- (12) Incorporated by reference to the Registrant's Form 10-K filed with the SEC on June 30, 2009.
- (13) Incorporated by reference to the Registrant's Form 10-Q filed with the SEC on December 8, 2011.
- (14) Incorporated by reference to the Registrant's Form 10-K filed with the SEC on June 28, 2012.
- (15) Incorporated by reference to the Registrant's Form 8-K filed with the SEC on August 19, 2013.
- (16) Incorporated by reference to the Registrant's Form 8-K filed with the SEC on April 15, 2015.
- (17) Incorporated by reference to the Registrant's Amendment No. 2 to Schedule TO filed with the SEC on July 10, 2013.
- (18) Incorporated by reference to the Registrant's Form 8-K filed with the SEC on December 20, 2013.
- (19) Incorporated by reference to the Registrant's Form S-8 filed with the SEC on December 20, 2013.
- (20) Incorporated by reference to the Registrant's Form 10-K filed with the SEC on June 19, 2014.
- (21) Incorporated by reference to the Registrant's Form 8-K filed with the SEC on June 26, 2014.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SMITH & WESSON HOLDING CORPORATION

/s/ P. James Debney

P. James Debney

President and Chief Executive Officer

Date: June 22, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ P. James Debney</u> P. James Debney	President, Chief Executive Officer, and Director (Principal Executive Officer)	June 22, 2015
<u>/s/ Jeffrey D. Buchanan</u> Jeffrey D. Buchanan	Executive Vice President, Chief Financial Officer, and Treasurer (Principal Accounting and Financial Officer)	June 22, 2015
<u>/s/ Barry M. Monheit</u> Barry M. Monheit	Chairman of the Board	June 22, 2015
<u>/s/ Robert L. Scott</u> Robert L. Scott	Vice Chairman of the Board	June 22, 2015
<u>/s/ Robert H. Brust</u> Robert H. Brust	Director	June 22, 2015
<u>/s/ John B. Furman</u> John B. Furman	Director	June 22, 2015
<u>/s/ Michael F. Golden</u> Michael F. Golden	Director	June 22, 2015
<u>/s/ Mitchell A. Saltz</u> Mitchell A. Saltz	Director	June 22, 2015
<u>/s/ I. Marie Wadecki</u> I. Marie Wadecki	Director	June 22, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Smith & Wesson Holding Corporation
Springfield, Massachusetts

We have audited the accompanying consolidated balance sheet of Smith & Wesson Holding Corporation and subsidiaries (the "Company") as of April 30, 2015, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended. Our audit also included the financial statement schedule listed in the accompanying index at Item 15. We also have audited the Company's internal control over financial reporting as of April 30, 2015, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment, a portion of the internal control over financial reporting at Battenfeld Technology, Inc. ("BTI"), which was acquired on December 11, 2014, and whose financial statements constitute approximately 3.7% of consolidated revenue, 3.6% of total assets (excluding BTI goodwill and intangible assets which were integrated into the Company's systems and control environment) and 0.7% of net operating income (excluding BTI amortization of intangible assets which was integrated into the Company's systems and control environment) of the consolidated financial statements amounts as of and for the year ended April 30, 2015. Accordingly, our audit did not include the portion of internal control over financial reporting at BTI that is excluded from management's assessment. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of April 30, 2015, and the results of their operations and their cash flows for the year ended April 30, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2015, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP

Hartford, Connecticut
June 22, 2015

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Smith & Wesson Holding Corporation
Springfield, Massachusetts

We have audited the accompanying consolidated balance sheet of Smith & Wesson Holding Corporation and subsidiaries (the "Company") as of April 30, 2014 and the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for each of the two years in the period ended April 30, 2014. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule listed in the accompanying index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Smith & Wesson Holding Corporation and subsidiaries at April 30, 2014, and the results of their operations and their cash flows for each of the two years in the period ended April 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ BDO USA, LLP
Boston, Massachusetts
June 19, 2014

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of:	
	April 30, 2015	April 30, 2014
	(In thousands, except par value and share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 42,222	\$ 68,860
Accounts receivable, net of allowance for doubtful accounts of \$722 on April 30, 2015 and \$844 on April 30, 2014	55,280	55,890
Inventories	76,895	86,742
Prepaid expenses and other current assets	6,306	5,958
Deferred income taxes	16,373	17,094
Income tax receivable	—	4,627
Total current assets	197,076	239,171
Property, plant, and equipment, net	133,844	120,440
Intangibles, net	73,768	3,425
Goodwill	75,426	—
Other assets	14,878	18,467
	\$ 494,992	\$ 381,503
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 32,360	\$ 37,688
Accrued expenses	19,021	17,107
Accrued payroll	7,556	15,816
Accrued income taxes	4,224	—
Accrued taxes other than income	5,281	5,359
Accrued profit sharing	6,165	11,060
Accrued warranty	6,404	5,513
Total current liabilities	81,011	92,543
Deferred income taxes	33,905	11,418
Notes payable	175,000	100,000
Other non-current liabilities	10,706	10,719
Total liabilities	300,622	214,680
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value, 20,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$.001 par value, 100,000,000 shares authorized, 69,625,081 shares issued and 54,062,459 shares outstanding on April 30, 2015 and 68,809,986 shares issued and 55,352,679 shares outstanding on April 30, 2014	70	69
Additional paid-in capital	219,198	211,225
Retained earnings	147,352	97,739
Accumulated other comprehensive income	73	73
Treasury stock, at cost (15,562,622 shares on April 30, 2015 and 13,457,307 shares on April 30, 2014)	(172,323)	(142,283)
Total stockholders' equity	194,370	166,823
	\$ 494,992	\$ 381,503

The accompanying notes are an integral part of these consolidated financial statements.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	For the Years Ended April 30,		
	2015	2014	2013
	(In thousands, except per share data)		
Net sales	\$ 551,862	\$ 626,620	\$ 587,514
Cost of sales	356,936	367,515	369,442
Gross profit	<u>194,926</u>	<u>259,105</u>	<u>218,072</u>
Operating expenses:			
Research and development	6,943	5,648	4,790
Selling and marketing	36,033	33,515	30,112
General and administrative	62,322	68,954	50,336
Total operating expenses	<u>105,298</u>	<u>108,117</u>	<u>85,238</u>
Operating income	<u>89,628</u>	<u>150,988</u>	<u>132,834</u>
Other (expense)/income:			
Other (expense)/income, net	39	(2,154)	39
Interest income	395	149	814
Interest expense	(11,330)	(12,261)	(5,781)
Total other (expense)/income, net	<u>(10,896)</u>	<u>(14,266)</u>	<u>(4,928)</u>
Income from continuing operations before income taxes	78,732	136,722	127,906
Income tax expense	28,905	48,095	46,500
Income from continuing operations	<u>49,827</u>	<u>88,627</u>	<u>81,406</u>
Discontinued operations:			
Loss from operations of discontinued security solutions division	(297)	(456)	(3,605)
Income tax benefit	(83)	(1,134)	(912)
(Loss)/income from discontinued operations	<u>(214)</u>	<u>678</u>	<u>(2,693)</u>
Net income	<u>\$ 49,613</u>	<u>\$ 89,305</u>	<u>\$ 78,713</u>
Net income per share:			
Basic - continuing operations	<u>\$ 0.92</u>	<u>\$ 1.51</u>	<u>1.25</u>
Basic - total	<u>\$ 0.92</u>	<u>\$ 1.52</u>	<u>1.21</u>
Diluted - continuing operations	<u>\$ 0.90</u>	<u>\$ 1.47</u>	<u>1.22</u>
Diluted - total	<u>\$ 0.90</u>	<u>\$ 1.49</u>	<u>1.18</u>
Weighted average number of common shares outstanding:			
Basic	53,988	58,668	65,155
Diluted	55,228	60,114	66,642

The accompanying notes are an integral part of these consolidated financial statements.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands)	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at April 30, 2012	66,512	\$ 67	\$ 189,379	\$ (70,279)	\$ 73	1,200	\$ (6,396)	\$ 112,844
Exercise of employee stock options	847	1	3,472	—	—	—	—	3,473
Repurchase of treasury stock	—	—	—	—	—	2,100	(20,000)	(20,000)
Stock-based compensation	—	—	4,118	—	—	—	—	4,118
Excess tax benefit for stock-based compensation	—	—	1,025	—	—	—	—	1,025
Shares issued under employee stock purchase plan	185	—	1,335	—	—	—	—	1,335
Issuance of common stock under restricted stock unit awards, net of shares surrendered	53	—	(209)	—	—	—	—	(209)
Net income	—	—	—	78,713	—	—	—	78,713
Balance at April 30, 2013	67,597	68	199,120	8,434	73	3,300	(26,396)	181,299
Exercise of employee stock options	732	1	1,998	—	—	—	—	1,999
Repurchase of treasury stock	—	—	—	—	—	10,158	(115,887)	(115,887)
Stock-based compensation	—	—	8,212	—	—	—	—	8,212
Excess tax benefit for stock-based compensation	—	—	2,647	—	—	—	—	2,647
Shares issued under employee stock purchase plan	176	—	1,316	—	—	—	—	1,316
Issuance of common stock under restricted stock unit awards, net of shares surrendered	305	—	(2,068)	—	—	—	—	(2,068)
Net income	—	—	—	89,305	—	—	—	89,305
Balance at April 30, 2014	68,810	69	211,225	97,739	73	13,458	(142,283)	166,823
Exercise of employee stock options	366	1	1,813	—	—	—	—	1,814
Repurchase of common stock	—	—	—	—	—	2,105	(30,040)	(30,040)
Stock-based compensation	—	—	5,808	—	—	—	—	5,808
Excess tax benefit for stock-based compensation	—	—	771	—	—	—	—	771
Shares issued under employee stock purchase plan	163	—	1,289	—	—	—	—	1,289
Issuance of common stock under restricted stock unit awards, net of shares surrendered	286	—	(1,708)	—	—	—	—	(1,708)
Net income	—	—	—	49,613	—	—	—	49,613
Balance at April 30, 2015	69,625	\$ 70	\$ 219,198	\$ 147,352	\$ 73	15,563	\$ (172,323)	\$ 194,370

The accompanying notes are an integral part of these consolidated financial statements.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended April 30,		
	2015	2014	2013
	(In thousands)		
Cash flows from operating activities:			
Net income	\$ 49,613	\$ 89,305	\$ 78,713
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	30,893	21,704	16,730
Loss on sale of discontinued operations	—	—	1,222
Loss on sale/disposition of assets	267	150	315
Provision for/(recoveries of) losses on accounts receivable	122	(214)	720
Change in disposal group assets and liabilities	—	—	(1,215)
Deferred income taxes	2,341	(1,463)	4,009
Stock-based compensation expense	5,808	8,212	4,073
Changes in operating assets and liabilities (net effect of acquisitions):			
Accounts receivable	10,983	(9,588)	1,505
Inventories	25,662	(23,744)	(7,702)
Prepaid expenses and other current assets	(569)	(1,856)	(285)
Income tax receivable/(payable)	8,965	(1,534)	(3,384)
Accounts payable	(7,345)	6,468	2,602
Accrued payroll	(9,525)	2,720	3,489
Accrued taxes other than income	(86)	10	1,079
Accrued profit sharing	(4,895)	1,473	1,547
Accrued expenses	1,447	(477)	(5,125)
Accrued warranty	891	(244)	408
Other assets	(348)	(356)	(1,930)
Other non-current liabilities	583	(360)	1,327
Net cash provided by operating activities	<u>114,807</u>	<u>90,206</u>	<u>98,098</u>
Cash flows from investing activities:			
Payments for the net assets of Tri-Town Precision Plastics, Inc.	(23,805)	—	—
Payments to acquire Battenfeld Technologies, Inc., net of cash acquired	(135,437)	—	—
Proceeds from sale of the net assets of SWSS LLC	—	—	7,500
Refunds of/(payments for) deposits on machinery and equipment	1,431	(9,269)	—
Receipts from note receivable	81	77	73
Payments to acquire patents and software	(392)	(243)	(102)
Proceeds from sale of property and equipment	264	101	1,040
Payments to acquire property and equipment	(28,199)	(53,282)	(41,421)
Net cash used in investing activities	<u>(186,057)</u>	<u>(62,616)</u>	<u>(32,910)</u>
Cash flows from financing activities:			
Proceeds from loans and notes payable	175,000	101,584	1,753
Cash paid for debt issue costs	(2,558)	(3,791)	—
Payments on capital lease obligation	(596)	(596)	(600)
Payments on notes payable	(100,000)	(45,143)	(8,195)
Proceeds from Economic Development Incentive Program	640	722	—
Payments to acquire treasury stock	(30,040)	(115,887)	(20,000)
Proceeds from exercise of options to acquire common stock, including employee stock purchase plan	3,103	3,315	4,808
Payroll taxes paid as a result of restricted stock unit withholdings	(1,708)	(2,068)	(209)
Excess tax benefit of stock-based compensation	771	2,647	1,025
Net cash provided by/(used in) financing activities	<u>44,612</u>	<u>(59,217)</u>	<u>(21,418)</u>
Net (decrease)/increase in cash and cash equivalents	(26,638)	(31,627)	43,770
Cash and cash equivalents, beginning of period	68,860	100,487	56,717
Cash and cash equivalents, end of period	<u>\$ 42,222</u>	<u>\$ 68,860</u>	<u>\$ 100,487</u>
Supplemental disclosure of cash flow information			
Cash paid for:			
Interest	\$ 8,617	\$ 7,688	\$ 5,295
Income taxes	16,926	48,778	44,087

The accompanying notes are an integral part of these consolidated financial statements.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Organization — We are one of the world’s leading manufacturers of firearms. We manufacture a wide array of handguns (including revolvers and pistols), long guns (including modern sporting rifles, bolt action rifles, and single shot rifles), handcuffs, and firearm-related products and accessories for sale to a wide variety of customers, including gun enthusiasts, collectors, hunters, sportsmen, competitive shooters, individuals desiring home and personal protection, law enforcement and security agencies and officers, and military agencies in the United States and throughout the world. We are one of the largest manufacturers of handguns, modern sporting rifles, and handcuffs in the United States and an active participant in the hunting rifle market. Beginning in 2015, we are now also a leading provider of shooting, reloading, gunsmithing, and gun cleaning supplies. We sell our products under the Smith & Wesson, M&P, Thompson/Center Arms, Caldwell Shooting Supplies, Wheeler Engineering, Tipton Gun Cleaning Supplies, Frankford Arsenal Reloading Tools, Lockdown Vault Accessories, Hooyman Premium Tree Saws, BOG-POD, and Golden Rod Moisture Control brands.

We manufacture our firearm products at our facilities in Springfield, Massachusetts; Houlton, Maine; and Deep River, Connecticut; and we develop and market our accessories products at our facility in Columbia, Missouri. We plan to continue to capitalize on the goodwill developed through our historic 163 year old “Smith & Wesson” brand as well as our other well-known brands by expanding consumer awareness of the products we produce.

On May 5, 2014, we acquired substantially all of the net assets of Tri-Town Precision Plastics, Inc., or TTPP, which we refer to as the DRP Acquisition. See Note 2 – *Acquisitions* below for more information regarding this transaction.

On December 11, 2014, we acquired all of the issued and outstanding stock of Battenfeld Acquisition Company Inc., including its wholly owned subsidiary, Battenfeld Technologies, Inc., or BTI, which we refer to as the BTI Acquisition. See Note 2 – *Acquisitions* below for more information regarding this transaction.

These acquisitions have been accounted for in accordance with ASC 805-20, *Business Combinations*, and accordingly, the results of operations from the acquired businesses have been included in our consolidated financial statements following the acquisition dates.

2. Acquisitions

DRP Acquisition

On May 5, 2014, we acquired substantially all of the net assets of TTPP for \$22.8 million, plus a \$1.0 million working capital adjustment, for a total purchase price of \$23.8 million, utilizing cash on hand. TTPP was a provider of custom injection molding services, rapid prototyping, and tooling, and was a long-standing supplier of polymer frames and related components for a large number of our firearms, including nearly all of our M&P models. The DRP Acquisition of TTPP’s custom polymer injection molding capabilities was designed to vertically integrate a key component of our manufacturing operations and provide us with increased flexibility within our supply chain.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date, as well as measurement period adjustments (in thousands):

	May 5, 2014 (As Initially Reported)	Measurement Period Adjustments	May 5, 2014 (As Adjusted)
Accounts receivable	\$ 2,614	\$ 5	\$ 2,619
Inventories	2,430	460	2,890
Total current assets	5,044	465	5,509
Property, plant, and equipment	4,243	155	4,398
Goodwill	15,183	(1,413)	13,770
Intangibles assets:			
Customer relationships	—	840	840
Order backlog	—	150	150
Other assets	8	—	8
Total assets acquired	24,478	197	24,675
Accounts payable	358	12	370
Accrued expenses	25	114	139
Accrued payroll	—	361	361
Total liabilities assumed	383	487	870
	<u>\$ 24,095</u>	<u>\$ (290)</u>	<u>\$ 23,805</u>

General and administrative costs include \$440,000 and \$471,000 of acquisition-related costs incurred during the years ended April 30, 2015 and 2014, respectively, related to the DRP Acquisition.

The goodwill that was recorded relating to the DRP Acquisition results from expected synergies related to vertically integrating a key component of our manufacturing operations as well as increased flexibility within our supply chain. This goodwill will be deductible for tax purposes and amortized over 15 years and is included in our firearm segment.

We amortize customer relationships in proportion to expected yearly revenue generated from the customer lists acquired or products to be sold. We amortize order backlog over the contract lives as they are executed. The following are the identifiable intangible assets acquired (in thousands) and their respective weighted average lives:

	Amount	Weighted Average Life (In years)
Customer relationships	\$ 840	3.3
Order backlog	150	1.0
	<u>\$ 990</u>	

Pro forma results of operations assuming that this acquisition had occurred on May 1, 2013 are not required because of the immaterial impact on our consolidated financial statements for all periods presented.

BTI Acquisition

On December 11, 2014, we acquired all of the issued and outstanding stock of BTI for \$130.5 million, plus a \$3.1 million working capital adjustment, for a total purchase price of \$133.6 million, pursuant to a Stock Purchase and Sale Agreement. The BTI Acquisition was financed using a combination of existing cash balances and cash from a \$100.0 million draw on our line of credit, which was expanded to \$125.0 million as a result of our partial exercise of the accordion feature on that line of credit.

BTI, based in Columbia, Missouri, is a leading provider of hunting and shooting accessories, which develops, produces, and delivers innovative, high-quality products under several brands.

On January 9, 2015, we acquired substantially all of the net assets of Hooyman LLC, a manufacturer of extendable tree saws designed for the hunting and outdoor industry, for \$1.9 million utilizing cash on hand. We have relocated its operations to our Columbia, Missouri facility.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The aggregate purchase price of these acquisitions, including the working capital adjustments, was \$135.5 million.

We are finalizing the valuation of the assets acquired and liabilities assumed. Therefore, the fair values set forth below are subject to further adjustments as we obtain additional information during the measurement period, which will not exceed 12 months from the acquisition date. Adjustments in the purchase price allocation may require a recasting of the amounts allocated to goodwill retroactive to the period in which the acquisition occurred.

The following table summarizes the estimated allocation of the purchase price for BTI at the acquisition date, which includes the net assets from the Hooyman acquisition, as well as measurement period adjustments to date (in thousands):

	December 11, 2014 (As Initially Reported)	Measurement Period Adjustments	December 11, 2014 (As Adjusted)
Cash	\$ 24	\$ —	\$ 24
Accounts receivable	7,873	3	7,876
Inventories	12,819	107	12,926
Income tax receivable	393	(279)	114
Other current assets	563	—	563
Property, plant, and equipment	2,826	(318)	2,508
Intangibles	73,550	—	73,550
Goodwill	62,142	(486)	61,656
Total assets acquired	160,190	(973)	159,217
Accounts payable	1,647	2	1,649
Accrued expenses	326	1	327
Accrued payroll	904	—	904
Accrued taxes other than income	9	—	9
Deferred income taxes	21,128	(261)	20,867
Total liabilities assumed	24,014	(258)	23,756
	\$ 136,176	\$ (715)	\$ 135,461

General and administrative costs include \$1.7 million of acquisition-related costs incurred during the year ended April 30, 2015 related to the BTI Acquisition.

The goodwill that was recorded relating to the BTI Acquisition results from our ability to expand our presence in the firearm accessories market and leverage BTI's broad portfolio of hunting and shooting accessories brands. Previously acquired goodwill of \$12.0 million will be deductible for tax purposes over its remaining useful life. The remaining goodwill recorded as a result of the BTI Acquisition is not expected to be deductible for tax purposes. All of the goodwill recorded as result of the BTI Acquisition is allocated to our accessories segment.

We amortize intangible assets in proportion to expected yearly revenue generated from the intangibles that were acquired. We amortize order backlog over the contract lives as they are executed. The following are the identifiable intangible assets acquired (in thousands) and their respective weighted average lives:

	Amount	Weighted Average Life (In years)
Developed technology	\$ 16,630	4.2
Customer relationships	25,680	4.4
Trade names	31,140	5.3
Order backlog	100	0.3
	\$ 73,550	

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Additionally, the following table reflects the unaudited pro forma results of operations assuming that the BTI Acquisition had occurred on May 1, 2013 (in thousands, except per share data):

	For the Year Ended April 30, 2015		For the Year Ended April 30, 2014	
Net sales	\$	582,875	\$	670,163
Income from continuing operations		53,388		85,460
Income per share - diluted		0.97		1.42

The unaudited pro forma income from continuing operations for the years ended April 30, 2015 and 2014 have been adjusted to reflect increased cost of goods sold from the fair value step-up in inventory, which is expensed over the first inventory cycle, and the amortization of intangibles and order backlog incurred as if the acquisition had occurred on May 1, 2013. The unaudited pro forma information is presented for informational purposes only and is not necessarily indicative of the actual results that would have been achieved had the BTI Acquisition occurred as of May 1, 2013 or the results that may be achieved in future periods.

3. Significant Accounting Policies

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the financial statement dates and the reported amounts of revenue and expenses during the reporting periods. Our significant estimates include accruals for warranty, excess and obsolete inventory, allowance for doubtful accounts, and intangible asset valuation. Actual results could differ from those estimates.

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of Smith & Wesson Holding Corporation and its wholly owned subsidiaries, including Smith & Wesson Corp., Thompson/Center Arms Company, LLC, Deep River Plastics, LLC, BTI, currently reported as our newly formed accessories division, and SWSS LLC, formerly Smith & Wesson Security Solutions, Inc., or SWSS, our former security solutions division. There was no variance in the fiscal year-end of our wholly owned subsidiary, Smith & Wesson Corp., and our reported fiscal year-end of April 30, 2015 and 2014. We had a two-day variance for our fiscal year-end of Smith & Wesson Corp. to our reported fiscal year-end in April 2013. The variance in fiscal 2013 did not create any material difference in the consolidated financial statements as presented. In our opinion, all adjustments, which include only normal recurring adjustments necessary to fairly present the financial position, results of operations, changes in stockholders' equity, and cash flows at April 30, 2015 and 2014 and for the periods presented, have been included. All significant intercompany accounts and transactions have been eliminated in consolidation.

SWSS is being presented as discontinued operations in the consolidated statements of income for all periods presented. See Note 4 for additional information regarding these discontinued operations. Unless stated otherwise, any reference to the consolidated statements of income items in the notes to the consolidated financial statements refers to results from continuing operations.

Fair Value of Financial Instruments — Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments not held for trading purposes, approximate the carrying values of such amounts because of their short-term nature or market rates of interest.

Cash and Cash Equivalents — We consider all highly liquid investments purchased with original maturities of three months or less at the date of acquisition to be cash equivalents. We maintain our cash in bank deposit accounts that, at times, may exceed federally insured limits. We have not experienced any losses in such accounts. As of April 30, 2015, our accounts exceeded federally insured limits by \$42.6 million.

Trade Receivables — We extend credit to our domestic customers and some foreign distributors based on their financial condition. We sometimes offer discounts for early payment on invoices. When we believe the extension of credit is not advisable, we rely on either a prepayment or a letter of credit. We write off balances deemed uncollectible by us against our allowance for doubtful accounts. We estimate our allowance for doubtful accounts through current past due balances, knowledge of our customers' financial situations, and past payment history.

Concentrations of Credit Risk — Financial instruments that potentially subject us to concentration of credit risk consist principally of cash, cash equivalents, and trade receivables. We place our cash and cash equivalents in overnight U.S. government securities. Concentrations of credit risk with respect to trade receivables are limited by the large number of customers comprising our

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

customer base and their geographic and business dispersion. We perform ongoing credit evaluations of our customers' financial condition and generally do not require collateral.

For our fiscal year ended April 30, 2015, we did not have any customers that accounted for more than 10% of net sales or 10% of accounts receivable as of April 30, 2015. However, one of our customers accounted for approximately 13.4% and 11.6% of our net sales for the fiscal years ended April 30, 2014 and 2013, respectively, as well as \$11.7 million, or 20.1%, of accounts receivable as of April 30, 2014.

Inventories — We value firearm inventories, consisting primarily of finished firearms, finished firearm components, as well as related products, as well as our accessories inventories, at the lower of cost, using the first-in, first-out, or FIFO method, or market. An allowance for potential non-saleable inventory due to excess stock or obsolescence is based upon a detailed review of inventory components, past history, and expected future usage.

Property, Plant, and Equipment — We record property, plant, and equipment, consisting of land, building, building improvements, machinery, equipment, software, hardware, furniture, and fixtures, at cost and depreciate them using the straight-line method over their estimated useful lives. We charge expenditures for maintenance and repairs to earnings as incurred, and we capitalize additions, renewals, and betterments. Upon the retirement or other disposition of property and equipment, we remove the related cost and accumulated depreciation from the respective accounts and include any gain or loss in operations. A summary of the estimated useful lives is as follows:

Description	Useful Life
Building and improvements	10 to 40 years
Software and hardware	3 to 7 years
Machinery and equipment	2 to 10 years

We include tooling, dies, and fixtures as part of machinery and equipment and depreciate them over a period not exceeding five years.

Intangible Assets — We record intangible assets at cost or based on the fair value of assets acquired. Intangible assets consist of developed technology, customer relationships, trademarks, trade names, and patents. We amortize intangible assets over their estimated useful lives or in proportion to expected yearly revenue generated from the intangibles that were acquired.

Revenue Recognition — We recognize revenue when the following four basic criteria have been met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been provided; (3) the fee is fixed or determinable; and (4) collection is reasonably assured.

Product sales account for most of our revenue. We recognize revenue from product sales when the earnings process is complete and the risks and rewards of ownership have transferred to the customer, which is generally upon shipment but could be delayed until the receipt of customer acceptance. We also provide tooling, forging, heat treating, finishing, plating, and engineering support services to customers; we recognize this revenue when accepted by the customer, if applicable, when no further contingencies or material performance obligations exist, and when collectability is reasonably assured, thereby earning us the right to receive and retain payments for services performed and billed.

Segment Information — We have two reportable segments: one for our firearm division and a second for our accessories division. See Note 19 – *Segment Reporting* for more information regarding our segments.

Research and Development — We engage in both internal and external research and development, or R&D, in order to remain competitive and to exploit possible untapped market opportunities. We approve prospective R&D projects after analysis of the cost and benefits associated with the potential product. Costs in R&D expense include, among other items, salaries, materials, utilities, and administrative costs.

Earnings/(Loss) per Share — We calculate basic and diluted earnings/(loss) per common share in accordance with the provisions of ASC 260-10, *Earnings Per Share*. Basic earnings/(loss) per common share equals net income/(loss) divided by the weighted average number of common shares outstanding during the period. Diluted earnings/(loss) per common share equals net income/(loss) divided by the weighted average number of common shares outstanding during the period, including the effect of outstanding stock options and other stock-based instruments if their effect is dilutive.

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The following table provides a reconciliation of the net income/(loss) amounts and weighted average number of common and common equivalent shares used to determine basic and diluted earnings/(loss) per common share (in thousands, except per share data):

	For the Year Ended April 30,		
	2015	2014	2013
Net income/(loss)			
Income from continuing operations	\$ 49,827	\$ 88,627	\$ 81,406
(Loss)/income from discontinued operations	(214)	678	(2,693)
Net income	<u>\$ 49,613</u>	<u>\$ 89,305</u>	<u>\$ 78,713</u>
Weighted average shares outstanding - Basic	53,988	58,668	65,155
Dilutive effect of stock option and award plans	1,240	1,446	1,487
Diluted shares outstanding	<u>55,228</u>	<u>60,114</u>	<u>66,642</u>
Earnings per share - Basic			
Income from continuing operations	\$ 0.92	\$ 1.51	\$ 1.25
(Loss)/income from discontinued operations	\$ (0.00)	\$ 0.01	\$ (0.04)
Net income	\$ 0.92	\$ 1.52	\$ 1.21
Earnings per share - Diluted			
Income from continuing operations	\$ 0.90	\$ 1.47	\$ 1.22
(Loss)/income from discontinued operations	\$ (0.00)	\$ 0.01	\$ (0.04)
Net income	\$ 0.90	\$ 1.49	\$ 1.18

For fiscal 2015, 2014, and 2013, 73,546, 77,622, and 246,635 shares of common stock, respectively, issuable upon the exercise of stock options were excluded from the computation of diluted income per share because the effect would be antidilutive.

Valuation of Long-lived Tangible and Intangible Assets — We evaluate the recoverability of long-lived assets, or asset groups, whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. When such evaluations indicate that the related future undiscounted cash flows are not sufficient to recover the carrying values of the assets, such carrying values are reduced to fair value and this adjusted carrying value becomes the asset's new cost basis. We determine fair value primarily using future anticipated cash flows that are directly associated with and that are expected to arise as a direct result of the use and eventual disposition of the asset, or asset group, discounted using an interest rate commensurate with the risk involved.

We have significant long-lived tangible and intangible assets, which are susceptible to valuation adjustments as a result of changes in various factors or conditions. The most significant long-lived tangible and intangible assets, other than goodwill, are property, plant, and equipment, developed technology, customer relationships, patents, trademarks, and trade names. We amortize all finite-lived intangible assets either on a straight-line basis or based upon patterns in which we expect to utilize the economic benefits of such assets. We initially determine the values of intangible assets by a risk-adjusted, discounted cash flow approach. We assess the potential impairment of identifiable intangible assets and fixed assets whenever events or changes in circumstances indicate that the carrying values may not be recoverable and at least annually. Factors we consider important, which could trigger an impairment of such assets, include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner or use of the assets or the strategy for our overall business;
- significant negative industry or economic trends;
- a significant decline in our stock price for a sustained period; and
- a decline in our market capitalization below net book value.

Future adverse changes in these or other unforeseeable factors could result in an impairment charge that could materially impact future results of operations and financial position in the reporting period identified. No impairment charges were recorded for continuing operations in fiscal 2015, 2014, or 2013 based on the review of long-lived assets.

In accordance with ASC 350, *Intangibles-Goodwill and Other*, we test intangible assets with indefinite lives for impairment on an annual basis on February 1 and between annual tests if indicators of potential impairment exist. The impairment test compares the fair value of the reporting unit to its carrying amount, including intangible assets with indefinite lives, to assess whether impairment is present. We have reviewed the provisions of ASC 280-10, *Segment Reporting Topic*, with respect to the criteria necessary to evaluate

the number of reporting units that exist. Based on our review of ASC 280-10-50, we have determined that we operate our continuing operations in two reporting units: one for our Springfield, Massachusetts; Houlton, Maine; and Deep River, Connecticut facilities and a second for our Columbia, Missouri facility. As of April 30, 2015, we had \$75.4 million of goodwill, of which \$13.8 million related to our DRP Acquisition and \$61.6 million related to our BTI Acquisition.

We periodically review long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of those assets are no longer appropriate. We base each impairment test on a comparison of the undiscounted cash flows to the recorded carrying value for the asset. If impairment is indicated, the asset is written down to its estimated fair value based on a discounted cash flow analysis. No impairment charges were taken for continuing operations in fiscal 2015, 2014, or 2013 based on the review of long-lived assets.

We utilize an income approach, with discounted cash flows, to estimate the fair value of each reporting unit. We selected this method because we believe that it most appropriately measures our income producing assets. We considered using the market approach and the cost approach, but concluded that they were not appropriate in valuing our reporting units given the lack of relevant and available market comparisons. The income approach is based on the projected cash flows that are discounted to their present value using discount rates that consider the timing and risk of the forecasted cash flows. We believe that this approach is appropriate because it provides a fair value estimate based upon the reporting unit's expected long-term operating cash performance. This approach also mitigates the impact of the cyclical trends that occur in our industry. Fair value is estimated using internally-developed forecasts and assumptions. The discount rate used is the average estimated value of a market participant's cost of capital and debt, derived using customary market metrics. Other significant assumptions include terminal value margin rates, future capital expenditures, and changes in future working capital requirements. We also compare and reconcile our overall fair value to our market capitalization. While there are inherent uncertainties related to the assumptions used and to our application of these assumptions to this analysis, we believe that the income approach provides a reasonable estimate of the fair value of our reporting units. The foregoing assumptions were consistent with our long-term performance, with limited exceptions. We believe that our future investments for capital expenditures as a percent of revenue will decline in future years because of our improved utilization resulting from lean initiatives, and we believe that days sales outstanding will decline with any increase in revenues. We also have assumed that our markets have not contracted for the long term through the current economic downturn; however, it may be a number of years before they fully recover. These assumptions could deviate materially from actual results.

Significant judgments and estimates are involved in determining the useful lives of our long-lived assets, determining what reporting units exist, and assessing when events or circumstances would require an interim impairment analysis of goodwill or other long-lived assets to be performed. Changes in our organization or our management reporting structure, as well as other events and circumstances, including technological advances, increased competition, and changing economic or market conditions, could result in (a) shorter estimated useful lives, (b) additional reporting units, which may require alternative methods of estimating fair values or greater disaggregation or aggregation in our analysis by reporting unit, and (c) other changes in previous assumptions or estimates. A change in the weighted average cost of capital, for example, could materially change the valuation and, if increased, could cause an impairment. In turn, this could have an additional impact on our consolidated financial statements through accelerated amortization and impairment charges.

Income Taxes — The provision for income taxes is based upon income reported in the accompanying consolidated financial statements. As required by ASC 740-10, *Accounting for Income Taxes*, we record tax assets or liabilities for the temporary differences between the book value and tax bases in assets and liabilities. In assessing the realization of our deferred income tax assets, we consider whether it is more likely than not that the deferred income tax assets will be realized. The ultimate realization of our deferred income tax assets depends upon generating future taxable income during the periods in which our temporary differences become deductible and before our net operating loss carryforwards expire. We evaluate the recoverability of our deferred income tax assets by assessing the need for a valuation allowance on a quarterly basis. If we determine that it is more likely than not that our deferred income tax assets will not be recovered, we establish a valuation allowance against some or all of our deferred income tax assets. Recording a valuation allowance or reversing a valuation allowance could have a significant effect on our future results of operations and financial position. We measure these deferred taxes by applying tax rates expected to be in place when the deferred items become subject to income tax or deductible for income tax purposes.

Warranty — We generally provide a limited one-year warranty and a lifetime service policy to the original purchaser of our new firearm products. We provide for estimated warranty obligations in the period in which we recognize the related revenue. We quantify and record an estimate for warranty-related costs based on our actual historical claims experience and current repair costs. We make adjustments to accruals as warranty claims data and historical experience warrant. Should we experience actual claims and repair costs that are higher than the estimated claims and repair costs used to calculate the provision, our operating results for the period or periods in which such returns or additional costs materialize would be adversely impacted.

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On August 22, 2013, we issued a safety alert related to all M&P Shield products manufactured prior to August 19, 2013. On June 13, 2013, we initiated a recall of all Thompson/Center Arms bolt action rifles manufactured since the products' introduction in 2007. As of April 30, 2015, we had incurred \$5.5 million in recall and safety alert costs, and we estimated the remaining cost to be \$3.2 million, which is recorded in the accrued warranty balance. Warranty expense for the fiscal years ended April 30, 2015, 2014, and 2013 amounted to \$4.3 million, \$3.6 million, and \$7.1 million, respectively.

The following table sets forth the change in accrued warranties, a portion of which is recorded as a non-current liability, in the fiscal years ended April 30, 2015, 2014, and 2013 (in thousands):

	April 30, 2015	April 30, 2014	April 30, 2013
Beginning Balance	\$ 7,565	\$ 8,423	\$ 6,412
Warranties issued and adjustments to provisions	4,292	3,620	7,093
Warranty claims	(3,204)	(4,478)	(5,082)
Ending Balance	<u>\$ 8,653</u>	<u>\$ 7,565</u>	<u>\$ 8,423</u>

Sales and Promotional Related Expenses — We present product sales in our consolidated financial statements, net of customer promotional program costs that depend upon the volume of sales, which amounted to \$6.9 million, \$1.6 million, and \$5.1 million for the fiscal years ended April 30, 2015, 2014, and 2013, respectively. We have a co-op advertising program at the retail level. We expensed costs amounting to \$2.8 million, \$1.9 million, and \$1.5 million for fiscal 2015, 2014, and 2013, respectively, as selling and marketing expenses.

Shipping and Handling — In the accompanying consolidated financial statements, we included amounts billed to customers for shipping and handling in net sales. We included our costs relating to shipping and handling charges, including inbound freight charges, internal transfer costs, and the other costs of our distribution network, in cost of goods sold.

Insurance Reserves — We are self-insured through retentions or deductibles for the majority of our workers' compensation, automobile, general liability, product liability, and group health insurance programs. Self-insurance amounts vary up to \$3.0 million per occurrence. We record our liability for estimated premiums and incurred losses in the accompanying consolidated financial statements on an undiscounted basis.

Recently Issued Accounting Standard — In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, or ASU 2014-09. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for interim reporting periods beginning October 1, 2017. Early adoption is not permitted. We are currently evaluating the impact, if any, that ASU 2014-09 will have on our consolidated financial statements.

4. Discontinued Operations

During fiscal 2010, we acquired all of the outstanding capital stock of SWSS. During fiscal 2013, we committed to a plan to divest the assets, liabilities, and ongoing operations of our security solutions division. The operating results of SWSS relate primarily to legal fees associated with retained liabilities and are classified as discontinued operations. We present discontinued operations as a separate line in the consolidated statements of income for all periods presented.

5. Notes Payable and Financing Arrangements

Credit Facilities — On July 15, 2014, we entered into a \$75.0 million unsecured credit facility. On November 25, 2014, we partially exercised the accordion feature of the credit facility to increase it by \$50.0 million to \$125.0 million in connection with the BTI Acquisition. On April 13, 2015, we exercised the remaining \$50.0 million expansion under the accordion feature to increase the line of credit available to us to \$175.0 million. The credit facility was scheduled to mature on December 15, 2016 and bore interest at a variable rate equal to LIBOR or prime, at our election, plus an applicable margin based on our consolidated leverage ratio. As of April 30, 2015, there were no borrowings outstanding. Had there been borrowings, they would have borne an interest rate of 4.00% per annum if we had selected the prime rate option and a range of 2.18% to 2.28% per annum if we had selected the LIBOR rate option. As discussed below, we entered into a new credit agreement, which consists of a revolving line of credit and term loan that replaced the \$175.0 million credit facility.

New Credit Facility — On June 15, 2015, we entered into a new unsecured credit facility with TD Bank, N.A. and other lenders, or the Lenders, which included a \$175.0 million revolving line of credit, or the Revolving Line, and a \$105.0 million term loan, or the

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Term Loan. The Revolving Line provides for availability until June 15, 2020 for general corporate purposes and borrowings bear interest at a variable rate equal to LIBOR or prime plus an applicable margin based on our consolidated leverage ratio, at our election. The Term Loan, which bears interest at a variable rate, was entered into for the purpose of redeeming the 5.875% Senior Notes due 2017, or the 5.875% Senior Notes. We are required to obtain interest rate protection through a swap contract covering not less than 75% of the aggregate outstanding principal balance. The Term Loan requires principal payments of 6.000% per annum paid quarterly. Any remaining outstanding amount on the maturity date of June 15, 2020 will be due in full. Concurrent with closing the Term Loan, the 5.875% Senior Notes were redeemed for a 2.9375% call premium, plus accrued and unpaid interest at the redemption date. As part of the redemption, in fiscal 2016, we wrote off \$1.7 million of debt-issue costs related to the 5.875% Senior Notes.

9.5% Senior Notes — During fiscal 2011, we issued an aggregate of \$50.0 million of 9.5% senior notes due 2016, or the 9.5% Senior Notes. During fiscal 2013, we repurchased a total of \$6.4 million of these notes and, during the fiscal year ended April 30, 2014, retired the remaining notes, as described below.

5.875% Senior Notes — During fiscal 2014, we sold an aggregate of \$47.1 million of 5.875% Senior Notes to various qualified institutional buyers in exchange for approximately \$42.8 million of our then-outstanding 9.5% Senior Notes held by existing holders of such notes. We also issued an additional \$52.9 million of new 5.875% Senior Notes for cash. The remaining \$712,000 of 9.5% Senior Notes outstanding after the exchange noted above were extinguished via legal defeasance during fiscal 2014. The 5.875% Senior Notes were sold pursuant to the terms and conditions of an indenture, or the 5.875% Senior Notes Indenture, and exchange and purchase agreements. The 5.875% Senior Notes bore interest at a rate of 5.875% per annum payable on June 15 and December 15 of each year, beginning on December 15, 2013. We recorded \$4.3 million of interest expense related to bond premium and \$795,000 of debt issuance write-off costs relating to the exchange and defeasance of the 9.5% Senior notes during fiscal 2014. As discussed below, the 5.875% Senior Notes were redeemed on June 15, 2015 with proceeds from a term loan we entered into as part of our new credit facility.

5.000% Senior Notes — During fiscal 2015, we issued an aggregate of \$75.0 million of 5.000% Senior Notes due 2018, or the 5.000% Senior Notes, to various institutional investors pursuant to the terms and conditions of an indenture, or the 5.000% Senior Notes Indenture, and collectively with the 5.875% Senior Notes Indenture, the Senior Notes Indentures, and purchase agreements. The 5.000% Senior Notes bear interest at a rate of 5.000% per annum payable on January 15 and July 15 of each year, beginning on January 15, 2015. We incurred \$2.3 million of debt issuance costs related to the issuance of the 5.000% Senior Notes.

At any time prior to July 15, 2016, we may, at our option (a) upon not less than 30 nor more than 60 days' prior notice, redeem all or a portion of the 5.000% Senior Notes at the redemption price of 100% of the principal amount of the 5.000% Senior Notes, plus an applicable premium, plus accrued and unpaid interest as of the redemption date; or (b) redeem up to 35% of the aggregate principal amount of the 5.000% Senior Notes with the net cash proceeds of one or more equity offerings at a redemption price of 105.000% of the principal amount of the 5.000% Senior Notes, plus accrued and unpaid interest as of the redemption date; provided, that in the case of the foregoing clause, at least 65% of the aggregate original principal amount of the 5.000% Senior Notes remains outstanding, and the redemption occurs within 60 days after the closing of the equity offering. On and after July 15, 2016, we may, at our option, upon not less than 30 nor more than 60 days' prior notice, redeem all or a portion of the 5.000% Senior Notes at a redemption price of (a) 102.500% of the principal amount of the 5.000% Senior Notes to be redeemed, if redeemed during the 12-month period beginning on July 15, 2016; or (b) 100% of the principal amount of the 5.000% Senior Notes to be redeemed, if redeemed during the 12-month period beginning on July 15, 2017, plus, in either case, accrued and unpaid interest on the 5.000% Senior Notes as of the applicable redemption date. Subject to certain restrictions and conditions, we may be required to make an offer to repurchase the 5.000% Senior Notes from the holders of the 5.000% Senior Notes in connection with a change of control or disposition of assets. If not redeemed by us or repaid pursuant to the holders' right to require repurchase, the 5.000% Senior Notes mature on July 15, 2018.

The 5.000% Senior Notes are general, unsecured obligations of our company. The 5.000% Senior Notes Indenture contains certain affirmative and negative covenants, including limitations on restricted payments (such as share repurchases, dividends, and early payment of indebtedness), limitations on indebtedness, limitations on the sale of assets, and limitations on liens. Payments that would otherwise be characterized as restricted payments are permitted under the 5.000% Senior Notes Indenture in an amount not to exceed 50% of our consolidated net income for the period from the issue date to the date of the restricted payment, provided that at the time of making such payments, (a) no default has occurred or would result from the making of such payments, and (b) we are able to satisfy the debt incurrence test under the 5.000% Senior Notes Indenture, or the 5.000% Senior Notes Lifetime Aggregate Limit. In addition, the 5.000% Senior Notes Indenture provides for other exceptions to the restricted payments covenant, each of which are independent of the 5.000% Senior Notes Lifetime Aggregate Limit. Among such exceptions are (i) the ability to make share repurchases each fiscal year in an amount not to exceed the lesser of (A) \$50.0 million in any fiscal year or (B) 75.0% of our consolidated net income for the previous four consecutive published fiscal quarters prior to the date of the determination of such

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consolidated net income, and (ii) share repurchases over the life of the 5.000% Senior Notes in an aggregate amount not to exceed \$75.0 million.

The limitation on indebtedness in the Senior Notes Indentures is only applicable at such time that the consolidated coverage ratio (as set forth in the Senior Notes Indentures) for us and our restricted subsidiaries is less than 3.00 to 1.00. In general, as set forth in the Senior Notes Indentures, the consolidated coverage ratio is determined by comparing our prior four quarters' consolidated EBITDA (earnings before interest, taxes, depreciation, and amortization) to our consolidated interest expense. The carrying value of our 5.875% Senior Notes and 5.000% Senior Notes as of April 30, 2015 approximates fair value in considering Level 2 inputs within the hierarchy.

Debt Issuance Costs — We recorded, in other assets, \$2.6 million and \$3.8 million of debt issuance costs for the fiscal years ended April 30, 2015 and 2014, respectively. These costs are being amortized to expense over the life of the credit facility or the Senior Notes Indentures. In total, we amortized \$1.5 million, \$1.9 million, and \$680,000 to interest expense for all debt issuance costs in fiscal 2015, 2014, and 2013, respectively, including write-offs related to extinguishment.

As of April 30, 2015, our revolving credit facility contained financial covenants relating to maintaining maximum leverage and minimum debt service coverage. The Senior Notes Indentures contain a financial covenant relating to times interest earned.

Letters of Credit — At April 30, 2015, we had outstanding letters of credit aggregating \$1.0 million.

6. Net Sales

The following table sets forth the breakdown of net sales for the fiscal years ended April 30, 2015, 2014, and 2013, respectively (in thousands):

	For the Year Ended April 30,		
	2015	2014	2013
Handguns	\$ 395,500	\$ 422,992	\$ 324,627
Long Guns	90,178	155,311	179,187
Walther	506	5,651	41,646
Other Products & Services	45,038	42,666	42,054
Firearm Division	531,222	626,620	587,514
Accessories Division	20,640	—	—
Total Net Sales	\$ 551,862	\$ 626,620	\$ 587,514

All of our firearms are currently sold under our Smith & Wesson, M&P, and Thompson/Center Arms brands. In addition, through our Performance Center, we offer small, specialized, and enhanced models sold under the Smith & Wesson and M&P brands. Depending upon the product or service, our firearm customers include distributors; federal, state, and municipal law enforcement agencies and officers; government and military agencies; businesses; retailers; and consumers. We sell accessories under our Caldwell Shooting Supplies, Wheeler Engineering, Tipton Gun Cleaning Supplies, Frankford Arsenal Reloading Tools, Lockdown Vault Accessories, Hooyman Premium Tree Saws, BOG-POD, and Golden Rod Moisture Control brands. Our accessories customers are generally businesses, retailers, and consumers.

We sell our products worldwide. The following table sets forth the breakdown of export net sales included in the above table. Our export net sales accounted for 4%, 3%, and 3% of total net sales for the fiscal years ended April 30, 2015, 2014, and 2013, respectively (in thousands):

Region	For the Year Ended April 30,		
	2015	2014	2013
Europe	\$ 8,164	\$ 6,279	\$ 2,979
Asia	1,463	1,766	6,319
Latin America	1,643	200	1,693
All others international	11,570	9,605	8,003
Total net international sales	\$ 22,840	\$ 17,850	\$ 18,994

We had no assets relating to our firearm business located outside the United States during any of the periods presented; we own tooling relating to our accessories business that is located at various suppliers in Asia.

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7. Advertising Costs

We expense advertising costs, primarily consisting of magazine advertisements, printed materials, television advertisements, and our new retail sales associate rewards program, either as incurred or upon the first occurrence of the advertising. Advertising expense, included in selling and marketing expenses, for continuing operations for the fiscal years ended April 30, 2015, 2014, and 2013, amounted to \$20.2 million, \$19.5 million, and \$15.1 million, respectively.

8. Property, Plant, and Equipment

The following table summarizes property, plant, and equipment as of April 30, 2015 and 2014 (in thousands):

	April 30, 2015	April 30, 2014
Machinery and equipment	\$ 191,480	\$ 156,030
Software and hardware	30,945	27,331
Building and improvements	19,946	12,187
Land and improvements	3,214	2,150
	<u>245,585</u>	<u>197,698</u>
Less: Accumulated depreciation and amortization	(116,663)	(93,138)
	<u>128,922</u>	<u>104,560</u>
Construction in progress	4,922	15,880
Total property, plant, and equipment, net	<u>\$ 133,844</u>	<u>\$ 120,440</u>

Depreciation of tangible assets and amortization of software expense from continuing operations amounted to \$24.8 million, \$19.1 million, and \$15.4 million for the fiscal years ended April 30, 2015, 2014, and 2013, respectively.

The following table summarizes depreciation and amortization expense for continuing operations, which includes amortization of intangibles and debt financing costs, by line item for the fiscal years ended April 30, 2015, 2014, and 2013 (in thousands):

	For the Year Ended April 30,		
	2015	2014	2013
Cost of products and services sold	\$ 20,640	\$ 16,505	\$ 14,238
Research and development	403	325	116
Selling and marketing	255	207	247
General and administrative	8,134	2,720	1,449
Interest expense	1,461	1,947	680
Total depreciation and amortization	<u>\$ 30,893</u>	<u>\$ 21,704</u>	<u>\$ 16,730</u>

9. Inventories

The following table sets forth a summary of inventories, net of reserves, stated at lower of cost or market, as of April 30, 2015 and 2014 (in thousands):

	April 30, 2015	April 30, 2014
Finished goods	\$ 28,240	\$ 26,523
Finished parts	34,269	47,109
Work in process	7,492	7,643
Raw material	6,894	5,467
Total inventories	<u>\$ 76,895</u>	<u>\$ 86,742</u>

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10. Intangible Assets

The following table presents a summary of intangible assets for the year ended April 30, 2015 and 2014 (in thousands):

	April 30, 2015 (a)	Weighted Average Life (in years)	April 30, 2014	Weighted Average Life (in years)
Developed technology	\$ 16,630	5.2	\$ —	—
Customer relationships	28,260	6.1	1,740	9.1
Patents, trademarks, and tradenames	36,378	5.3	4,986	5.5
	81,268		6,726	
Less: Accumulated amortization	(7,950)		(3,603)	
	73,318		3,123	
Patents in progress	450		302	
Total intangible assets, net	<u>\$ 73,768</u>		<u>\$ 3,425</u>	

(a) The primary increase in intangible assets over the prior year is as a result of the BTI Acquisition.

Amortization expense, excluding amortization of deferred financing costs, amounted to \$4.6 million, \$645,000, and \$639,000 for the fiscal years ended April 30, 2015, 2014, and 2013, respectively.

For the Year Ended April 30,	Expected Amortization
2016	\$ 11,341
2017	10,552
2018	9,798
2019	8,606
2020	7,448
Thereafter	25,573
Total expected amortization	<u>\$ 73,318</u>

11. Accrued Expenses

The following table sets forth other accrued expenses as of April 30, 2015 and 2014 (in thousands):

	April 30, 2015	April 30, 2014
Accrued rebates and promotions	\$ 4,126	\$ 2,633
Interest payable	3,362	2,194
Accrued employee benefits	3,065	2,148
Accrued professional fees	2,335	2,374
Accrued workers' compensation	833	916
Accrued distributor incentives	761	590
Accrued other	4,539	6,252
Total accrued expenses	<u>\$ 19,021</u>	<u>\$ 17,107</u>

12. Fair Value Measurement

We follow the provisions of ASC 820-10, *Fair Value Measurements and Disclosures Topic*, for our financial assets and liabilities. ASC 820-10 provides a framework for measuring fair value under GAAP and requires expanded disclosures regarding fair value measurements. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value.

Financial assets and liabilities recorded on the accompanying consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that we have the ability to access at the measurement date (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Our cash equivalents, which are measured at fair value on a recurring basis, totaled \$42.1 million and \$68.8 million as of April 30, 2015 and 2014, respectively. We utilized Level 1 of the value hierarchy to determine the fair values of these assets.

Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets in which trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets. Level 2 inputs include the following:

- quoted prices for identical or similar assets or liabilities in non-active markets (such as corporate and municipal bonds which trade infrequently);
- inputs other than quoted prices that are observable for substantially the full term of the asset or liability (examples include interest rate and currency swaps); and
- inputs that are derived principally from or corroborated by observable market data for substantially the full term of the asset or liability (such as certain securities and derivatives).

We currently do not have any Level 2 financial assets or liabilities other than our 5.875% Senior Notes and 5.000% Senior Notes as referenced in Note 5.

Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect our assumptions about the assumptions a market participant would use in pricing the asset or liability.

We currently do not have any Level 3 financial assets or liabilities.

13. Self-Insurance Reserves

As of April 30, 2015 and 2014, we had reserves for workers' compensation, product liability, municipal liability, and medical/dental costs totaling \$9.6 million and \$9.2 million, respectively, of which \$6.2 million and \$5.8 million, respectively, have been classified as non-current and have been included in other non-current liabilities. As of both April 30, 2015 and 2014, \$3.4 million has been included in accrued expenses on the accompanying consolidated balance sheets. In addition, as of April 30, 2015 and 2014, \$587,000 and \$361,000 of workers' compensation recoverable has been classified as an other asset. While we believe these reserves to be adequate, it is possible that the ultimate liabilities will exceed such estimates. Amounts charged to expense were \$12.9 million, \$10.7 million, and \$12.2 million for the fiscal years ended April 30, 2015, 2014, and 2013, respectively.

The following table is a summary of the activity in the workers' compensation, product liability, municipal liability, and medical/dental reserves in the fiscal years ended April 30, 2015, 2014, and 2013 (in thousands):

	For the Year Ended April 30,		
	2015	2014	2013
Beginning balance	\$ 9,185	\$ 9,570	\$ 8,980
Additional provision charged to expense	12,925	10,721	12,201
Payments	(12,500)	(11,106)	(11,611)
Ending balance	\$ 9,610	\$ 9,185	\$ 9,570

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

It is our policy to provide an estimate for loss as a result of expected adverse findings or legal settlements on product liability, municipal liability, workers' compensation, and other matters when such losses are probable and are reasonably estimable. It is also our policy to accrue for reasonable estimable legal costs associated with defending such litigation. While such estimates involve a range of possible costs, we determine, in consultation with litigation counsel, the most likely cost within such range on a case-by-case basis. We also record receivables from insurance carriers relating to these matters when their collection is probable. As of April 30, 2015 and 2014, we had accrued reserves for product and municipal litigation liabilities of \$3.8 million and \$3.9 million, respectively (of which \$3.1 million and \$2.8 million, respectively, were non-current), consisting entirely of expected legal defense costs. In addition, as of April 30, 2015 and 2014, we had recorded receivables from insurance carriers related to these liabilities of \$1.9 million, nearly all of which has been classified as other assets with \$25,000 classified as other current assets.

14. Stockholders' Equity

Treasury Stock

During fiscal 2014, our board of directors authorized the repurchase of up to \$115.0 million of our common stock, of which up to \$75.0 million was authorized for purchase in a tender offer and the remainder of which could be repurchased in the open market or in privately negotiated transactions. During fiscal 2014, we repurchased 1,417,233 shares of our common stock pursuant to the tender offer that expired on July 23, 2013 for \$15.6 million and 8,740,471 shares of our common stock in the open market for \$99.4 million, in each case, utilizing cash on hand, completing our \$115.0 million stock repurchase program. Fees and expenses incurred related to the tender offer and open market purchases in fiscal 2014 were \$887,000 and were recorded in treasury stock.

At the end of fiscal 2014, our board of directors authorized the repurchase of up to \$30.0 million of our common stock, subject to certain conditions, in the open market or privately negotiated transactions, commencing no earlier than May 1, 2014. During fiscal 2015, we completed this stock repurchase program by repurchasing 2,105,315 shares of our common stock for \$30.0 million, utilizing cash on hand. Fees and expenses incurred related to open market purchases in fiscal 2015 were \$40,000 and were recorded in treasury stock.

Incentive Stock and Employee Stock Purchase Plans

We have two stock plans, or SPs: the 2004 Incentive Stock Plan and the 2013 Incentive Stock Plan. New grants under the 2004 Incentive Stock Plan have not been made since the approval of the 2013 Incentive Stock Plan at our September 23, 2013 annual meeting of stockholders. All new grants covering all participants are issued under the 2013 Incentive Stock Plan.

The 2013 Incentive Stock Plan authorizes the issuance of 3,000,000 shares, plus any shares that were reserved and remained available for grant and delivery under the 2004 Incentive Stock Plan as of September 23, 2013, the effective date of the 2013 Incentive Stock Plan. The plan permits the grant of options to acquire common stock, restricted stock awards, RSUs, stock appreciation rights, bonus stock and awards in lieu of obligations, performance awards, and dividend equivalents. Our board of directors, or a committee established by our board, administers the SPs, selects recipients to whom awards are granted, and determines the grants to be awarded. Options granted under the SPs are exercisable at a price determined by our board or committee at the time of grant, but in no event, less than fair market value of our common stock on the date granted. Grants of options may be made to employees and directors without regard to any performance measures. All options issued pursuant to the SPs are generally nontransferable and subject to forfeiture.

Unless terminated earlier by our board of directors, the 2013 Incentive Stock Plan will terminate at the earliest of (1) the tenth anniversary of the effective date of the 2013 Stock Plan, or (2) such time as no shares of common stock remain available for issuance under the plan and we have no further rights or obligations with respect to outstanding awards under the plan. The date of grant of an award is deemed to be the date upon which our board of directors or board committee authorizes the granting of such award.

Except in specific circumstances, grants vest over a period of three or four years and are exercisable for a period of 10 years. The plan also permits the grant of awards to non-employees, which our board of directors has authorized in the past.

The number of shares and weighted average exercise prices of options for the fiscal years ended April 30, 2015, 2014, and 2013 are as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	For the Year Ended April 30,					
	2015		2014		2013	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Options outstanding, beginning of year	2,258,349	\$ 6.15	3,019,127	\$ 5.31	3,988,164	\$ 4.67
Granted during the period	—	—	—	—	3,500	11.02
Exercised during the period	(365,719)	4.96	(732,778)	2.73	(847,042)	4.10
Canceled/forfeited during period	(13,000)	7.98	(28,000)	5.59	(125,495)	3.87
Options outstanding, end of period	<u>1,879,630</u>	<u>\$ 6.37</u>	<u>2,258,349</u>	<u>\$ 6.15</u>	<u>3,019,127</u>	<u>\$ 5.31</u>
Weighted average remaining contractual life	<u>5.02 years</u>		<u>6.04 years</u>		<u>6.02 years</u>	
Options exercisable, end of period	<u>1,878,464</u>	<u>\$ 6.36</u>	<u>1,873,494</u>	<u>\$ 6.29</u>	<u>2,087,675</u>	<u>\$ 5.38</u>
Weighted average remaining contractual life	<u>5.02 years</u>		<u>5.75 years</u>		<u>5.00 years</u>	

As of April 30, 2015, there were 5,738,521 shares available for grant under the 2013 Incentive Stock Plan. We use our unissued share pool for all shares issued for options, restricted share awards, RSUs, PSUs, and Employee Stock Purchase Plan, or ESPP, issuances.

The aggregate intrinsic value of outstanding options as of April 30, 2015, 2014, and 2013 was \$16.1 million, \$20.8 million, and \$12.1 million, respectively. The aggregate intrinsic value of outstanding options that were exercisable as of April 30, 2015, 2014, and 2013 was \$16.0 million, \$17.0 million, and \$8.7 million, respectively. The aggregate intrinsic value of the options exercised for the years ended April 30, 2015, 2014, and 2013 was \$2.9 million, \$7.3 million, and \$5.1, respectively. At April 30, 2015, the total of unrecognized compensation cost of outstanding options was \$1,000, which will be recognized over the remaining weighted average vesting period of 0.41 years.

On September 26, 2011, our stockholders approved our 2011 ESPP, to replace our expired 2001 ESPP, which authorized the sale of up to 6,000,000 shares of our common stock to employees. All option and rights to participate in our ESPP are nontransferable and subject to forfeiture in accordance with our ESPP guidelines. Our current ESPP will be implemented in a series of successive offering periods, each with a maximum duration of 12 months. If the fair market value, or FMV, per share of our common stock on any purchase date is less than the FMV per share on the start date of a 12-month offering period, then that offering period will automatically terminate, and a new 12-month offering period will begin on the next business day. Each offering period will begin on April 1 or October 1, as applicable, immediately following the end of the previous offering period. Payroll deductions will be on an after-tax basis, in an amount of not less than 1% and not more than 20% (or such greater percentage as the committee appointed to administer our ESPP may establish from time to time before the first day of an offering period) of a participant's compensation on each payroll date. The option exercise price per share will equal 85% of the lower of the FMV on the first day of the offering period or the FMV on the exercise date. The maximum number of shares that a participant may purchase during any purchase period is 12,500 shares, or a total of \$25,000 in shares, based on the FMV on the first day of the offering period. Our ESPP will remain in effect until the earliest of (a) the exercise date that participants become entitled to purchase a number of shares greater than the number of reserved shares available for purchase under our ESPP, (b) such date as is determined by our Board of Directors in its discretion, or (c) March 31, 2022. In the event of certain corporate transactions, each option outstanding under our ESPP will be assumed or an equivalent option will be substituted by the successor corporation or a parent or subsidiary of such successor corporation. During fiscal 2015, 2014, and 2013, 161,456, 176,204, and 185,218 shares, respectively, were purchased under our ESPP.

We measure the cost of employee services received in exchange for an award of an equity instrument based on the grant-date fair value of the award. We calculate the fair value of our stock options issued to employees using the Black-Scholes model at the time the options were granted. That amount is then amortized over the vesting period of the option. With our ESPP, fair value is determined at the beginning of the purchase period and amortized over the term of each exercise period.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following assumptions were used in valuing our options and ESPP purchases during the years ended April 30, 2015, 2014, and 2013:

	For the Year Ended April 30,		
	2015	2014	2013
Stock option grants:			
Risk-free interest rate	—	—	0.31%
Expected term	—	—	5.84 - 7.84 years
Expected volatility	—	—	70.0%
Dividend yield	—	—	0%
Employee Stock Purchase Plan:			
Risk-free interest rate	0.07%	0.08%	0.13%
Expected term	6 months	6 months	6 months
Expected volatility	38.2%	41.9%	56.3%
Dividend yield	0%	0%	0%

We estimate expected volatility using historical volatility for the expected term. The fair value of each stock option or ESPP purchase was estimated on the date of the grant using the Black-Scholes option pricing model (using the risk-free interest rate, expected term, expected volatility, and dividend yield variables, as noted in the above table). The total stock-based compensation expense, including stock options, purchases under our ESPP, and RSU and PSU awards, was \$5.8 million, \$8.2 million, and \$4.1 million, for fiscal years 2015, 2014, and 2013, respectively.

The following table summarizes stock compensation expense for continuing operations by line item for the fiscal years ended April 30, 2015, 2014, and 2013 (in thousands):

	For the Year Ended April 30,		
	2015	2014	2013
Cost of sales	\$ 520	\$ 332	\$ 331
Research and development	139	74	39
Selling and marketing	379	225	92
General and administrative	4,770	7,581	3,611
Total stock-based compensation	\$ 5,808	\$ 8,212	\$ 4,073

We grant service-based RSUs to employees, consultants, and directors. The awards are made at no cost to the recipient. An RSU represents the right to acquire one share of our common stock and does not carry voting or dividend rights. Except in specific circumstances, RSU grants to employees generally vest over a period of three or four years with one-third or one-fourth of the units vesting, respectively, on each anniversary date of the grant date. The aggregate fair value of our RSU grants is amortized to compensation expense over the vesting period.

We grant PSUs with market conditions to our executive officers, and we grant PSUs without market-conditions to our employees who are not executive officers. At the time of grant, we calculate the fair value of our market-condition PSUs using the Monte-Carlo simulation. We incorporate the following variables into the valuation model:

	For the Year Ended April 30,		
	2015	2014	2013
Grant date fair market value			
Smith & Wesson Holding Corporation	\$ 14.90	\$ 15.21	\$ 8.71
Russell 2000 Index	\$ 1,246.95	\$ 1,120.83	\$ 935.25
Volatility (a)			
Smith & Wesson Holding Corporation	44.51%	49.85%	49.28%
Russell 2000 Index	15.76%	23.07%	25.72%
Correlation coefficient (b)	0.32	0.46	0.47
Risk-free interest rate (c)	0.91%	0.91%	0.32%
Dividend yield (d)	0%	0%	0%

- (a) Expected volatility is calculated over the most recent period that represents the remaining term of the performance period as of the valuation date, or three years.
- (b) The correlation coefficient utilizes the same historical price data used to develop the volatility assumptions.
- (c) The risk-free interest rate is based on the yield of a zero-coupon U.S. Treasury bill, commensurate with the three-year performance period.
- (d) We do not expect to pay dividends in the foreseeable future.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
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The market-condition PSUs vest, and the fair value of such PSUs will be recognized, over the corresponding three-year performance period. Our market-condition PSUs have a maximum aggregate award equal to 200% of the target amount granted. The number of market-condition PSUs that may be earned depends upon the total stockholder return, or TSR, of our common stock compared with the TSR of the Russell 2000 Index, or RUT, over the three-year performance period. For our fiscal 2014 and 2013 PSUs, our stock must outperform the RUT by 10% in order for the target award to vest. For our fiscal 2015 PSUs, our stock must outperform the RUT by 5% in order for the target award to vest. In addition, there is a cap on the number of shares that can be earned under the fiscal 2015 PSUs equal to six times the grant-date value of each award.

In certain circumstances beginning with the fiscal 2015 RSUs and PSUs, the vested awards will be delivered on the first anniversary of the applicable vesting date. We have applied a discount to the grant date fair value when determining the amount of compensation expense to be recorded for these RSUs and PSUs.

During the year ended April 30, 2015, we granted 112,000 market-condition PSUs to certain of our executive officers. We also granted 554,933 service-based RSUs during the year ended April 30, 2015, including 125,000 RSUs to certain of our executive officers, 46,639 RSUs to our directors, and 379,433 RSUs to non-executive officer employees. In addition, in connection with a 2011 grant, we vested 46,600 market-condition PSUs (i.e., the target amount granted), which achieved the maximum aggregate award possible resulting in awards totaling 93,200 shares to certain of our executive officers and a former executive officer. Compensation expense recognized related to grants of RSUs and PSUs was \$5.1 million for the fiscal year ended April 30, 2015.

During the fiscal year ended April 30, 2015, we canceled 57,752 service-based RSUs and 41,250 PSUs without market-conditions as a result of the service period condition not being met and delivered 433,266 shares of common stock to current employees under vested RSUs and PSUs with a total market value of \$5.4 million.

During the fiscal year ended April 30, 2014, we granted 117,500 market-condition PSUs to certain of our executive officers. We also granted 565,556 service-based RSUs during the year ended April 30, 2014, including 351,400 RSUs to certain of our executive officers, 42,238 RSUs to our directors, 164,918 RSUs to non-executive officer employees, and 7,000 RSUs to consultants. In addition, we granted and vested 30,000 market-condition PSUs to an executive officer and a former executive officer in connection with a 2010 award that achieved the maximum aggregate award. Compensation expense recognized related to grants of RSUs and PSUs was \$6.4 million for the fiscal year ended April 30, 2014.

During the fiscal year ended April 30, 2014, we cancelled 17,316 service-based RSUs and 9,000 PSUs without market-conditions as a result of the service period condition not being met and delivered 457,851 shares of common stock to current employees under vested RSUs and PSUs with a total market value of \$5.7 million.

During the fiscal year ended April 30, 2013, we granted 152,000 market-condition PSUs to certain of our executive officers and 63,050 PSUs without market conditions to other employees. We also granted 320,279 service-based RSUs during the fiscal year ended April 30, 2013, including 250,250 RSUs to certain of our executive officers, 35,000 RSUs to our directors, 28,029 RSUs to non-executive officer employees, and 7,000 RSUs to consultants. Compensation expense recognized related to grants of RSUs and PSUs was \$1.8 million for the fiscal year ended April 30, 2013.

During the fiscal year ended April 30, 2013, we delivered 14,250 PSUs without market-conditions to employees with a total market value of \$131,000 and we also delivered 69,637 shares of common stock to certain of our executive officers, employees, and consultants under vested RSUs with a total market value of \$595,000.

During the fiscal year ended April 30, 2013, we cancelled 16,996 service-based RSUs and 35,000 market-condition PSUs as a result of the service period condition not being met and 2,000 PSUs without a market-condition as a result of the performance condition not being met.

The grant date fair value of RSUs and PSUs that vested in fiscal 2015, 2014, and 2013 was \$4.0 million, \$4.0 million, and \$726,000, respectively.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of activity in unvested RSUs and PSUs for fiscal years 2015, 2014 and 2013 is as follows:

	For the Year Ended April 30,					
	2015		2014		2013	
	Total # of Restricted Stock Units	Weighted Average Grant Date Fair Value	Total # of Restricted Stock Units	Weighted Average Grant Date Fair Value	Total # of Restricted Stock Units	Weighted Average Grant Date Fair Value
RSUs and PSUs outstanding, beginning of year	1,015,475	\$ 10.56	781,586	\$ 8.42	384,140	\$ 7.91
Awarded	709,672	11.82	718,056	11.87	535,329	9.43
Vested	(433,266)	9.18	(457,851)	8.75	(83,887)	8.71
Forfeited	(101,002)	11.93	(26,316)	8.88	(53,996)	6.14
RSUs and PSUs outstanding, end of year	<u>1,190,879</u>	<u>\$ 12.45</u>	<u>1,015,475</u>	<u>\$ 10.56</u>	<u>781,586</u>	<u>\$ 8.42</u>

As of April 30, 2015, there was \$7.0 million of unrecognized compensation cost related to unvested RSUs and PSUs. This cost is expected to be recognized over a weighted average remaining contractual term of 1.8 years. The aggregate intrinsic value of outstanding RSUs and PSUs as of April 30, 2015, 2014, and 2013 was \$3.3 million, \$7.1 million, and \$491,000, respectively.

15. Employer Sponsored Benefit Plans

Contributory Defined Investment Plan — We offer two contributory defined investment plans covering substantially all employees, subject to service requirements. Employees may contribute up to 100% of their annual pay, depending on the plan. We generally make discretionary matching contributions of up to 50% of the first 6% of employee contributions to the plan. We contributed \$2.3 million, \$1.9 million, and \$1.7 million for the fiscal years ended April 30, 2015, 2014, and 2013, respectively.

Non-Contributory Profit Sharing Plan — We have a non-contributory profit sharing plan covering substantially all of our Springfield, Massachusetts and Houlton, Maine employees. Employees become eligible on May 1 following the completion of a full fiscal year of continuous service. Our contributions to the plan are discretionary. For fiscal 2015, we plan to contribute approximately \$6.2 million, which has been recorded in general and administrative costs. We contributed \$11.1 million and \$9.6 million for the fiscal years ended April 30, 2014 and 2013, respectively. Contributions are funded after the fiscal year-end.

16. Income Taxes

We use an asset and liability approach for financial accounting and reporting of income taxes. Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities and are measured by applying enacted tax rates and laws to the taxable years in which differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Income tax expense from continuing operations consists of the following (in thousands):

	For the Year Ended April 30,		
	2015	2014	2013
Current:			
Federal	\$ 22,471	\$ 43,470	\$ 38,661
State	4,188	6,167	5,982
Total current	26,659	49,637	44,643
Deferred:			
Deferred federal	2,274	(1,352)	1,508
Deferred state	(28)	(190)	349
Total deferred	2,246	(1,542)	1,857
Total income tax expense	<u>\$ 28,905</u>	<u>\$ 48,095</u>	<u>\$ 46,500</u>

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
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The following table presents a reconciliation of the provision for income taxes from continuing operations at statutory rates to the provision in the consolidated financial statements (in thousands):

	For the Year Ended April 30,		
	2015	2014	2013
Federal income taxes expected at 35% statutory rate	\$ 27,556	\$ 47,853	\$ 44,767
State income taxes, less federal income tax benefit	3,015	4,535	4,576
Employee Stock Purchase Plan	82	77	131
Business meals and entertainment	205	187	107
Domestic production activity deduction	(2,462)	(4,325)	(3,708)
Research and development tax credit	(100)	(100)	(140)
Change in uncertain tax positions	—	(265)	237
Other	609	133	530
Total income tax expense	\$ 28,905	\$ 48,095	\$ 46,500

Deferred tax assets (deferred tax liabilities) related to temporary differences are the following (in thousands):

	For the Years Ended April 30,	
	2015	2014
Current tax assets (liabilities):	\$	\$
Inventories	9,587	8,088
Product liability	276	391
Accrued expenses, including compensation	2,934	5,991
Warranty reserve	2,449	2,114
Property taxes	(122)	(78)
Promotions	1,497	925
Less valuation allowance	(510)	(508)
Other	262	171
Net deferred tax asset — current	\$ 16,373	\$ 17,094
Non-current tax assets (liabilities):		
Net operating loss carryforwards and tax credits	\$ 2,809	\$ 2,633
Environmental reserves	258	238
Product liability	461	371
Workers' compensation	991	975
Warranty reserve	860	785
Stock-based compensation	4,429	4,280
State bonus depreciation	1,002	828
Property, plant, and equipment	(25,612)	(19,947)
Intangible assets	(17,083)	224
Transaction costs	—	57
Pension	91	48
Less valuation allowance	(2,111)	(1,910)
Net deferred tax liability — non-current	\$ (33,905)	\$ (11,418)
Net deferred tax asset/(liability) — total	\$ (17,532)	\$ 5,676

We had federal net operating loss carryforwards amounting to \$541,000 as of April 30, 2015, which expire in fiscal 2020. We obtained \$8.2 million in additional loss carryforwards through our acquisition of SWSS on July 20, 2009, the majority of which was utilized in fiscal 2010. Utilization of the remaining losses is limited by Section 382 of the Internal Revenue Code to \$108,000 in fiscal 2015 and for each taxable year thereafter. It is possible that future substantial changes in our ownership could occur that could result in additional ownership changes pursuant to Section 382 of the Internal Revenue Code. If such an ownership change were to occur, there could be an annual limitation on the remaining tax loss carryforward.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

There were \$16.8 million and \$16.2 million in state net operating loss carryforwards as of April 30, 2015 and 2014, respectively. The state net operating loss carryforwards will expire between April 30, 2016 and April 30, 2033. There were \$3.0 million and \$2.6 million of state tax credit carryforwards as of April 30, 2015 and 2014, respectively. The state tax credit carryforwards will expire between April 30, 2018 and April 30, 2025, or have no expiration date.

As of April 30, 2015, valuation allowances of \$700,000 and \$1.9 million were provided on our deferred tax assets for those state net operating loss carryforward, and state tax credits, respectively, that we do not anticipate using prior to their expiration. As of April 30, 2014, valuation allowances of \$686,000 and \$1.7 million were provided on our deferred tax assets for those state net operating loss carryforwards and state tax credits, respectively, that we do not anticipate using prior to their expiration. The increase in the valuation allowance on our deferred tax assets for state net operating losses and credits and other state deferred tax assets related mainly to Massachusetts Investment Tax Credits. No valuation allowances were provided on our deferred federal income tax assets as of April 30, 2015 or 2014, as we believe that it is more likely than not that all such assets will be realized. Recording a valuation allowance or reversing a valuation allowance could have a significant effect on our future results of operations and financial position. Management is unaware of any recent or expected future changes in tax laws that would have a material impact on our financial statements.

At April 30, 2015 and 2014, we had gross tax-effected unrecognized tax benefits of \$91,000 and \$84,000, respectively, of which the entire amounts, if recognized, would favorably impact the effective tax rate. Included in the unrecognized tax benefits at April 30, 2015 and 2014, we have \$23,000 and \$15,000, respectively, of accrued interest and penalties related to uncertain tax positions, which have been recorded in non-current liabilities.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	April 30,	
	2015	2014
Beginning balance	\$ 84	\$ 1,091
Interest, penalties, and impact of state deductions on federal taxes	7	(212)
Lapse of statute of limitations	—	(795)
Ending balance	<u>\$ 91</u>	<u>\$ 84</u>

All of our unrecognized tax benefits has been classified as current income tax liabilities and are recorded in other current liabilities because a payment of cash is anticipated within one year of the balance sheet date or the statute will expire within one year of the balance sheet date.

With limited exception, we are subject to U.S. federal, state, and local, or non-U.S. income tax audits by tax authorities for fiscal years subsequent to April 30, 2011.

17. Commitments and Contingencies

Litigation

We are a defendant in eight product liability cases and are aware of approximately nine other product liability claims, primarily alleging defective product design, defective manufacturing, or failure to provide adequate warnings. In addition, we are a co-defendant in a case filed on August 27, 1999 by the city of Gary, Indiana against numerous firearm manufacturers, distributors, and dealers seeking to recover damages allegedly arising out of the misuse of firearms by third parties. We believe that the various allegations as described above are unfounded, and, in addition, that any accident and any results from them were due to negligence or misuse of the firearm by the claimant or a third party.

In addition, we are involved in lawsuits, claims, investigations, and proceedings, including commercial, environmental, and employment matters, which arise in the ordinary course of business.

The relief sought in individual cases primarily includes compensatory and, sometimes, punitive damages. Certain of the cases and claims seek unspecified compensatory or punitive damages. In others, compensatory damages sought may range from less than \$75,000 to approximately \$1.5 million. In our experience, initial demands do not generally bear a reasonable relationship to the facts and circumstances of a particular matter. We believe that our accruals for product liability cases and claims, as described below, are a reasonable quantitative measure of the cost to us of product liability cases and claims.

We are vigorously defending ourselves in the lawsuits to which we are subject. An unfavorable outcome or prolonged litigation could harm our business. Litigation of this nature also is expensive and time consuming and diverts the time and attention of our management.

We monitor the status of known claims and the related product liability accrual, which includes amounts for defense costs for asserted and unasserted claims. After consultation with litigation counsel and the review of the merit of each claim, we have concluded that we are unable to reasonably estimate the probability or the estimated range of reasonably possible losses related to material adverse judgments related to such claims and, therefore, we have not accrued for any such judgments. In the future, should we determine that a loss (or an additional loss in excess of our accrual) is at least reasonably possible and material, we would then disclose an estimate of the possible loss or range of loss, if such estimate could be made, or disclose that an estimate could not be made. We believe that we have provided adequate reserves for defense costs.

For the fiscal years ended April 30, 2015, 2014, and 2013, we paid \$252,000, \$1.0 million, and \$758,000, respectively, in defense and administrative costs relative to product liability and municipal litigation. In addition, we spent an aggregate of \$177,000, \$460,000, and \$42,000, respectively, in those fiscal years in settlement fees related to product liability cases.

We have recorded our liability for defense costs before consideration for reimbursement from insurance carriers. We have also recorded the amount due as reimbursement under existing policies from the insurance carriers as a receivable shown in other current assets and other assets.

In fiscal 2015, 2014, and 2013 we recorded expense of \$183,000, \$533,000, and \$805,000 respectively, to recognize changes in our product liability and municipal litigation liability.

At this time, an estimated range of reasonably possible additional losses relating to unfavorable outcomes cannot be made.

Environmental Remediation

We are subject to numerous federal, state, and local laws that regulate both the health and safety of our workforce as well as our environmental liability, including, but not limited to, those regulations monitored by the Occupational Health and Safety Administration, (OSHA), the National Fire Protection Association, and the Department of Public Health. Though not exhaustive, examples of applicable regulations include confined space safety, walking and working surfaces, machine guarding, and life safety.

We are required to comply with regulations that mitigate any release into the environment. These laws have required, and are expected to continue to require, us to make significant expenditures of both a capital and expense nature. Several of the more significant federal laws applicable to our operations include the Clean Air Act, the Clean Water Act, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, and the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act.

We have in place programs and personnel to monitor compliance with various federal, state, and local environmental regulations. In the normal course of our manufacturing operations, we are subject to governmental proceedings and orders pertaining to waste disposal, air emissions, and water discharges into the environment. We fund our environmental costs through cash flows from operations. We believe that we are in compliance with applicable environmental regulations in all material respects.

We are required to remediate hazardous waste at our facilities. Currently, we own a designated site in Springfield, Massachusetts that contains two release areas, which are the focus of remediation projects as part of the Massachusetts Contingency Plan, or MCP. The MCP provides a structured environment for the voluntary remediation of regulated releases. We may be required to remove hazardous waste or remediate the alleged effects of hazardous substances on the environment associated with past disposal practices at sites not owned by us. We have received notice that we are a potentially responsible party from the Environmental Protection Agency and/or individual states under CERCLA or a state equivalent at two sites.

As of April 30, 2015 and 2014, respectively, we had recorded \$675,000 and \$623,000 of the environmental reserve in non-current liabilities. We have calculated the net present value of the environmental reserve to be equal to the carrying value of the liability recorded on our books. Our estimate of these costs is based upon currently enacted laws and regulations, currently available facts, experience in remediation efforts, existing technology, and the ability of other potentially responsible parties or contractually liable parties to pay the allocated portions of any environmental obligations.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

When the available information is sufficient to estimate the amount of liability, that estimate has been used, when the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range has been used. We may not have insurance coverage for our environmental remediation costs. We have not recognized any gains from probable recoveries or other gain contingencies. The environmental reserve was calculated using undiscounted amounts based on independent environmental remediation reports obtained.

On May 5, 2014, we acquired substantially all of the net assets of TTPP. Under the asset purchase agreement, the former stockholder of TTPP indemnified us for losses arising from, among other things, environmental conditions related to its manufacturing activities. Of the purchase price, \$3.0 million was placed in an escrow account, of which \$2.8 million remains available. A portion of this escrow account will be applied to environmental remediation at the manufacturing site in Deep River, Connecticut. It is not presently possible to estimate the ultimate amount of all remediation costs and potential uses of the escrow. We believe the likelihood of environmental remediation costs exceeding the amount available in escrow to be remote.

Based on information known to us, we do not expect current environmental regulations or environmental proceedings and claims to have a material adverse effect on our consolidated financial position, results of operations, or cash flows. However, it is not possible to predict with certainty the impact on us of future environmental compliance requirements or of the cost of resolution of future environmental health and safety proceedings and claims, in part because the scope of the remedies that may be required is not certain, liability under federal environmental laws is joint and several in nature, and environmental laws and regulations are subject to modification and changes in interpretation. There can be no assurance that additional or changing environmental regulation will not become more burdensome in the future and that any such development would not have a material adverse effect on our company.

Contracts

Employment Agreements — We have employment, severance, and change of control agreements with certain officers and managers.

Other Agreements — We have distribution agreements with various third parties in the ordinary course of business.

In fiscal 2011, we were awarded a \$6.0 million refundable tax credit from the Massachusetts Economic Assistance Coordinating Council under the Economic Development Incentive Program, or EDIP. This credit was granted by the Commonwealth of Massachusetts in consideration of our restructuring plan to move the production of our hunting products from New Hampshire to Massachusetts. Through the end of fiscal 2015, we recorded a total of \$6.0 million in tax credits, including recording a receivable of \$117,000 in fiscal 2015, because of our compliance with the written EDIP Investment Analysis Plan. We will be required to file an EDIP Annual Report through 2017 to demonstrate that all conditions related to the award have been met. We believe the likelihood that we will not comply with the EDIP Investment Analysis Plan to be remote.

Rental Leases

We lease office and/or manufacturing space in Scottsdale, Arizona; Rochester, New Hampshire; Deep River, Connecticut; and Columbia, Missouri under operating leases which expire on February 28, 2018; September 30, 2015; May 4, 2024; and April 30, 2023, respectively. We also lease machinery, photocopiers, and vehicles for our national sales force with various expiration dates.

As of April 30, 2015, the lease commitments were as follows (in thousands):

For the Year Ended April 30,	Amount
2016	\$ 2,446
2017	1,975
2018	1,919
2019	1,780
2020	1,764
Thereafter	5,910
	<u>\$ 15,794</u>

Rent expense in the fiscal years ended April 30, 2015, 2014, and 2013 was \$3.3 million, \$2.2 million, and \$2.2 million, respectively.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

18. Quarterly Financial Information (Unaudited)

The following table summarizes quarterly financial results in fiscal 2015 and 2014. In our opinion, all adjustments necessary to present fairly the information for such quarters have been reflected (in thousands, except per share data):

	For the Year Ended April 30, 2015				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Net sales	\$ 131,869	\$ 108,446	\$ 130,550	\$ 180,997	\$ 551,862
Gross profit	49,118	34,840	43,824	67,144	194,926
Income from continuing operations, net of tax	14,618	5,091	8,178	21,940	49,827
Loss from discontinued operations, net of tax	(62)	(41)	(57)	(54)	(214)
Net income	\$ 14,556	\$ 5,050	\$ 8,121	\$ 21,886	\$ 49,613
Per common share					
Basic - continuing operations	\$ 0.27	\$ 0.10	\$ 0.15	\$ 0.41	\$ 0.92
Diluted - continuing operations	\$ 0.26	\$ 0.09	\$ 0.15	\$ 0.40	\$ 0.90
Basic - total	\$ 0.27	\$ 0.09	\$ 0.15	\$ 0.41	\$ 0.92
Diluted - total	\$ 0.26	\$ 0.09	\$ 0.15	\$ 0.40	\$ 0.90
Market price (low-high)	\$ 12.32-17.28	\$ 9.03-13.43	\$ 9.22-12.68	\$ 12.16-15.30	\$ 9.03-17.28

	For the Year Ended April 30, 2014				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Net sales	\$ 171,020	\$ 139,294	\$ 145,881	\$ 170,425	\$ 626,620
Gross profit	72,773	57,937	58,651	69,744	259,105
Income from continuing operations, net of tax	26,526	17,145	20,057	24,899	88,627
Income/(loss) from discontinued operations, net of tax	(49)	(158)	728	157	678
Net income	\$ 26,477	\$ 16,987	\$ 20,785	\$ 25,056	\$ 89,305
Per common share					
Basic - continuing operations	\$ 0.41	\$ 0.29	\$ 0.36	\$ 0.45	\$ 1.51
Diluted - continuing operations	\$ 0.40	\$ 0.28	\$ 0.35	\$ 0.44	\$ 1.47
Basic - total	\$ 0.41	\$ 0.28	\$ 0.37	\$ 0.45	\$ 1.52
Diluted - total	\$ 0.40	\$ 0.28	\$ 0.36	\$ 0.44	\$ 1.49
Market price (low-high)	\$ 8.53-11.96	\$ 10.25-13.38	\$ 10.76-15.56	\$ 11.31-15.70	\$ 8.53-15.70

19. Segment Reporting

Subsequent to the BTI Acquisition, we began reporting our results of operations in two segments: firearms and accessories. The firearm segment has been determined to be a single operating segment and reporting segment based on management's reliance on production metrics such as gross margin per unit produced, units produced per day, incoming orders per day, and revenue produced by trade channel, all of which are particular to the firearm segment. We evaluate our accessories products by a measurement of incoming orders per day, sales by customers, and gross margin by product line.

The firearm segment consists of products and services manufactured and sold from our Springfield, Massachusetts; Houlton, Maine; and Deep River, Connecticut facilities, which includes firearms, handcuffs, and other related products sold through a distribution chain and direct sales to consumers and international, state, and federal governments. The accessories segment consists of hunting and shooting accessories developed and marketed from our Columbia, Missouri facility. Operating costs are reported based on the activities performed within each segment.

Segment assets are those directly used in or clearly allocable to an operating segment's operations. Total assets for our firearm segment as of April 30, 2015 were \$345.3 million. Included in the assets of our firearm segment are intangible assets totaling \$3.7 million; property, plant, and equipment totaling \$131.3 million; and goodwill totaling \$13.8 million. Total assets for our accessories segment as of April 30, 2015 were \$149.7 million. Included in the assets of our accessories segment are intangible assets totaling \$70.1 million; property, plant, and equipment totaling \$2.5 million; and goodwill totaling \$61.7 million.

Results by business segment are presented in the following table for the year ended April 30, 2015 (in thousands):

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	For the Year Ended April 30, 2015		
	Firearm	Accessories (a)	Total
Net sales	\$ 531,222	\$ 20,640	\$ 551,862
Cost of sales	342,663	14,273 (b)	356,936
Gross margin	188,559	6,367	194,926
Operating income/(loss)	92,532	(2,904) (b)	89,628
Income tax expense/(benefit)	30,038	(1,133)	28,905

(a) Results of operations for the year ended April 30, 2015 include activity for the period subsequent to the BTI Acquisition. We operated under one segment in the prior year, thus no comparative segment information is being presented. Due to the timing of the BTI Acquisition, the segment data above includes all corporate overhead expenses in our firearm segment until we determine our allocation methodology for corporate overhead expenses.

(b) Amount includes \$4.2 million of additional cost of sales from the fair value step-up in inventory at the date of the BTI Acquisition and \$3.6 million related to amortization of intangible assets recorded in general and administrative expenses as a result of the BTI Acquisition.

20. Subsequent Events

As discussed in Note 5, on June 15, 2015, we entered into a new unsecured credit facility, which consists of a \$175.0 million revolving line of credit and a \$105.0 million term loan, which both mature on June 15, 2020. We used the proceeds from the term loan to redeem the entire \$100.0 million outstanding principal balance of our 5.875% Senior Notes, plus accrued and unpaid interest to the redemption date.

SCHEDULE II

**SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended April 30, 2015, 2014, and 2013**

	<u>Balance at May 1,</u>	<u>Additions</u>		<u>Deductions</u>	<u>Balance at April 30,</u>
		<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>		
2015					
Allowance for doubtful accounts	\$ 844	\$ (122)	\$ 127 (1)	\$ (127)	\$ 722
Inventory reserve	12,383	4,493	702 (1)	(1,139)	16,439
Deferred tax valuation allowance	2,418	203	—	—	2,621
2014					
Allowance for doubtful accounts	\$ 1,128	\$ (214)	\$ —	\$ (70)	\$ 844
Inventory reserve	9,121	4,102	—	(840)	12,383
Deferred tax valuation allowance	2,458	(40)	—	—	2,418
2013					
Allowance for doubtful accounts	\$ 1,058	\$ 720	\$ —	\$ (650)	\$ 1,128
Inventory reserve	6,965	2,603	—	(447)	9,121
Deferred tax valuation allowance	2,127	331	—	—	2,458

(1) Increase in 2015 valuation accounts represents acquired balances related to the DRP and BTI Acquisitions in fiscal 2015.

FIRST AMENDMENT TO MASTER LETTER OF CREDIT AGREEMENT

THIS FIRST AMENDMENT TO MASTER LETTER OF CREDIT AGREEMENT, dated as of June 15, 2015 (this "Amendment"), is among Smith & Wesson Holding Corporation, a Delaware corporation ("Holdings"), Smith & Wesson Corp., a Delaware corporation ("S&W Corp." and, together with Holdings, the "Customer") and TD BANK, N.A. (the "Bank").

WHEREAS, the parties hereto are parties to that certain Master Letter of Credit Agreement dated as of August 15, 2013, as amended by that certain Letter Agreement dated as of August 15, 2013 (as so amended, and as further amended, restated, amended and restated or modified from time to time, the "Letter of Credit Agreement");

WHEREAS, the Customer has requested that the Bank consent to the amendments to the Letter of Credit Agreement set forth in Section 2 hereof; and

WHEREAS, the Bank is willing to amend certain provisions of the Letter of Credit Agreement, in each case, on the terms and subject to the conditions herein.

NOW, THEREFORE, in consideration of the foregoing and the agreements contained herein, the parties, intending to be legally bound hereby, agree as follows:

1. DEFINITIONS. Capitalized terms used herein which are defined in the Letter of Credit Agreement have the same meanings herein as therein.

2. AMENDMENTS. The Customer and the Bank agree that the Credit Agreement is hereby amended, effective as of the date hereof, as follows:

(a) Amendment to Section 6(d) of the Letter of Credit Agreement. Section 6(d) of the Letter of Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(d)(i) If Customer shall fail to perform any agreement herein contained or contained in any security agreement or other agreement or application for issuance of a Credit delivered by Customer to Bank, or if Customer defaults in the punctual payment of any sum payable upon Obligations or Collateral, or upon the happening with respect to Customer of any of the following: the commencement of any proceeding suit or action for reorganization, dissolution or liquidation; suspension or liquidation of Customer's usual business; insolvency; the filing of a petition under any of the provisions of the Bankruptcy Act or amendments thereto; dissolution or death; application for, or appointment of, a conservator, rehabilitator or receiver for any of Customer or Customer's property in any jurisdiction; issuance of any injunction or an order of attachment; the calling of a meeting of creditors; appointment of a committee of creditors or liquidating agent; offering a composition or extension to creditors; assignment for benefit of creditors; making or sending notice of an intended bulk transfer; failure, after demand, to furnish any financial information or to permit the inspection of books or records of account; the making of any misrepresentation to Bank for the purpose of obtaining credit or an extension of credit; or if the condition or affairs of Customer shall so change, as, in Bank's opinion, shall impair Bank's security interest or increase Bank's credit risk, or if Bank otherwise deems itself insecure, or (ii) the Customer or any subsidiary of Customer (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any indebtedness or guarantee owed pursuant to that certain Credit Agreement dated as of June 15, 2015 among the Customer, as borrowers, certain subsidiaries of the Customer party thereto as guarantors, the Bank, as administrative agent, and the other lenders from time to time party thereto (amended, restated, amended and restated or modified from time to time, the "Credit Agreement") or (B) fails to observe or perform any other agreement or condition relating to the Credit Agreement or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such indebtedness or the beneficiary or beneficiaries of such guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such indebtedness to be made, prior to its stated maturity, or such guarantee to become payable or cash collateral in respect thereof to be demanded -- upon the happening on any of the events set forth in subsection (i) or (ii) above, all of the said Obligations, although not yet due, shall, without notice or demand, forthwith become and be immediately due and payable at Bank's option, notwithstanding any time, credit or grace period otherwise allowed under any of said Obligations or under any instrument evidencing the same."

3. NO DEFAULT; REPRESENTATIONS AND WARRANTIES; CONFIRMATION.

To induce the Bank to enter into this Amendment:

(a) Each Customer hereby represents and warrants that (i) the representations and warranties of each Customer set forth in the Letter of Credit Agreement are true and correct on and as of the date hereof as if made on such date (except to the extent that such

representations and warranties expressly relate to an earlier date, in which case such representations and warranties are true and correct as of such earlier date); (ii) each Customer has the power and is duly authorized to enter into, deliver and perform this Amendment, (iii) this Amendment (including such acknowledgment, consent and confirmation) constitutes the legal, valid and binding obligation of each Customer and is enforceable against such Customer in accordance with its terms; (iv) both before and after giving effect to this Amendment, each Customer is in compliance with all of the terms and provisions set forth in the Letter of Credit Agreement and any other documents on their part to be observed or performed thereunder; and (v) both before and after giving effect to this Amendment, no default under Section 6(d) of the Letter of Credit Agreement shall have occurred and be continuing.

(b) Each Customer hereby reaffirms each of the agreements, covenants, indemnities and undertakings set forth in the Letter of Credit Agreement and each and every other document executed in connection therewith or pursuant thereto, as modified hereby, as if each Customer were making such agreements, covenants and undertakings on the date of this Amendment;

(c) Each Customer does hereby acknowledge and agree that no right of offset, defense, counterclaim, claim, cause of action or objection in favor of the Customer against the Bank exists arising out of or with respect to (i) this Amendment, the Letter of Credit Agreement or any other document executed in connection therewith or pursuant thereto or the Obligations, or (ii) any other documents now or heretofore evidencing or in any way relating to the foregoing.

4. EFFECTIVENESS OF THIS AMENDMENT. This Amendment shall be effective upon receipt by the Bank of executed counterparts of this Amendment properly executed by each Customer.

5. MISCELLANEOUS.

(a) Except to the extent specifically amended or consented hereby, the Letter of Credit Agreement and all related documents shall remain in full force and effect. Whenever the terms or sections amended hereby shall be referred to in the Letter of Credit Agreement or such other documents (whether directly or by incorporation into other defined terms), such terms or sections shall be deemed to refer to those terms or sections as amended by this Amendment.

(b) This Amendment may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, but all counterparts shall together constitute one instrument. This Amendment may be executed by facsimile and scanned and emailed signatures.

(c) This Amendment shall be governed by the laws of the Commonwealth of Massachusetts and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(d) Each Customer agrees to pay all reasonable expenses, including reasonable legal fees and disbursements incurred by the Bank in connection with this Amendment and the transactions contemplated hereby.

[Signature Pages Follow.]

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

CUSTOMER:

SMITH & WESSON HOLDING CORPORATION

By: /s/ Jeffrey D. Buchanan

Name: Jeffrey D. Buchanan

Title: Executive Vice President, Chief Financial Officer and Treasurer

SMITH & WESSON CORP

By: /s/ Jeffrey D. Buchanan

Name: Jeffrey D. Buchanan

Title: Executive Vice President, Chief Financial Officer and Treasurer

BANK:

TD BANK, N.A.

By: /s/ Maria Goncalves

Name: Maria Goncalves

Title: Regional Vice President

[First Amendment to Master Letter of Credit Agreement Signature Page]



SMITH & WESSON HOLDING CORPORATION
2013 INCENTIVE STOCK PLAN
[Form of] Restricted Stock Unit Award Grant Notice and Agreement

I. Restricted Stock Unit Award Grant Notice

Smith & Wesson Holding Corporation (the "**Company**"), pursuant to its 2013 Incentive Stock Plan (as amended, the "**Plan**"), hereby grants to the Participant named below a right to receive the number of Shares set forth below. This Restricted Stock Unit Award Grant Notice and Agreement (the "**Agreement**") is subject to all of the terms and conditions as set forth herein and in the Plan, agreed to by the Participant, and incorporated herein in their entirety. Each capitalized term in this Agreement shall have the meaning assigned to it in this Agreement, or, if such term is not defined in this Agreement, such term shall have the meaning assigned to it under the Plan.

Participant:
 Date of Grant:
 Vesting Commencement Date:
 Number of Restricted Stock Units:

Expiration Date: Subject to forfeiture as provided in Section 3(b) of Part II of this Agreement.

Vesting Schedule: The Restricted Stock Unit Award shall vest on [●], regardless of whether the Participant's Continuous Service is terminated for any reason, provided, however, that no part of the Award shall vest if prior to [●], the Participant dies or voluntarily resigns as a member of the Company's Board, unless otherwise determined by the Committee in its sole discretion.

Delivery Schedule: For each Restricted Stock Unit that vests (if any) you will receive one Share, with the Share being delivered to you on the date on which the Restricted Stock Unit vests whether pursuant to Section 3(a) or otherwise (the "**Delivery Date**").

If the Delivery Date falls on a day in which the NASDAQ Global Select Market is not open for active trading, the Delivery Date will fall on the next active trading day. An active trading day is defined as a day in which the NASDAQ Global Select Market is open for trading, excluding after hours trading.

Additional Terms/Acknowledgements; Amendment, Modification, and Entire Agreement: The undersigned Participant acknowledges receipt of, and understands and agrees to, this Agreement (including Part II hereof). No provision of this Agreement may be modified, waived, or discharged unless that waiver, modification, or discharge is agreed to in writing and signed by the Participant and the Company. This Agreement constitutes the entire contract between the parties hereto with regard to the subject matter hereof. The Participant acknowledges that a copy of the Company's most recent prospectus describing the Plan and a complete copy of the Plan document have been made available to the Participant, that the Participant has had reasonable opportunity to review the prospectus, the Plan and this Agreement in their entirety, that the Participant has had an opportunity to obtain the advice of counsel prior to executing this Agreement and that the Participant fully understands all provisions of this Agreement. This Agreement is made pursuant to the provisions of the Plan and shall in all respects be construed in conformity with the terms of the Plan. In the event of a conflict between the Plan and this Agreement, the terms of the Plan shall govern. The Participant further acknowledges that as of the Date of Grant, this Agreement and the Plan set forth the entire understanding between the Participant and the Company regarding the acquisition of Shares pursuant to this Agreement and supersede all prior oral and written agreements on that subject, with the exception of (i) options and other awards previously granted and delivered to the Participant under the Plan, and (ii) the following agreements only:

Other Agreements: NONE

Without limiting the generality of the foregoing, the Participant acknowledges and agrees that no provision of any employment, severance, or other agreement, policy, practice or arrangement, whether written or unwritten, as may be amended or modified from time to time, shall apply to or in any way modify or amend this Agreement. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

[Signature Page Follows]



SMITH & WESSON HOLDING CORPORATION

PARTICIPANT:

By: _____
Name: _____
Title: _____

Effective as of:

Effective as of:

[Signature Page to Restricted Stock Unit Award Grant Notice and Agreement]



II. Restricted Stock Unit Award Agreement

The Company wishes to grant to the Participant named in Part I of this Agreement (the “**Notice of Grant**”) a Restricted Stock Unit Award (the “**Award**”) pursuant to the provisions of the Plan. This Award will entitle the Participant to Shares from the Company if the Participant meets the vesting requirements described herein.

1. Grant Pursuant to Plan. This Award is granted pursuant to the Plan, which is incorporated herein for all purposes. The Participant hereby acknowledges that a copy of the Company’s most recent prospectus describing the Plan and a complete copy of the Plan document have been made available to the Participant, that the Participant has had reasonable opportunity to review the prospectus, the Plan and this Agreement in their entirety, that the Participant has had an opportunity to obtain the advice of counsel prior to executing this Agreement and that the Participant fully understands all provisions of this Agreement. Participant agrees to be bound by all of the terms and conditions of this Agreement and of the Plan. Each capitalized term in this Agreement shall have the meaning assigned to it in this Agreement, or, if such term is not defined in this Agreement, such term shall have the meaning assigned to it under the Plan.

2. Restricted Stock Unit Award. The Company hereby grants to the Participant the number of Restricted Stock Units listed in the Notice of Grant as of the Date of Grant. Such number of Restricted Stock Units may be adjusted from time to time pursuant to Section 10(c) of the Plan.

3. Vesting and Forfeiture of Restricted Stock Units.

(a) Vesting. The Participant shall become vested in the Restricted Stock Units in accordance with the vesting schedule contained in the Notice of Grant.

(b) Forfeiture. The Participant shall forfeit any Restricted Stock Units then remaining unvested (if any) in the event of the Participant’s death or voluntary resignation as a member of the Company’s Board, except as otherwise determined by the Committee in its sole discretion, which determination need not be uniform as to all Participants.

4. Settlement of Restricted Stock Unit Award.

(a) Settlement of Units for Shares. The Company shall deliver to the Participant one Share for each Restricted Stock Unit subject to this Award that vests on the applicable Delivery Date. The Company shall not have any obligation to settle this Award for cash.

(b) Delivery of Shares. Shares shall be delivered on the Delivery Date. If the Delivery Date falls on a day in which the NASDAQ Global Select Market is not open for active trading, the Delivery Date will fall on the next active trading day. An active trading day is defined as a day in which the NASDAQ Global Select Market is open for trading, excluding after hours trading. Once a Share is delivered with respect to a vested Restricted Stock Unit, such vested Restricted Stock Unit shall terminate and the Company shall have no further obligation to deliver Shares or any other property for such vested Restricted Stock Unit.

5. No Rights as Shareholder until Delivery. The Participant shall not have any rights, benefits, or entitlements with respect to any Shares subject to any Restricted Stock Unit. On or after delivery of any Shares, the Participant shall have, with respect to any Shares delivered, all of the rights of an equity interest holder of the Company, including the right to vote the Shares and the right to receive all dividends (if any) as may be declared on Shares from time to time.

6. Tax Provisions.

(a) Tax Consequences. The Participant has reviewed with the Participant’s own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understands that the Participant (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Agreement.

(b) Withholding Obligations. At the time this Award is granted, or at any time thereafter as requested by the Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant (other than any amount constituting nonqualified deferred compensation within the meaning of Section 409A of the Code), including the Shares deliverable



pursuant to this Award, and otherwise agrees to make adequate provision for, any sums required to satisfy the minimum federal, state, local, and foreign tax withholding obligations of the Company or a Related Entity (if any) which arise in connection with this Award.

The Company, in its sole discretion, and in compliance with any applicable legal conditions or restrictions, may withhold from fully vested Shares otherwise deliverable to the Participant pursuant to this Award a number of whole Shares having a Fair Market Value, as determined by the Company as of the date the Participant recognizes income with respect to those Shares, not in excess of the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid adverse financial accounting treatment). Any adverse consequences to the Participant arising in connection with such Share withholding procedure shall be the Participant's sole responsibility.

In addition, the Company, in its sole discretion, may establish a procedure whereby the Participant may make an irrevocable election to direct a broker (determined by the Company) to sell sufficient Shares from this Award to cover the tax withholding obligations of the Company or any Related Entity and deliver such proceeds to the Company.

Unless the tax withholding obligations of the Company or any Related Entity are satisfied, the Company shall have no obligation to issue a certificate for such Shares.

7. Consideration. With respect to the value of the Shares to be delivered pursuant to this Award, such Shares are granted in consideration for the services the Participant shall provide to the Company during the vesting period.

8. Transferability. The Restricted Stock Units granted under this Agreement are not transferable otherwise than by will or under the applicable laws of descent and distribution. In addition, this Award shall not be assigned, negotiated, pledged or hypothecated in any way (whether by operation of law or otherwise), and this Award shall not be subject to execution, attachment or similar process. Upon any attempt by the Participant to transfer, assign, negotiate, pledge or hypothecate this Award, or in the event of any levy upon this Award by reason of any execution, attachment or similar process as a result of any attempt by the Participant to transfer, assign, negotiate, pledge or hypothecate this Award, contrary to the provisions hereof, this Award shall immediately become null and void.

9. General Provisions.

(a) Board Service. Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue in the service of the Company or its Related Entities for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Related Entity employing or retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate the Participant's service at any time for any reason, with or without cause.

(b) Notices. Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's President at Smith & Wesson Holding Corporation, 2100 Roosevelt Avenue, Springfield, Massachusetts 01104, or if the Company should move its principal office, to such principal office, and, in the case of the Participant, to the Participant's last permanent address as shown on the Company's records, subject to the right of either party to designate some other address at any time hereafter, upon ten (10) days' advance written notice under this Section to all other parties to this Agreement.

(c) No Limit on Other Compensation Arrangements. Nothing contained in this Agreement shall preclude the Company from adopting or continuing in effect other or additional compensation arrangements, and those arrangements may be either generally applicable or applicable only in specific cases.

(d) Severability. If any provision of this Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or would disqualify this Agreement or this Award under any applicable law, that provision shall be construed or deemed amended to conform to applicable law (or if that provision cannot be so construed or deemed amended without materially altering the purpose or intent of this Agreement and this Award, that provision shall be stricken as to that jurisdiction and the remainder of this Agreement and this Award shall remain in full force and effect).

(e) No Trust or Fund Created. Neither this Agreement nor the grant of this Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and the Participant or any other person. The Restricted Stock Units subject to this Agreement represent only the Company's unfunded and unsecured promise to issue Shares to the



Participant in the future. To the extent that the Participant or any other person acquires a right to receive payments from the Company pursuant to this Agreement, that right shall be no greater than the right of any unsecured general creditor of the Company.

(f) Cancellation of Award. If any Restricted Stock Units subject to this Agreement are forfeited, then from and after such time, the person from whom such Restricted Stock Units are forfeited shall no longer have any rights to such Restricted Stock Units or the corresponding Shares. Such Restricted Stock Units shall be deemed forfeited in accordance with the applicable provisions hereof.

(g) Participant Undertaking. The Participant hereby agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either the Participant or the Shares deliverable pursuant to the provisions of this Agreement.

(h) Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Nevada without regard to the conflict-of-laws rules thereof or of any other jurisdiction.

(i) Waiver of Jury Trial. The Company and the Participant hereby waive, to the fullest extent permitted by applicable law, any right either party may have to a trial by jury in respect to any litigation directly or indirectly arising out of, under or in connection with this Award.

(j) Interpretation. The Participant accepts this Award subject to all the terms and provisions of this Agreement and the terms and conditions of the Plan. The Participant hereby accepts as binding, conclusive, and final all decisions or interpretations of the Committee upon any questions arising under this Agreement.

(k) Successors and Assigns. The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant's assigns and the legal representatives, heirs and legatees of the Participant's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to join herein and be bound by the terms hereof. The Company may assign its rights and obligations under this Agreement, including, but not limited to, the forfeiture provision of Section 3(b) to any person or entity selected by the Board.

(l) Committee Discretion. Subject to the terms of this Agreement, the Committee shall have full and plenary discretion with respect to any actions to be taken or determinations to be made in connection with this Award, and its determinations shall be final, binding and conclusive.

(m) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

(n) Headings. Headings are given to the Sections and Subsections of this Agreement solely as a convenience to facilitate reference. The headings shall not be deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision thereof.

10. Amendments. Any modification, amendment or waiver to this Agreement that shall materially impair the rights of the Participant with respect to the Restricted Stock Units shall require an instrument in writing to be signed by both parties hereto, except such a modification, amendment or waiver made to cause the Plan or the Restricted Stock Units to comply with applicable law, tax rules, stock exchange rules or accounting rules and which is made to similarly situated participants. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

11. Representations. The Participant acknowledges and agrees that the Participant has reviewed this Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing and accepting this Award and fully understands all provisions of this Award.



**SMITH & WESSON HOLDING CORPORATION
2013 INCENTIVE STOCK PLAN
[Form of] Restricted Stock Unit Award Grant Notice and Agreement**

I. Restricted Stock Unit Award Grant Notice

Smith & Wesson Holding Corporation (the “**Company**”), pursuant to its 2013 Incentive Stock Plan (as amended, the “**Plan**”), hereby grants to the Participant named below a right to receive the number of Shares set forth below. This Restricted Stock Unit Award Grant Notice and Agreement (the “**Agreement**”) is subject to all of the terms and conditions as set forth herein and in the Plan, agreed to by the Participant, and incorporated herein in their entirety. Each capitalized term in this Agreement shall have the meaning assigned to it in this Agreement, or, if such term is not defined in this Agreement, such term shall have the meaning assigned to it under the Plan.

Participant:
Date of Grant:
Number of Restricted Stock Units:

Expiration Date: Subject to forfeiture as provided in Section 3(b) of Part II of this Agreement.

Vesting Schedule: One-quarter of the Restricted Stock Unit Award will vest on each of the first, second, third and fourth anniversary of [●] (each such date, a “**Vesting Date**”).

All vesting is subject to the Participant’s Continuous Service with the Company, except as set forth in Part II of this Agreement.

Delivery Schedule: Subject to Section 6 of Part II of this Agreement, for each Restricted Stock Unit that vests (if any) you will receive one Share, with the Share being delivered to you on the first anniversary of the applicable Vesting Date (the “**Delivery Date**”), except as set forth in Part II of this Agreement.

If the Delivery Date falls on a day in which the NASDAQ Global Select Market is not open for active trading, the Delivery Date will fall on the next active trading day. An active trading day is defined as a day in which the NASDAQ Global Select Market is open for trading, excluding after hours trading.

Additional Terms/Acknowledgements; Amendment, Modification, and Entire Agreement: The undersigned Participant acknowledges receipt of, and understands and agrees to, this Agreement (including Part II hereof). No provision of this Agreement may be modified, waived, or discharged unless that waiver, modification, or discharge is agreed to in writing and signed by the Participant and the Company. This Agreement constitutes the entire contract between the parties hereto with regard to the subject matter hereof. The Participant acknowledges that a copy of the Company’s most recent prospectus describing the Plan and a complete copy of the Plan document have been made available to the Participant, that the Participant has had reasonable opportunity to review the prospectus, the Plan and this Agreement in their entirety, that the Participant has had an opportunity to obtain the advice of counsel prior to executing this Agreement and that the Participant fully understands all provisions of this Agreement. This Agreement is made pursuant to the provisions of the Plan and shall in all respects be construed in conformity with the terms of the Plan. In the event of a conflict between the Plan and this Agreement, the terms of the Plan shall govern. The Participant further acknowledges that as of the Date of Grant, this Agreement and the Plan set forth the entire understanding between the Participant and the Company regarding the acquisition of Shares pursuant to this Agreement and supersede all prior oral and written agreements on that subject, with the exception of (i) options and other awards previously granted and delivered to the Participant under the Plan, and (ii) the following agreements only:

Other Agreements: NONE

Without limiting the generality of the foregoing, the Participant acknowledges and agrees that no provision of any employment, severance, or other agreement, policy, practice or arrangement, whether written or unwritten, as may be amended or modified from time to time, shall apply to or in any way modify or amend this Agreement. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

[Signature Page Follows]



SMITH & WESSON HOLDING CORPORATION

PARTICIPANT:

By: _____
Name:
Title:

Effective as of:

Effective as of:

[Signature Page to Restricted Stock Unit Award Grant Notice and Agreement]



II. Restricted Stock Unit Award Agreement

The Company wishes to grant to the Participant named in Part I of this Agreement (the “**Notice of Grant**”) a Restricted Stock Unit Award (the “**Award**”) pursuant to the provisions of the Plan. This Award will entitle the Participant to Shares from the Company if the Participant meets the vesting requirements described herein.

1. Grant Pursuant to Plan. This Award is granted pursuant to the Plan, which is incorporated herein for all purposes. The Participant hereby acknowledges that a copy of the Company’s most recent prospectus describing the Plan and a complete copy of the Plan document have been made available to the Participant, that the Participant has had reasonable opportunity to review the prospectus, the Plan and this Agreement in their entirety, that the Participant has had an opportunity to obtain the advice of counsel prior to executing this Agreement and that the Participant fully understands all provisions of this Agreement. Participant agrees to be bound by all of the terms and conditions of this Agreement and of the Plan. Each capitalized term in this Agreement shall have the meaning assigned to it in this Agreement, or, if such term is not defined in this Agreement, such term shall have the meaning assigned to it under the Plan.

2. Restricted Stock Unit Award. The Company hereby grants to the Participant the number of Restricted Stock Units listed in the Notice of Grant as of the Date of Grant. Such number of Restricted Stock Units may be adjusted from time to time pursuant to Section 10(c) of the Plan.

3. Vesting and Forfeiture of Restricted Stock Units.

(a) Vesting. The Participant shall become vested in the Restricted Stock Units in accordance with the vesting schedule contained in the Notice of Grant.

(b) Forfeiture. The Participant shall forfeit any Restricted Stock Units then remaining unvested (if any) in the event that the Participant’s Continuous Service is terminated for any reason, except as otherwise determined by the Committee in its sole discretion, which determination need not be uniform as to all Participants.

(c) Accelerated Vesting in Certain Circumstances. In the event that prior to the final vesting date and during a Potential Change in Control Protection Period or Change in Control Protection Period, (i) the Company terminates a Participant without Good Cause (other than due to death or disability) or (ii) the Participant resigns following an Adverse Change in Control Effect, the Participant shall become immediately vested in any Restricted Stock Units then remaining unvested (if any).

(d) Certain Definitions. For purposes of this Section 3, the following terms shall have the following meanings:

“**Adverse Change in Control Effect**” means, during a Potential Change in Control Protection Period or Change in Control Protection Period, without the Participant’s written consent, (i) any material reduction in the Participant’s annual base salary or target bonus percentage opportunity, (ii) any material adverse change in a Participant’s positions, titles, duties, responsibilities or reporting relationships compared to the Participant’s positions, titles, duties, responsibilities or reporting relationships immediately prior to a Potential Change in Control (if such diminution occurs during the Potential Change in Control Protection Period) or Change in Control (if such diminution occurs during the Change in Control Protection Period) or (iii) a relocation of the Participant’s principal place of business more than 50 miles from his or her principal place of business immediately prior to a Potential Change in Control or Change in Control, as applicable; provided, however, that a Participant may resign following an Adverse Change in Control Effect only if Participant delivers a written notice to the Company within 30 days of the date on which the Participant becomes aware of such condition and the Company does not cure such condition within 60 days of such notice.

“**Change in Control Protection Period**” means the period commencing on the date a Change in Control occurs and ending on the first anniversary of such date.

“**Good Cause**” means (i) the Participant engaging in an act or acts involving a crime, moral turpitude, fraud, or dishonesty, (ii) the Participant willfully taking any action that may be materially injurious to the business or reputation of the Company or (iii) the Participant willfully violating in a material respect the Company’s Corporate Governance Guidelines, Code of Conduct and Ethics or any other applicable code of conduct, all as may be amended from time to time, including, without limitation, provisions thereof relating to conflicts of interest or related party transactions.



“**Potential Change in Control**” means (i) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control, (ii) the Company or any person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control or (iii) the Board of Directors of the Company adopts a resolution to the effect that, for purposes of this Award, a Potential Change in Control has occurred.

“**Potential Change in Control Protection Period**” means the period beginning upon the occurrence of a Potential Change in Control and ending upon the earliest to occur of (i) the consummation of the Change in Control or (ii) the abandonment of the transaction or series of transactions that constitute a Potential Change in Control (as determined by the Committee in its sole discretion).

4. Settlement of Restricted Stock Unit Award.

(a) Settlement of Units for Shares. Subject to Section 6 of this Agreement, the Company shall deliver to the Participant one Share for each Restricted Stock Unit subject to this Award that vests on the applicable Delivery Date (or (i) if Restricted Stock Units become vested in accordance with Section 3(c), as soon as administratively practicable following vesting but in no event later than five days following vesting or (ii) if during a Potential Change in Control Protection Period or Change in Control Protection Period and after the applicable Vesting Date (and prior to the applicable Delivery Date), (x) the Company terminates the Participant without Good Cause (other than due to death or disability) or (y) the Participant resigns following an Adverse Change in Control Effect, as soon as administratively practicable following such termination but in no event later than five days following such termination). The Company shall not have any obligation to settle this Award for cash.

(b) Delivery of Shares. Except as provided in Section 4(a), Shares shall be delivered on the Delivery Date. If the Delivery Date falls on a day in which the NASDAQ Global Select Market is not open for active trading, the Delivery Date will fall on the next active trading day. An active trading day is defined as a day in which the NASDAQ Global Select Market is open for trading, excluding after hours trading. Once a Share is delivered with respect to a vested Restricted Stock Unit, such vested Restricted Stock Unit shall terminate and the Company shall have no further obligation to deliver Shares or any other property for such vested Restricted Stock Unit.

5. No Rights as Shareholder until Delivery. The Participant shall not have any rights, benefits, or entitlements with respect to any Shares subject to any Restricted Stock Unit. On or after delivery of any Shares, the Participant shall have, with respect to any Shares delivered, all of the rights of an equity interest holder of the Company, including the right to vote the Shares and the right to receive all dividends (if any) as may be declared on Shares from time to time.

6. Tax Provisions.

(a) Tax Consequences. The Participant has reviewed with the Participant’s own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understands that the Participant (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Agreement.

(b) Withholding Obligations. At the time this Award is granted, or at any time thereafter as requested by the Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant (other than any amount constituting nonqualified deferred compensation within the meaning of Section 409A of the Code), including the Shares deliverable pursuant to this Award, and otherwise agrees to make adequate provision for, any sums required to satisfy the minimum federal, state, local, and foreign tax withholding obligations of the Company or a Related Entity (if any) which arise in connection with this Award.

The Company, in its sole discretion, and in compliance with any applicable legal conditions or restrictions, may withhold from fully vested Shares otherwise deliverable to the Participant pursuant to this Award a number of whole Shares having a Fair Market Value, as determined by the Company as of the date the Participant recognizes income with respect to those Shares, not in excess of the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid adverse financial accounting treatment). Any adverse consequences to the Participant arising in connection with such Share withholding procedure shall be the Participant’s sole responsibility.



In addition, the Company, in its sole discretion, may establish a procedure whereby the Participant may make an irrevocable election to direct a broker (determined by the Company) to sell sufficient Shares from this Award to cover the tax withholding obligations of the Company or any Related Entity and deliver such proceeds to the Company.

Unless the tax withholding obligations of the Company or any Related Entity are satisfied, the Company shall have no obligation to issue a certificate for such Shares.

7. Consideration. With respect to the value of the Shares to be delivered pursuant to this Award, such Shares are granted in consideration for the services the Participant shall provide to the Company during the vesting period.

8. Transferability. The Restricted Stock Units granted under this Agreement are not transferable otherwise than by will or under the applicable laws of descent and distribution. In addition, this Award shall not be assigned, negotiated, pledged or hypothecated in any way (whether by operation of law or otherwise), and this Award shall not be subject to execution, attachment or similar process. Upon any attempt by the Participant to transfer, assign, negotiate, pledge or hypothecate this Award, or in the event of any levy upon this Award by reason of any execution, attachment or similar process as a result of any attempt by the Participant to transfer, assign, negotiate, pledge or hypothecate this Award, contrary to the provisions hereof, this Award shall immediately become null and void.

9. General Provisions.

(a) Employment At Will. Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue in the service of the Company or its Related Entities for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Related Entity employing or retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate the Participant's service at any time for any reason, with or without cause.

(b) Notices. Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's President at Smith & Wesson Holding Corporation, 2100 Roosevelt Avenue, Springfield, Massachusetts 01104, or if the Company should move its principal office, to such principal office, and, in the case of the Participant, to the Participant's last permanent address as shown on the Company's records, subject to the right of either party to designate some other address at any time hereafter, upon ten (10) days' advance written notice under this Section to all other parties to this Agreement.

(c) No Limit on Other Compensation Arrangements. Nothing contained in this Agreement shall preclude the Company from adopting or continuing in effect other or additional compensation arrangements, and those arrangements may be either generally applicable or applicable only in specific cases.

(d) Severability. If any provision of this Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or would disqualify this Agreement or this Award under any applicable law, that provision shall be construed or deemed amended to conform to applicable law (or if that provision cannot be so construed or deemed amended without materially altering the purpose or intent of this Agreement and this Award, that provision shall be stricken as to that jurisdiction and the remainder of this Agreement and this Award shall remain in full force and effect).

(e) No Trust or Fund Created. Neither this Agreement nor the grant of this Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and the Participant or any other person. The Restricted Stock Units subject to this Agreement represent only the Company's unfunded and unsecured promise to issue Shares to the Participant in the future. To the extent that the Participant or any other person acquires a right to receive payments from the Company pursuant to this Agreement, that right shall be no greater than the right of any unsecured general creditor of the Company.

(f) Cancellation of Award. If any Restricted Stock Units subject to this Agreement are forfeited, then from and after such time, the person from whom such Restricted Stock Units are forfeited shall no longer have any rights to such Restricted Stock Units or the corresponding Shares. Such Restricted Stock Units shall be deemed forfeited in accordance with the applicable provisions hereof.

(g) Participant Undertaking. The Participant hereby agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either the Participant or the Shares deliverable pursuant to the provisions of this Agreement.



(h) Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Nevada without regard to the conflict-of-laws rules thereof or of any other jurisdiction.

(i) Waiver of Jury Trial. The Company and the Participant hereby waive, to the fullest extent permitted by applicable law, any right either party may have to a trial by jury in respect to any litigation directly or indirectly arising out of, under or in connection with this Award.

(j) Interpretation. The Participant accepts this Award subject to all the terms and provisions of this Agreement and the terms and conditions of the Plan. The Participant hereby accepts as binding, conclusive, and final all decisions or interpretations of the Committee upon any questions arising under this Agreement.

(k) Successors and Assigns. The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant's assigns and the legal representatives, heirs and legatees of the Participant's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to join herein and be bound by the terms hereof. The Company may assign its rights and obligations under this Agreement, including, but not limited to, the forfeiture provision of Section 3(b) to any person or entity selected by the Board.

(l) Committee Discretion. Subject to the terms of this Agreement, the Committee shall have full and plenary discretion with respect to any actions to be taken or determinations to be made in connection with this Award, and its determinations shall be final, binding and conclusive.

(m) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

(n) Headings. Headings are given to the Sections and Subsections of this Agreement solely as a convenience to facilitate reference. The headings shall not be deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision thereof.

10. Amendments. Any modification, amendment or waiver to this Agreement that shall materially impair the rights of the Participant with respect to the Restricted Stock Units shall require an instrument in writing to be signed by both parties hereto, except such a modification, amendment or waiver made to cause the Plan or the Restricted Stock Units to comply with applicable law, tax rules, stock exchange rules or accounting rules and which is made to similarly situated participants. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

11. Representations. The Participant acknowledges and agrees that the Participant has reviewed this Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing and accepting this Award and fully understands all provisions of this Award.



For example, (a) if the Relative Performance Percentage equals 1%, then [●] Performance Stock Units subject to this Award shall vest (38% of Target Award plus (1% x 62% of Target Award x 20)); (b) if the Relative Performance Percentage equals 6%, then [●] Performance Stock Units subject to this Award shall vest (6% x Target Award x 20); and (c) if the Relative Performance Percentage equals 12%, then [●] Performance Stock Units subject to this Award shall vest (10% x Target Award x 20).

All vesting is subject to the Participant's Continuous Service with the Company from the Date of Grant through the Ending Date, except as set forth in Part II of this Agreement.

Delivery Schedule:

Subject to Sections 4 and 7 of Part II of this Agreement, for each Performance Stock Unit that vests (if any) you will receive one Share, with the Share being delivered to you on the first anniversary of the Ending Date (the "**Delivery Date**").

If the Delivery Date falls on a day in which the NASDAQ Global Select Market is not open for active trading, the Delivery Date will fall on the next active trading day. An active trading day is defined as a day in which the NASDAQ Global Select Market is open for trading, excluding after hours trading.

Value Cap:

Notwithstanding anything herein to the contrary, in no event will the Participant receive Shares on the Delivery Date (or, if applicable, the date specified in Section 4(c)) with an Ending Date Value in excess of 600% of the Grant Date Value (the "**Value Cap**"). In the event the Participant would receive Shares in excess of the Value Cap without regard to the prior sentence, the number of Shares delivered to the Participant will be reduced to the maximum number of whole Shares that may be delivered without exceeding the Value Cap.

The "**Ending Date Value**" means (i) the number of Shares to be delivered to the Participant on the Delivery Date (or, if applicable, the date specified in Section 4(c)) multiplied by (ii) the closing price of Shares on the NASDAQ Global Select Market on the Ending Date (or, if applicable, the date specified in Section 4(c)). The "**Grant Date Value**" means (i) the Target Award multiplied by (ii) the closing price of Shares on the NASDAQ Global Select on the Date of Grant.

Additional Terms/Acknowledgements; Amendment, Modification, and Entire Agreement: The undersigned Participant acknowledges receipt of, and understands and agrees to, this Agreement (including Part II hereof). No provision of this Agreement may be modified, waived, or discharged unless that waiver, modification, or discharge is agreed to in writing and signed by the Participant and the Company. This Agreement constitutes the entire contract between the parties hereto with regard to the subject matter hereof. The Participant acknowledges that a copy of the Company's most recent prospectus describing the Plan and a complete copy of the Plan document have been made available to the Participant, that the Participant has had reasonable opportunity to review the prospectus, the Plan and this Agreement in their entirety, that the Participant has had an opportunity to obtain the advice of counsel prior to executing this Agreement and that the Participant fully understands all provisions of this Agreement. This Agreement is made pursuant to the provisions of the Plan and shall in all respects be construed in conformity with the terms of the Plan. In the event of a conflict between the Plan and this Agreement, the terms of the Plan shall govern. The Participant further acknowledges that as of the Date of Grant, this Agreement and the Plan set forth the entire understanding between the Participant and the Company regarding the acquisition of Shares pursuant to this Agreement and supersede all prior oral and written agreements on that subject, with the exception of (i) options and other awards previously granted and delivered to the Participant under the Plan, and (ii) the following agreements only:

Other Agreements:

NONE

Without limiting the generality of the foregoing, the Participant acknowledges and agrees that no provision of any employment, severance, or other agreement, policy, practice or arrangement, whether written or unwritten, as may be amended or modified from time to time, shall apply to or in any way modify or amend this Agreement. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

[Signature Page Follows]



SMITH & WESSON HOLDING CORPORATION

PARTICIPANT:

By: _____
Name:
Title:

Effective as of:

Effective as of:

[Signature Page to Performance Stock Unit Award Grant Notice and Agreement]



II. Performance Stock Unit Award Agreement

The Company wishes to grant to the Participant named in Part I of this Agreement (the “**Notice of Grant**”) a Performance Stock Unit Award (the “**Award**”) pursuant to the provisions of the Plan. This Award will entitle the Participant to Shares from the Company if the Participant meets the vesting requirements described herein.

1. Grant Pursuant to Plan. This Award is granted pursuant to the Plan, which is incorporated herein for all purposes. The Participant hereby acknowledges that a copy of the Company’s most recent prospectus describing the Plan and a complete copy of the Plan document have been made available to the Participant, that the Participant has had reasonable opportunity to review the prospectus, the Plan and this Agreement in their entirety, that the Participant has had an opportunity to obtain the advice of counsel prior to executing this Agreement and that the Participant fully understands all provisions of this Agreement. Participant agrees to be bound by all of the terms and conditions of this Agreement and of the Plan. Each capitalized term in this Agreement shall have the meaning assigned to it in this Agreement, or, if such term is not defined in this Agreement, such term shall have the meaning assigned to it under the Plan.

2. Performance Stock Unit Award. The Company hereby grants to the Participant the number of Performance Stock Units listed in the Notice of Grant as of the Date of Grant. Such number of Performance Stock Units may be adjusted from time to time pursuant to Section 10(c) of the Plan.

3. Vesting and Forfeiture of Performance Stock Units.

(a) Vesting. The Participant shall become vested in the Performance Stock Units in accordance with the vesting schedule contained in the Notice of Grant (or, if applicable, Section 4 below).

(b) Forfeiture. The Participant shall forfeit any Performance Stock Units then remaining unvested (if any) in the event that the Participant’s Continuous Service is terminated for any reason, except as otherwise determined by the Committee in its sole discretion, which determination need not be uniform as to all Participants.

4. Vesting and Delivery in Connection with a Change in Control.

(a) Determination of Earned Performance Stock Units. In the event of a Change in Control of the Company prior to the Ending Date, the Participant shall, upon consummation thereof, earn the Performance Stock Units in accordance with the formula under “Vesting Schedule” in the Notice of Grant, provided that solely for purposes of applying such formula the definition of Ending Date shall be deemed to mean the date of the consummation of the Change in Control and the Company Closing Price shall be deemed to equal (i) in the event the Change in Control involves the acquisition of Shares (including through a merger or tender offer), the highest per share price paid for Shares in the Change in Control or (ii) in the event the Change in Control does not involve the acquisition of Shares, the closing price of the Shares as of the date of the consummation of the Change in Control. Notwithstanding the foregoing, if during a Potential Change in Control Protection Period (i) the Company terminates the Participant without Good Cause (other than due to death or disability) or (ii) the Participant resigns following an Adverse Change in Control Effect, the Participant shall earn the Performance Stock Units as of the date of termination or resignation as described in the immediately preceding sentence, except that the definition of Ending Date shall be deemed to mean the date of the Potential Change in Control and the Company Closing Price shall be deemed to equal the closing price of the Shares as of the Potential Change in Control. The Shares underlying the Performance Stock Units earned pursuant to the immediately preceding sentence shall be immediately vested and shall be delivered to the Participant in accordance with Section 4(c). Any Performance Stock Units that are not earned pursuant to this Section 4(a) shall terminate and the Company shall have no further obligation to deliver Shares or any other property for such unearned Performance Stock Units.

(b) Vesting of Earned Performance Stock Units. The Performance Stock Units earned pursuant to Section 4(a) due to a Change in Control shall convert into time-based restricted stock units (the “**Converted Performance Stock Units**”) and such Converted Performance Stock Units shall remain unvested until the earlier of (i) if during the Change in Control Protection Period, the date on which the Participant is terminated without Good Cause (other than due to death or disability) or resigns following an Adverse Change in Control Effect and (ii) the Ending Date (determined without regard to Section 4(a)). The Participant shall forfeit any Converted Performance Stock Units in the event that the Participant’s Continuous Service is terminated for any reason, except if during the Change in Control Protection Period, the Participant’s Continuous Service is terminated (i) as a result of a termination without Good Cause (other than due to death or disability) or (ii) a resignation following an Adverse Change in Control Effect.



(c) Delivery of Shares. Subject to Sections 5(c) and 7, upon vesting of any Converted Performance Stock Units or Performance Stock Units, as applicable, earned pursuant to Section 4(a), the full amount of the Shares corresponding to such vested Converted Performance Stock Units or Performance Stock Units, as applicable, shall be distributed to the Participant (or, if appropriate, in lieu of such Shares, the stock or other securities or property to which the Participant would have been entitled to receive upon such Change in Control if the Participant had held the full number of Shares corresponding to the Participant's vested Converted Performance Stock Units or Performance Stock Units, as applicable, immediately prior thereto) as soon as administratively practicable following vesting but in no event later than five days following vesting. In the event that during a Potential Change in Control Protection Period or a Change in Control Protection Period and after the Ending Date (and prior to the Delivery Date), (i) the Company terminates the Participant without Good Cause (other than due to death or disability) or (ii) the Participant resigns following an Adverse Change in Control Effect, the Shares that would have been delivered at the Delivery Date shall be delivered as soon as administratively practicable following such termination but in no event later than five days following such termination.

(d) Certain Definitions. For purposes of this Section 4, the following terms shall have the following meanings:

"Adverse Change in Control Effect" means, during a Potential Change in Control Protection Period or Change in Control Protection Period, without the Participant's written consent, (i) any material reduction in the Participant's annual base salary or target bonus percentage opportunity, (ii) any material adverse change in a Participant's positions, titles, duties, responsibilities or reporting relationships compared to the Participant's positions, titles, duties, responsibilities or reporting relationships immediately prior to a Potential Change in Control (if such diminution occurs during the Potential Change in Control Protection Period) or Change in Control (if such diminution occurs during the Change in Control Protection Period) or (iii) a relocation of the Participant's principal place of business more than 50 miles from his or her principal place of business immediately prior to a Potential Change in Control or Change in Control, as applicable; provided, however, that a Participant may resign following an Adverse Change in Control Effect only if Participant delivers a written notice to the Company within 30 days of the date on which the Participant becomes aware of such condition and the Company does not cure such condition within 60 days of such notice.

"Change in Control Protection Period" means the period commencing on the date a Change in Control occurs and ending on the first anniversary of such date.

"Good Cause" means (i) the Participant engaging in an act or acts involving a crime, moral turpitude, fraud, or dishonesty, (ii) the Participant willfully taking any action that may be materially injurious to the business or reputation of the Company or (iii) the Participant willfully violating in a material respect the Company's Corporate Governance Guidelines, Code of Conduct and Ethics or any other applicable code of conduct, all as may be amended from time to time, including, without limitation, provisions thereof relating to conflicts of interest or related party transactions.

"Potential Change in Control" means (i) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control or (ii) the Company or any person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control.

"Potential Change in Control Protection Period" means the period beginning upon the occurrence of a Potential Change in Control and ending upon the earliest to occur of (i) the consummation of the Change in Control or (ii) the abandonment of the transaction or series of transactions that constitute a Potential Change in Control (as determined by the Committee in its sole discretion).

5. Settlement of Performance Stock Unit Award.

(a) Settlement of Units for Shares. Except as provided in Section 4 and subject to Section 7 of this Agreement, the Company shall deliver to the Participant on the Delivery Date one Share for each Performance Stock Unit subject to this Award that vests pursuant to Section 3(a). The Company shall not have any obligation to settle this Award for cash.

(b) Delivery of Shares. Shares shall be delivered on the Delivery Date or, if applicable, the date specified in Section 4(c). If the Delivery Date falls on a day in which the NASDAQ Global Select Market is not open for active trading, the Delivery Date will fall on the next active trading day. An active trading day is defined as a day in which the NASDAQ Global Select Market is open for trading, excluding after hours trading. Once a Share (or, to the extent applicable, other property described in Section 4(c)) is delivered with respect to a vested Performance Stock Unit, such vested Performance Stock Unit shall terminate and the Company shall have no further obligation to deliver Shares or any other property for such vested Performance Stock Unit.



(c) Value Cap. Notwithstanding anything herein to the contrary, in no event will the Participant receive Shares on the Delivery Date (or, if applicable, the date specified in Section 4(c)) with a value in excess of the Value Cap. In the event the Participant would receive Shares in excess of the Value Cap without regard to the prior sentence, the number of Shares delivered to the Participant will be reduced to the maximum number of whole Shares that may be delivered without exceeding the Value Cap.

6. No Rights as Shareholder until Delivery. The Participant shall not have any rights, benefits, or entitlements with respect to any Shares subject to any Performance Stock Unit. On or after delivery of any Shares, the Participant shall have, with respect to any Shares delivered, all of the rights of an equity interest holder of the Company, including the right to vote the Shares and the right to receive all dividends (if any) as may be declared on Shares from time to time.

7. Tax Provisions.

(a) Tax Consequences. The Participant has reviewed with the Participant's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understands that the Participant (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Agreement.

(b) Withholding Obligations. At the time this Award is granted, or at any time thereafter as requested by the Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant (other than any amount constituting nonqualified deferred compensation within the meaning of Section 409A of the Code), including the Shares deliverable pursuant to this Award, and otherwise agrees to make adequate provision for, any sums required to satisfy the minimum federal, state, local, and foreign tax withholding obligations of the Company or a Related Entity (if any) which arise in connection with this Award.

The Company, in its sole discretion, and in compliance with any applicable legal conditions or restrictions, may withhold from fully vested Shares otherwise deliverable to the Participant pursuant to this Award a number of whole Shares having a Fair Market Value, as determined by the Company as of the date the Participant recognizes income with respect to those Shares, not in excess of the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid adverse financial accounting treatment). Any adverse consequences to the Participant arising in connection with such Share withholding procedure shall be the Participant's sole responsibility.

In addition, the Company, in its sole discretion, may establish a procedure whereby the Participant may make an irrevocable election to direct a broker (determined by the Company) to sell sufficient Shares from this Award to cover the tax withholding obligations of the Company or any Related Entity and deliver such proceeds to the Company.

Unless the tax withholding obligations of the Company or any Related Entity are satisfied, the Company shall have no obligation to issue a certificate for such Shares.

8. Consideration. With respect to the value of the Shares to be delivered pursuant to this Award, such Shares are granted in consideration for the services the Participant shall provide to the Company during the vesting period.

9. Transferability. The Performance Stock Units granted under this Agreement are not transferable otherwise than by will or under the applicable laws of descent and distribution. In addition, this Award shall not be assigned, negotiated, pledged or hypothecated in any way (whether by operation of law or otherwise), and this Award shall not be subject to execution, attachment or similar process. Upon any attempt by the Participant to transfer, assign, negotiate, pledge or hypothecate this Award, or in the event of any levy upon this Award by reason of any execution, attachment or similar process as a result of any attempt by the Participant to transfer, assign, negotiate, pledge or hypothecate this Award, contrary to the provisions hereof, this Award shall immediately become null and void.



10. General Provisions.

(a) Employment At Will. Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue in the service of the Company or its Related Entities for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Related Entity employing or retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate the Participant's service at any time for any reason, with or without cause.

(b) Notices. Any notice under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of the Company, to the Company's President at Smith & Wesson Holding Corporation, 2100 Roosevelt Avenue, Springfield, Massachusetts 01104, or if the Company should move its principal office, to such principal office, and, in the case of the Participant, to the Participant's last permanent address as shown on the Company's records, subject to the right of either party to designate some other address at any time hereafter, upon ten (10) days' advance written notice under this Section to all other parties to this Agreement.

(c) No Limit on Other Compensation Arrangements. Nothing contained in this Agreement shall preclude the Company from adopting or continuing in effect other or additional compensation arrangements, and those arrangements may be either generally applicable or applicable only in specific cases.

(d) Severability. If any provision of this Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or would disqualify this Agreement or this Award under any applicable law, that provision shall be construed or deemed amended to conform to applicable law (or if that provision cannot be so construed or deemed amended without materially altering the purpose or intent of this Agreement and this Award, that provision shall be stricken as to that jurisdiction and the remainder of this Agreement and this Award shall remain in full force and effect).

(e) No Trust or Fund Created. Neither this Agreement nor the grant of this Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and the Participant or any other person. The Performance Stock Units subject to this Agreement represent only the Company's unfunded and unsecured promise to issue Shares to the Participant in the future. To the extent that the Participant or any other person acquires a right to receive payments from the Company pursuant to this Agreement, that right shall be no greater than the right of any unsecured general creditor of the Company.

(f) Cancellation of Award. If any Performance Stock Units subject to this Agreement are forfeited, then from and after such time, the person from whom such Performance Stock Units are forfeited shall no longer have any rights to such Performance Stock Units or the corresponding Shares. Such Performance Stock Units shall be deemed forfeited in accordance with the applicable provisions hereof.

(g) Participant Undertaking. The Participant hereby agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either the Participant or the Shares deliverable pursuant to the provisions of this Agreement.

(h) Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Nevada without regard to the conflict-of-laws rules thereof or of any other jurisdiction.

(i) Waiver of Jury Trial. The Company and the Participant hereby waive, to the fullest extent permitted by applicable law, any right either party may have to a trial by jury in respect to any litigation directly or indirectly arising out of, under or in connection with this Award.

(j) Interpretation. The Participant accepts this Award subject to all the terms and provisions of this Agreement and the terms and conditions of the Plan. The Participant hereby accepts as binding, conclusive, and final all decisions or interpretations of the Committee upon any questions arising under this Agreement.

(k) Successors and Assigns. The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant's assigns and the legal representatives, heirs and legatees of the Participant's estate, whether or not any such person shall have become a party to this Agreement and have agreed in writing to join herein and be bound by the terms hereof. The Company may assign its rights and obligations under this Agreement, including, but not limited to, the forfeiture provision of Section 3(b) to any person or entity selected by the Board.



(l) Committee Discretion. Subject to the terms of this Agreement, the Committee shall have full and plenary discretion with respect to any actions to be taken or determinations to be made in connection with this Award, and its determinations shall be final, binding and conclusive.

(m) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

(n) Headings. Headings are given to the Sections and Subsections of this Agreement solely as a convenience to facilitate reference. The headings shall not be deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision thereof.

11. Amendments. Any modification, amendment or waiver to this Agreement that shall materially impair the rights of the Participant with respect to the Performance Stock Units shall require an instrument in writing to be signed by both parties hereto, except such a modification, amendment or waiver made to cause the Plan or the Performance Stock Units to comply with applicable law, tax rules, stock exchange rules or accounting rules and which is made to similarly situated participants. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

12. Representations. The Participant acknowledges and agrees that the Participant has reviewed this Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing and accepting this Award and fully understands all provisions of this Award.

CREDIT AGREEMENT

Dated as of June 15, 2015

Among

SMITH & WESSON HOLDING CORPORATION

and

SMITH & WESSON CORP.,
as Borrowers,

THE SUBSIDIARIES OF THE BORROWERS PARTY HERETO,
as the Guarantors,

TD BANK, N.A.,
as the Administrative Agent

and

The Other Lenders Party Hereto From Time to Time

TD SECURITIES (USA) LLC,
as Joint Lead Arranger and Joint Book Runner

BRANCH BANKING AND TRUST COMPANY,
as Joint Lead Arranger, Joint Book Runner and Co-Syndication Agent

REGIONS BUSINESS CAPITAL,
as Joint Lead Arranger and Joint Book Runner

REGIONS BANK,
as Co-Syndication Agent

and

WELLS FARGO SECURITIES, LLC
as Joint Lead Arranger, Joint Book Runner and Co-Syndication Agent

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CREDIT AGREEMENT

This CREDIT AGREEMENT (“Agreement”) is entered into as of June 15, 2015, among SMITH & WESSON HOLDING CORPORATION, a Nevada corporation (the “Company”), SMITH & WESSON CORP., a Delaware corporation (“S&W”), and, together with the Company, the “Borrowers” and, each a “Borrower”), the Guarantors (as hereinafter defined) from time to time party hereto, each lender from time to time party hereto (collectively, the “Lenders” and individually, a “Lender”), and TD BANK, N.A., as Administrative Agent and Swingline Lender.

WHEREAS, the Loan Parties (as hereinafter defined) have requested that the Lenders and the Swingline Lender make loans and other financial accommodations to the Loan Parties in an aggregate amount of up to \$280,000,000.

WHEREAS, the Lenders and the Swingline Lender have agreed to make such loans and other financial accommodations to the Loan Parties on the terms and subject to the conditions set forth herein.

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

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

“2018 Senior Notes” means the 5.000% Senior Notes due 2018 issued by the Company.

“2018 Senior Notes Indenture” means that certain Indenture dated as of July 15, 2014 between the Company and The Bank of New York Mellon Trust Company, N.A.

“Acquisition” means any transaction, or any series of related transactions, consummated on or after the Closing Date, by which any Borrower (a) acquires any going business or all or substantially all of the assets of any Person, whether through purchase of assets, merger or otherwise or (b) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the Equity Interests of a Person which has ordinary voting power for the election of directors or other similar management personnel of a Person (other than Equity Interests having such power only by reason of the happening of a contingency) or a majority of the outstanding Equity Interests of a Person.

“Adjusted Consolidated Funded Indebtedness” means, on any date of determination, an amount equal to (x) Consolidated Funded Indebtedness less (y) cash and cash equivalents of the Loan Parties on a consolidated basis (as reflected on the most recent balance sheet delivered by the Loan Parties to the Administrative Agent and the Lenders in accordance with Section 6.01 hereof) as of such date in excess of \$25,000,000 and subject to no Liens, all as determined in accordance with GAAP.

“Adjusted Consolidated Leverage Ratio” means, as of any date of determination, the ratio of (a) Adjusted Consolidated Funded Indebtedness as of such date to (b) Consolidated EBITDA for the period of the four fiscal quarters most recently ended.

“Administrative Agent” means TD Bank in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

“Administrative Agent’s Office” means, the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Administrative Agent may from time to time notify to the Borrowers and the Lenders.

“Administrative Questionnaire” means an Administrative Questionnaire in substantially the form of Exhibit E-2 or any other form approved by the Administrative Agent.

“Affected Foreign Subsidiary” means any Foreign Subsidiary to the extent a pledge of more than 66 2/3% of the voting Equity Interests in such Foreign Subsidiary would cause a Deemed Dividend Problem.

“Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Affiliate Counterparty” means a Person who is an Affiliate of a Lender at the time such Person entered into any Swap Contract.

“Aggregate Commitments” mean the Commitments of all the Lenders.

“Agreement” means this Credit Agreement.

“Applicable Percentage” means (a) in respect of the Term Facility, with respect to any Term Lender at any time, the percentage (carried out to the ninth decimal place) of the Term Facility represented by (i) on or prior to the Closing Date, such Term Lender’s Term Commitment at such time and (ii) thereafter, the outstanding principal amount of such Term Lender’s Term Loans at such time, and (b) in respect of the Revolving Facility, with respect to any Revolving Lender at any time, the percentage (carried out to the ninth decimal place) of the Revolving Facility represented by such Revolving Lender’s Revolving Commitment at such time, subject to adjustment as provided in Section 2.15. If the Commitment of all of the Revolving Lenders to make Revolving Loans have been terminated pursuant to Section 8.02, or if the Revolving Commitments have expired, then the Applicable Percentage of each Revolving Lender in respect of the Revolving Facility shall be determined based on the Applicable Percentage of such Revolving Lender in respect of the Revolving Facility most recently in effect, giving effect to any subsequent assignments. The Applicable Percentage of each Lender in respect of each Facility is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

“Applicable Pledge Percentage” means (a) in the case of non-voting Equity Interests, 100% and (b) in the case of voting Equity Interests, 100% but 65% in the case of a pledge by a Loan Party of its Equity Interests in an Affected Foreign Subsidiary.

“Applicable Rate” means, from time to time, the following percentages per annum, based upon the Adjusted Consolidated Leveraged Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 6.02(b):

Applicable Rate

Pricing Level	Adjusted Consolidated Leverage Ratio	Facility Fee	LIBOR Rate +	Base Rate +
1	≥2.50:1	.375%	2.50%	1.50%
2	≥2.00:1 but <2.50:1	.375%	2.25%	1.25%
3	≥1.50:1 but <2.00:1	.25%	2.00%	1.00%
4	≥1.00:1 but <1.50:1	.25%	1.75%	.75%
5	<1.00:1	.20%	1.50%	.50%

Any increase or decrease in the Applicable Rate resulting from a change in the Adjusted Consolidated Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.02(b); provided, however, that if a Compliance Certificate is not delivered when due in accordance with such Section, then, upon the request of the Required Lenders, Pricing Level 1 shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and shall remain in effect until the date on which such Compliance Certificate is delivered. The Applicable Rate in effect from the Closing Date through the delivery of the first Compliance Certificate pursuant to Section 6.02(b) shall be determined based upon Pricing Level 3. In addition, at all times while the Default Rate is in effect, the highest rate set forth in each column of the Applicable Rate shall apply.

Notwithstanding anything to the contrary contained in this definition, the determination of the Applicable Rate for any period shall be subject to the provisions of Section 2.10(b). The Applicable Rate set forth above shall be increased as, and to the extent, required by Section 2.14(c).

“Applicable Revolving Percentage” means with respect to any Revolving Lender at any time, such Revolving Lender’s Applicable Percentage in respect of the Revolving Facility at such time.

“Appropriate Lender” means, at any time, (a) with respect to any Facility, a Lender that has a Commitment with respect to such Facility or holds a Loan under such Facility at such time and (b) with respect to the Swingline Sublimit, (i) the Swingline Lender and (ii) if any Swingline Loans are outstanding pursuant to Section 2.03(a), the Revolving Lenders.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Arrangers” means TD Securities (USA) LLC, Branch Banking and Trust Company, Regions Business Capital and Wells Fargo Securities, LLC, each in its capacity as a joint lead arranger and joint bookrunner.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit E-1 or any other form approved by the Administrative Agent.

“Attributable Indebtedness” means, on any date, (a) in respect of any capital lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

“Audited Financial Statements” means the audited consolidated balance sheet of the Company and its Subsidiaries for the fiscal year ended April 30, 2014, and the related consolidated statements of income or operations, shareholders’ equity and cash flows for such fiscal year of the Company and its Subsidiaries, including the notes thereto.

“Availability Period” means the period from and including the Closing Date to the earliest of (a) the Maturity Date for the Revolving Facility, (b) the date of termination of the Revolving Facility pursuant to Section 2.06, and (c) the date of termination of the Commitment of each Revolving Lender to make Revolving Loans pursuant to Section 8.02.

“Base Rate” means, at any time, a fluctuating rate per annum equal to the higher of (a) the rate published from time to time by The Wall Street Journal as the U.S. Prime Rate (if such U.S. Prime Rate is expressed as a range, then the top of such range will be used) or, in the event The Wall Street Journal ceases publication of such U.S. Prime Rate, the base, reference or other rate then designated by the Administrative Agent, in its sole discretion, for general commercial loan reference purposes; (b) the sum of (i) the Federal Funds Rate plus (ii) one-half of one percent (1/2%); or (c) the sum of (i) the LIBOR Rate for an Interest Period of one month at approximately 11:00 a.m. London time on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus (ii) one percent (1.0%). It is acknowledged by the parties to this Agreement that the Base Rate is a reference rate, not necessarily the lowest rate of interest charged, which serves as the basis upon which effective interest rates are calculated for loans making reference thereto. The effective interest rate for the Base Rate Loans will change on the date of each change in the U.S. Prime Rate (as published in The Wall Street Journal, as aforesaid) or, if such U.S. Prime Rate is not so published, on the date of each change in the rate designated by the Administrative Agent as provided above.

“Base Rate Loan” means a Revolving Loan or a Term Loan that bears interest based on the Base Rate.

“Borrower” and “Borrowers” each has the meaning specified in the introductory paragraph hereto.

“Borrower Materials” has the meaning specified in Section 6.02.

“Borrower Representative” has the meaning specified in Section 2.04.

“Borrowing” means, a Revolving Borrowing, a Swingline Borrowing or a Term Borrowing, as the context may require.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent’s Office is located, and if such day relates to any interest rate settings as to a LIBOR Rate Loan denominated in Dollars, any fundings, disbursements, settlements and payments in Dollars in respect of any such LIBOR Rate Loan, or any other dealings in Dollars to be carried out pursuant to this Agreement in respect of any such LIBOR Rate Loan, means any such day that is also a London Banking Day.

“Capital Expenditures” means, for the Company and its Subsidiaries, on a consolidated basis, without duplication, any expenditure or commitment to expend money for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a balance sheet of such Person prepared in accordance with GAAP.

“Cash Management Agreements” means, collectively, one or more agreements entered into from time to time by TD Bank with any Loan Party and/or the Borrower Representative relating to cash management services regarding one or more of deposit accounts of the Loan Parties, as such agreement(s) may be amended, restated or modified from time to time.

“Change in Law” means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation,

implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Change of Control” means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), of Equity Interests representing more than 35% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of any Borrower; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of any Borrower by Persons who were neither (i) nominated or approved by the board of directors of such Borrower nor (ii) appointed by directors so nominated or approved; (c) the acquisition of direct or indirect Control of any Borrower by any Person or group; (d) the Company shall cease to own, directly or indirectly, free and clear of all Liens or other encumbrances, at least 100% of the outstanding Equity Interests of any Subsidiary except as may result from any merger, consolidation or other reorganization permitted under this Agreement; or (e) the occurrence of any “Change of Control” under and as defined in a Permitted Notes Indenture.

“Closing Date” means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 10.01.

“Code” means the Internal Revenue Code of 1986.

“Commitment” means a Term Commitment or a Revolving Commitment, as the context may require.

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), as amended from time to time, and any successor statute.

“Company” has the meaning specified in the introductory paragraph hereto.

“Compliance Certificate” means a certificate substantially in the form of Exhibit D.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Consolidated EBITDA” means, for any period, for the Company and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Income for such period plus (a) without duplication and to the extent deducted in determining Consolidated Net Income for such period, the sum of (i) Consolidated Interest Expense for such period, (ii) income tax expense (with a deduction in case of income tax benefit) for such period, (iii) all amounts attributable to depreciation and amortization expense for such period, (iv) any extraordinary charges for such period, (v) any non-cash charges for such period related to stock options and restricted stock granting, and (vi) any other nonrecurring non-cash charges for such period (but excluding any non-cash charge in respect of an item that was included in Consolidated Net Income in a prior period), minus (b) without duplication and to the extent included in Consolidated Net Income, any extraordinary gains and any non-cash items of income for such period, all calculated on a consolidated basis in accordance with GAAP.

Consolidated EBITDA shall be calculated on a pro forma basis to give effect to Permitted Acquisitions (but not Permitted Business Acquisitions) and Dispositions consummated at any time on or after the first day of the relevant period as if each Permitted Acquisition had been effected on the first day of such period and as if each such Dispositions had been consummated on the day prior to the first day of such period, provided, that such calculation of Consolidated EBITDA shall be subject to the Administrative Agent’s prior written approval of the pro forma calculations.

“Consolidated Fixed Charge Coverage Ratio” means, as of any date of determination, the ratio of (a) Consolidated EBITDA, plus Consolidated Rental Expense, minus the unfinanced portion of Capital Expenditures, minus cash taxes paid, minus dividends and distributions paid in cash, to (b) Consolidated Fixed Charges.

“Consolidated Fixed Charges” means, for any period, for the Company and its Subsidiaries on a consolidated basis, the sum of (a) cash Consolidated Interest Expense for such period, plus (b) Consolidated Rental Expense paid during such period, plus (c) scheduled principal payments on Indebtedness made during such period, plus (d) payments on capital leases made during such period, all calculated on a consolidated basis in accordance with GAAP.

“Consolidated Funded Indebtedness” means, as of any date of determination, for the Company and its Subsidiaries on a consolidated basis, the sum of the aggregate principal amount of all Indebtedness at such date (including, without limitation, the Swap Termination Value under any Swap Contract at such date, but excluding undrawn amount of letters of credit, foreign exchange obligations and cash management obligations), determined on a consolidated basis in accordance with GAAP; provided, however, for purposes of calculating the financial covenants, any Guarantee and Off-Balance Sheet Liability shall be deemed to be fully funded. In the case of any Guarantee, the amount deemed fully funded shall be the greater of (x) the amount then due on the Guarantee, or (y) the maximum principal amount of the indebtedness then subject to such Guarantee. In the case of any Off-Balance Sheet Liability, the amount deemed fully funded shall be the amount that would be due if such Off-Balance Sheet Liability was due on the date of determination.

“Consolidated Interest Charges” means, for any period, for the Company and its Subsidiaries on a consolidated basis, the sum of (a) all interest, premium payments, debt discount, fees, charges and related expenses of the Company and its Subsidiaries in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, and (b) the portion of rent expense of the Company and its Subsidiaries with respect to such period under capital leases that is treated as interest in accordance with GAAP.

“Consolidated Net Income” means, for any period, for the Company and its Subsidiaries on a consolidated basis, the net income of the Company and its Subsidiaries (excluding extraordinary gains and extraordinary losses) for that period, all calculated on a consolidated basis in accordance with GAAP.

“Consolidated Rental Expense” means, as of any date of determination, all obligations in respect of fixed, base and contingent rent paid or due by the Company or any of its Subsidiaries, on a consolidated basis, during such period under any rental agreements or leases of real or personal property (other than obligations in respect of capital leases).

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

“Deemed Dividend Problem” means, with respect to any Foreign Subsidiary, such Foreign Subsidiary’s accumulated and undistributed earnings and profits being deemed to be repatriated to the applicable parent Loan Party under Section 956 of the Code and the effect of such repatriation causing materially adverse tax consequences to the applicable parent Loan Party in each case as determined by the Borrower Representative in its commercially reasonable judgment acting in good faith and in consultation with its legal and tax advisors.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate Loans plus (iii) 2% per annum; provided, however, that with respect to a LIBOR Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum.

“Defaulting Lender” means, subject to Section 2.15(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower Representative in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, the Swingline Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Swingline Loans) within two Business

Days of the date when due, (b) has notified the Borrower Representative, the Swingline Lender and the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower Representative, to confirm in writing to the Administrative Agent and the Borrower Representative that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower Representative), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.15(b)) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrower Representative, the Swingline Lender and each other Lender promptly following such determination.

"Disposition" or "Dispose" means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith, but excluding any Involuntary Disposition.

"Dollar" and "\$" mean lawful money of the United States.

"Domestic Subsidiary" means any Subsidiary that is organized under the laws of any political subdivision of the United States.

"Eligible Assignee" means any Person that meets the requirements to be an assignee under Section 10.06 (subject to such consents, if any, as may be required under Section 10.06(b)(iii)).

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Interests" means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) the withdrawal of the Company or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which such entity was a “substantial employer” as defined in Section 4001(a)(2) of ERISA or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA; (e) the institution by the PBGC of proceedings to terminate a Pension Plan; (f) any event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (g) the determination that any Pension Plan is considered an at-risk plan or a plan in endangered or critical status within the meaning of Sections 430, 431 and 432 of the Code or Sections 303, 304 and 305 of ERISA; or (h) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate.

“Event of Default” has the meaning specified in Section 8.01.

“Excluded Subsidiary” means (a) each Subsidiary of a Borrower listed on Schedule 1.01 and (b) any 501(c)(3) organization Controlled by a Loan Party or under common Control with a Loan Party; provided that no Subsidiary that Guarantees any Permitted Notes or other Indebtedness of a Loan Party shall be deemed to be an Excluded Subsidiary at any time any such Guarantee is in effect.

“Excluded Swap Obligation” means, with respect to any Loan Party, any Swap Obligation if, and to the extent that, all or a portion of the Guaranty of such Loan Party of, or the grant by such Loan Party of a Lien to secure, such Swap Obligation (or any Guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation thereof) by virtue of such Loan Party’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act (determined after giving effect to Section 11.11 and any other “keepwell, support or other agreement for the benefit of such Loan Party and any and all guarantees of such Loan Party’s Swap Obligations by other Loan Parties) at the time the Guaranty of such Loan Party, or grant by such Loan Party of a Lien, becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a Master Agreement governing more than one Swap Contract, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to Swap Contracts for which such Guaranty or Lien is or becomes excluded in accordance with the first sentence of this definition.

“Excluded Taxes” means any of the following Taxes imposed on or with respect to any Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower Representative under Section 10.13) or (ii) such Lender changes its Lending Office, except in each case to the extent that, pursuant to Section 3.01(a)(ii) or (c), amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its Lending Office, (c) Taxes attributable to such Recipient’s failure to comply with Section 3.01(e) and (d) any U.S. federal withholding Taxes imposed pursuant to FATCA.

“Existing Credit Agreement” means that certain Credit Agreement dated as of August 15, 2013, as amended, among the Loan Parties, as borrowers, TD Bank, as agent, and a syndicate of lenders.

“Facility” means the Term Facility or the Revolving Facility, as the context may require.

“Facility Termination Date” means the date as of which all of the following shall have occurred: (a) the Aggregate Commitments have terminated and (b) all Obligations have been paid in full (other than contingent indemnification obligations).

“FASB ASC” means the Accounting Standards Codification of the Financial Accounting Standards Board.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business

Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to TD Bank on such day on such transactions as determined by the Administrative Agent.

“First Tier Foreign Subsidiary” means each Foreign Subsidiary with respect to which any one or more of the Loan Parties directly owns or Controls more than 50% of such Foreign Subsidiary’s issued and outstanding Equity Interests.

“Foreign Lender” means, with respect to any Borrower, (a) if such Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if such Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which such Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

“Foreign Obligor” means a Loan Party that is a Foreign Subsidiary.

“Foreign Subsidiary” means any Subsidiary that is organized under the laws of a jurisdiction other than the United States, a State thereof or the District of Columbia.

“FRB” means the Board of Governors of the Federal Reserve System of the United States.

“Fund” means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantee” means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “Guarantee” as a verb has a corresponding meaning.

“Guaranteed Obligations” has the meaning set forth in Section 11.01.

“Guarantors” means, collectively, (a) with respect to the Obligations other than the Swap Obligations, the Subsidiaries of the Borrowers (other than any Excluded Subsidiary) and (b) with respect to the Swap Obligations, the Company and the Subsidiaries of the Company (other than S&W and any Excluded Subsidiary), in each case as are or may from time to time become parties to this Agreement pursuant to Section 6.12.

“Guaranty” means, collectively, the Guarantee made by the Guarantors under Article XI in favor of the Administrative Agent, for the benefit of the Lenders and any Affiliate Counterparty or other Affiliates of any Lender holding any Swap Obligations, together with each other guaranty delivered pursuant to Section 6.12.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Immaterial Subsidiary” means a Foreign Subsidiary that (a) has aggregate assets of less than \$1,000,000 and (b) has no direct or indirect Subsidiaries with aggregate assets for all such Subsidiaries of more than \$1,000,000.

“Increase Effective Date” has the meaning assigned to such term in Section 2.14(a).

“Increase Joinder” has the meaning assigned to such term in Section 2.14(c).

“Incremental Commitments” means Incremental Revolving Commitments and/or the Incremental Term Commitments.

“Incremental Revolving Commitment” has the meaning assigned to such term in Section 2.14(a).

“Incremental Term Commitments” has the meaning assigned to such term in Section 2.14(a).

“Incremental Term Loan Maturity Date” has the meaning assigned to such term in Section 2.14(c).

“Incremental Term Loans” means any loans made pursuant to any Incremental Term Commitments.

“Indebtedness” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds and similar instruments;

(c) net obligations of such Person under any Swap Contract;

(d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business and, in each case, not past due for more than 60 days after the date on which such trade account payable was created);

(e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(f) capital leases, Synthetic Lease Obligations and other Off-Balance Sheet Liabilities;

(g) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interest in such Person or any other Person, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; and

(h) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of any capital lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

“Indemnitees” has the meaning specified in Section 10.04(b).

“Information” has the meaning specified in Section 10.07.

“Insufficiency” has the meaning specified in Section 2.03.

“Intercompany Debt” means unsecured Indebtedness of a Subsidiary of a Borrower owed to a Borrower or a wholly-owned Subsidiary of a Borrower, which Indebtedness shall (i) to the extent required by the Administrative Agent, be evidenced by promissory notes, (ii) be on terms (including subordination terms) acceptable to the Administrative Agent and (iii) be otherwise permitted under the provisions of Section 7.03.

“Interest Payment Date” means, (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date of the Facility under which such Loan was made; provided, however, that if any Interest Period for a LIBOR Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan or Swingline Loan, the last Business Day of each March, June, September and December and the Maturity Date of the Facility under which such Loan was made (with Swingline Loans being made under the Revolving Facility for purposes of this definition).

“Interest Period” means as to each LIBOR Rate Loan, the period commencing on the date such LIBOR Rate Loan is disbursed or converted to or continued as a LIBOR Rate Loan and ending on the date one, two, three or six months thereafter, as selected by the Company in its Loan Notice; provided that:

- (i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless, in the case of a LIBOR Rate Loan, such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;
- (ii) any Interest Period pertaining to a LIBOR Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and
- (iii) no Interest Period shall extend beyond the Maturity Date of the Facility under which such Loan was made.

“Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person and any arrangement pursuant to which the investor Guarantees Indebtedness of such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitutes all or substantially all of the assets of such Person or of a division, line of business or other business unit of such Person. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“Involuntary Dispositions” means any involuntary loss of, damage to or destruction of, or any condemnation or other taking for public use of, any property of any Loan Party or any Subsidiary.

“IP Rights” has the meaning specified in Section 5.20.

“IRS” means the United States Internal Revenue Service.

“Joinder Agreement” means a joinder agreement substantially in the form of Exhibit F executed and delivered in accordance with the provisions of Section 6.12.

“Latest Maturity Date” means the latest of the Maturity Date for the Revolving Facility, the Maturity Date for the Term Facility and any Incremental Term Loan Maturity Date applicable to existing Incremental Term Loans, as of any date of determination.

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“Lender” has the meaning specified in the introductory paragraph hereto, and unless the context requires otherwise, the Swingline Lender.

“Lender Parties” means the Administrative Agent and each of the Lenders.

“Lending Office” means, as to any Lender, the office or offices of such Lender described as such in such Lender’s Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Company and the Administrative Agent.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“LIBOR” means, with respect to any Interest Period, the rate of interest in the applicable currency (rounded upwards, at the Administrative Agent’s option, to the next 100th of one percent) equal to the Intercontinental Exchange Group (or any successor thereto approved by the Administrative Agent if the Intercontinental Exchange Group is no longer making a LIBOR rate available) LIBOR (“ICE LIBOR”) for such Interest Period as published by Reuters (or such other commercially available source providing quotations of ICE LIBOR as designated by the Administrative Agent from time to time) at approximately 11:00 A.M. (London Time) two (2) London Banking Days prior to the first day of such Interest Period; provided, however, if more than one ICE LIBOR is so specified, the applicable rate shall be the arithmetic mean of all such rates. If, for any reason, such rate is not available, the term LIBOR shall mean, with respect to any Interest Period, the rate of interest per annum determined by the Administrative Agent to be the average rate per annum at which deposits in such currency, as applicable, are offered for such Interest Period by major banks in London, England at approximately 11:00 A.M. (London time) two (2) London Banking Days prior to the reset date. Notwithstanding the foregoing, LIBOR Loans shall be deemed to constitute eurocurrency liabilities and as such shall be deemed subject to reserve requirements without benefit of credits for proration, exceptions or offsets that may be available from time to time to any Lender. LIBOR shall be adjusted automatically on and as of the effective date of any change in the LIBOR Reserve Percentage for each LIBOR Advance (including conversions, extensions and renewals), to a per annum interest rate determined pursuant to the following formula:

$$\text{LIBOR Rate} = \text{LIBOR} \times 1 \text{ minus LIBOR Reserve Percentage}$$

Provided, however, if the LIBOR Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

“LIBOR Reserve Percentage” means, for any day, that percentage (expressed as a decimal) which is in effect from time to time under Regulation D of the Board, as such Regulation may be amended from time to time or any successor Regulation, as the maximum reserve requirement (including, without limitation, any basic, supplemental, emergency, special or marginal reserves) applicable with respect to eurocurrency liabilities as that term is defined in Regulation D (or against any other category of liabilities that includes deposits by reference to which the interest rate of LIBOR Rate Loans is determined), whether or not any Lender has any eurocurrency liabilities subject to such reserve requirement at that time.

“LIBOR Rate Loan” means any Loan the rate of interest applicable to which is based with LIBOR Rate.

“Loan” means an extension of credit by a Lender to the Borrower under Article II in the form of a Term Loan, a Revolving Loan or a Swingline Loan.

“Loan Documents” means this Agreement, each Note, the Guaranty, each Joinder Agreement and the TD Bank Fee Letter.

“Loan Notice” means a notice of (a) a Borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of LIBOR Rate Loans, pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit A.

“Loan Parties” means, collectively, the Company, S&W and each Guarantor.

“London Banking Day” means any day on which dealings in Dollar deposits are conducted by and between banks in the London interbank Eurodollar market.

“Master Account” means that certain deposit account (account number ending in 6051) of the Borrower Representative maintained with TD Bank and described in and subject to the Cash Management Agreements, and such other account(s) as the Loan Parties (or the Borrower Representative) and TD Bank may, from time to time, designate as master account(s).

“Master Letter of Credit Agreement” means that certain Master Letter of Credit Agreement, dated as of August 15, 2013, as amended, among the Company, S&W and TD Bank, N.A., as amended, restated, amended and restated or otherwise modified from time to time.

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent) or condition (financial or otherwise) of the Company or the Company and its Subsidiaries taken as a whole; (b) a material impairment of the ability of any Loan Party to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document to which it is a party.

“Maturity Date” means (a) with respect to the Term Facility, the earlier of (i) June 15, 2020 or (ii) the date that is six (6) months in advance of the earliest maturity of any Permitted Notes (other than the 2018 Senior Notes) and (b) with respect to the Revolving Facility, the earlier of (i) June 15, 2020 or (ii) the date that is six (6) months in advance of the earliest maturity of any Permitted Notes (other than the 2018 Senior Notes); provided, however, that in each case, if such date is not a Business Day, the Maturity Date shall be the preceding Business Day.

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Company or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

“Multiple Employer Plan” means a Plan which has two or more contributing sponsors (including the Company or any ERISA Affiliate) at least two of whom are not under common control, as such a plan is described in Section 4064 of ERISA.

“Net Cash Proceeds” means the aggregate cash or cash equivalents proceeds received by any Loan Party or any Subsidiary in respect of any Disposition or Involuntary Disposition, net of (a) direct costs incurred in connection therewith (including, without limitation, legal, accounting and investment banking fees and sales commissions), (b) taxes paid or payable as a result thereof and (c) in the case of any Disposition or any Involuntary Disposition, the amount necessary to retire any Indebtedness secured by a Lien permitted under Section 7.01 (ranking senior to any Lien in favor of the Administrative Agent for the benefit of itself and the other Lender Parties) on the related property; it being understood that “Net Cash Proceeds” shall include, without limitation, any cash or cash equivalents received upon the sale or other disposition of any non-cash consideration received by any Loan Party or any Subsidiary in any Disposition or Involuntary Disposition.

“Non-Consenting Lender” means any Lender that does not approve any consent, waiver or amendment that (i) requires the approval of all Lenders or all affected Lenders in accordance with the terms of Section 10.01 and (ii) has been approved by the Required Lenders.

“Non-Defaulting Lender” means, at any time, each Lender that is not a Defaulting Lender at such time.

“Note” means a Term Note or a Revolving Note, as the context may require.

“Notice of Loan Prepayment” means a notice of prepayment with respect to a Loan, which shall be substantially in the form of Exhibit H or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer.

“Obligations” means (a) all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan, (b) any Swap Obligations owing to any Lender, Affiliate Counterparty or other Affiliate of any Lender, and (c) all costs and expenses incurred in connection with the enforcement and collection of the foregoing, including the fees, charges and disbursements of counsel, in each case whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding; provided that the Obligations of a Loan Party shall exclude any Excluded Swap Obligations with respect to such Loan Party.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Off-Balance Sheet Liability” of a Person means (a) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (b) any indebtedness, liability or obligation under any sale and leaseback transaction which is not a capital lease obligation, (c) any indebtedness, liability or obligation under any so-called “synthetic lease” transaction entered into by such Person, or (d) any indebtedness, liability or obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheet of such Person (other than operating leases).

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement or limited liability company agreement; (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization; and (d) with respect to all entities, any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Connection Taxes” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 3.06).

“Outstanding Amount” means with respect to Term Loans, Revolving Loans and Swingline Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of such Loans and/or Swingline Loans occurring on such date.

“Overnight Rate” means, for any day, with respect to any amount denominated in Dollars, the greater of (i) the Federal Funds Rate and (ii) an overnight rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

“Participant” has the meaning specified in Section 10.06(d).

“Participant Register” has the meaning specified in Section 10.06(d).

“PBGC” means the Pension Benefit Guaranty Corporation.

“Pension Act” means the Pension Protection Act of 2006.

“Pension Funding Rules” means the rules of the Code and ERISA regarding minimum required contributions (including any installment payment thereof) to Pension Plans and set forth in, with respect to plan years ending prior to the effective date of the Pension Act, Section 412 of the Code and Section 302 of ERISA, each as in effect prior to the Pension Act and, thereafter, Section 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

“Pension Plan” means any employee pension benefit plan (including a Multiple Employer Plan or a Multiemployer Plan) that is maintained or is contributed to by the Company and any ERISA Affiliate and is either covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code.

“Permitted Acquisition” means any Acquisition by the Company or any Subsidiary in a transaction that (i) is not a Permitted Business Acquisition and (ii) satisfies each of the following requirements:

(a) no Default shall then exist or would exist after giving effect thereto;

(b) receipt by the Administrative Agent of an officer’s certificate of the Borrower Representative certifying that both before and after giving effect to such Acquisition, each of the representations and warranties in the Loan Documents is true and correct (except (i) any such representation or warranty which relates to a specified prior date and (ii) to the extent the Administrative Agent has been notified in writing by the Borrower Representative that any representation or warranty is not correct and the Administrative Agent and Required Lenders have explicitly waived in writing compliance with such representation or warranty) and no Default or Event of Default exists, will exist, or would result therefrom;

(c) as soon as available, but not less than ten (10) days (or such lesser number of days as the Administrative Agent shall approve in its sole discretion) prior to the closing date of such Acquisition, the Borrower Representative shall have provided the Administrative Agent (i) notice of such Acquisition, specifying the purchase price and closing date, together with a general description of the acquisition target's business and (ii) copies of all business and financial information reasonably requested by the Administrative Agent, from time to time, including financial statements of the Loan Parties on a pro forma basis reflecting the financial impact of the Acquisition;

(d) the Borrower Representative shall demonstrate to the reasonable satisfaction of the Administrative Agent that, after giving effect to Acquisition on a pro forma basis, the Adjusted Consolidated Leverage Ratio is less than 3.0:1.0 as of the most recently ended fiscal quarter for which the Company has furnished financial statements in accordance with Section 6.01(a) or (b);

(e) if such Acquisition is an acquisition of the Equity Interests of a Person, the Acquisition is structured so that the acquired Person shall become a direct or indirect wholly-owned Subsidiary of the Company, and shall become a Guarantor pursuant to the terms of this Agreement if such Subsidiary is a Domestic Subsidiary;

(f) if such Acquisition is an acquisition of assets or Equity Interests of any foreign Person, such Acquisition is a Permitted Foreign Subsidiary Loan and Investment;

(g) if such Acquisition is an acquisition of assets, the Acquisition is structured so that a Loan Party shall acquire such assets;

(h) if such Acquisition is an acquisition of Equity Interests, such Acquisition will not result in any violation of Regulations T, U or X;

(i) the Person subject to such Acquisition shall have earnings before interest, taxes, depreciation and amortization for the four (4) fiscal quarter period prior to the acquisition date in an amount greater than \$0;

(j) such Acquisition shall not be a "hostile" Acquisition and shall have been approved by the board of directors (or equivalent) and/or shareholders (or equivalent) of the applicable Loan Party and such Person subject to such Acquisition;

(k) if such Acquisition is an acquisition of Equity Interests and such Acquisition involves a regulated business, such as firearm manufacturing, the Borrower Representative has provided evidence reasonably satisfactory to the Administrative Agent that acquisition target is compliant with all applicable material regulations and has all material licenses, permits and governmental approvals necessary to operate its business and that the acquiring Loan Party has obtained the necessary consents to the transfer of such licenses, permits and governmental approvals;

(l) no Loan Party shall, as a result of or in connection with any such Acquisition, assume or incur any direct or contingent liabilities (whether relating to environmental, tax, litigation, or other matters) that could have a Material Adverse Effect;

(m) except as permitted under Section 7.01, in connection with an Acquisition of the Equity Interests of any Person, all Liens on property of such Person shall be terminated and in connection with an Acquisition of the assets of any Person, all Liens on such assets shall be terminated;

(n) the Person subject to such Acquisition is in the same or a complimentary line of business as the Loan Parties; and

(o) a Responsible Officer of the Company, shall certify (and provide the Administrative Agent with a *pro forma* calculation in form and substance reasonably satisfactory to the Administrative Agent) to the Administrative Agent that, immediately after giving effect to the completion of such Acquisition, on a consolidated basis, the Borrowers will be in compliance with all financial covenants set forth in Section 7.11.

"Permitted Business Acquisition" means any Acquisition by the Company or any Subsidiary in a transaction that satisfies each of the following requirements:

(a) the total consideration paid or payable (including Indebtedness incurred and/or reflected on a consolidated balance sheet of the Company and its Subsidiaries after giving effect to all such Acquisitions and the maximum amount of all deferred payments, including earnouts (as calculated in accordance with GAAP in effect as of the date of such Acquisition) and seller notes) shall not exceed \$5,000,000 in any fiscal year of the Company; provided, however, that the limitation on total consideration referenced above will be increased in any fiscal year (commencing with the Company's fiscal year ending April 30, 2017) by an amount equal to the amounts not expended by the Loan Parties for Permitted Business Acquisitions in the prior two (2) fiscal years (commencing with the Company's fiscal year that commenced May 1, 2015); provided, further, that the total consideration for a single Permitted Business Acquisition may not exceed \$5,000,000.

(b) no Default shall then exist or would exist after giving effect thereto;

(c) if such Acquisition is an acquisition of assets located outside of the United States or Equity Interests of any foreign Person, such Acquisition is a Permitted Foreign Subsidiary Loan and Investment;

(d) if such Acquisition is an acquisition of Equity Interests, (i) such Acquisition (A) is structured so that the acquired Person shall become a direct or indirect wholly-owned Subsidiary of the Company, and shall become a Guarantor pursuant to the terms of this Agreement if such Subsidiary is a Domestic Subsidiary, (B) shall not be a "hostile" Acquisition and shall have been approved by the board of directors (or equivalent) and/or shareholders (or equivalent) of the applicable Loan Party and such Person subject to such Acquisition and (C) shall not result in any violation of Regulations T, U or X, (ii) except as permitted under Section 7.01, all Liens on property of such Person shall be terminated and (iii) the acquired Person shall be in the same or a complimentary line of business as the Loan Parties;

(e) if such Acquisition is an acquisition of assets, (i) such Acquisition (A) is structured so that the assets are acquired by a Loan Party and (B) shall not result in any violation of Regulations T, U or X, (ii) except as permitted under Section 7.01, all Liens on the acquired assets shall be terminated and (iii) the acquired assets shall be in the same or a complimentary line of business as the Loan Parties;

(f) if such Acquisition is an acquisition of Equity Interests and such Acquisition involves a regulated business, such as firearm manufacturing, the Borrower Representative shall provide, within thirty (30) days (or such greater number of days as the Administrative Agent shall approve in its sole discretion) after the closing date of such Acquisition, evidence reasonably satisfactory to the Administrative Agent that the acquisition target is compliant with all applicable material regulations and the acquiring Loan Party has obtained the necessary material consents to the transfer of such licenses, permits and governmental approvals; and

(g) no Loan Party shall, as a result of or in connection with any such Acquisition, assume or incur any direct or contingent liabilities (whether relating to environmental, tax, litigation, or other matters) that could have a Material Adverse Effect; and

(h) within thirty (30) days (or such greater number of days as the Administrative Agent shall approve in its sole discretion) after the closing date of such Acquisition, the Borrower Representative shall have provided the Administrative Agent (i) notice of such Acquisition, specifying the purchase price and closing date, together with a general description of the acquisition target's business, (ii) evidence demonstrating to the reasonable satisfaction of the Administrative Agent that, after giving pro forma effect to the incurrence of any Indebtedness in connection such Acquisition, the Adjusted Consolidated Leverage Ratio is less than 3.0:1.0 as of the most recently ended fiscal quarter for which the Company has furnished financial statements in accordance with Section 6.01(a) or (b); and (iii) a certificate to the effect that such Acquisition satisfies all the conditions set forth in this definition.

"Permitted Dividends" means declaration and payment of a dividend in cash by the Company to stockholders so long as at the time thereof and after giving effect thereto, (x) no Default shall have occurred and be continuing and (y) the Adjusted Consolidated Leverage Ratio would be less than 3.0:1.0.

"Permitted Foreign Subsidiary Loan and Investment" means, so long as the aggregate of the following do not exceed \$20,000,000.00 at any time outstanding:

(a) an investment of cash or property by a Loan Party in a Foreign Subsidiary made on or after the Closing Date and, if applicable, the Loan parties comply with Section 6.12(b), with respect to such investment;

(b) a loan by a Loan Party to a Foreign Subsidiary, a Guarantee by a Loan Party of Indebtedness of a Foreign Subsidiary or a pledge, security interest or hypothecation by a Loan Party to secure Indebtedness of a Foreign Subsidiary, in each case made on or after the Closing Date; and

(c) an investment of cash or property by a Loan Party in, or loan from a Loan Party to, a Foreign Subsidiary for the purpose of making for one or more Permitted Acquisitions or Permitted Business Acquisitions and, if applicable, the Loan parties comply with Section 6.12(b) with respect to such investment.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within two hundred seventy (270) days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within one hundred eighty (180) days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts

issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than \$500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than thirty (30) days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above;

(e) money market funds that (i) comply with the criteria set forth in Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least \$5,000,000,000; and

(f) Permitted Acquisitions, Permitted Business Acquisitions, Permitted Note Repurchase and Redemptions and Permitted Share Repurchase.

“Permitted Note Repurchase and Redemption” means payments or prepayments applied to the redemption (or repurchase and immediate cancellation) of Permitted Notes so long as at the time thereof and after giving effect thereto, (x) no Default shall have occurred and be continuing and (y) the Adjusted Consolidated Leverage Ratio would be less than 3.0:1.0.

“Permitted Notes” means (i) the 2018 Senior Notes and (ii) other debt securities issued by the Company after the Closing Date, (a) the terms of which do not provide for any scheduled principal repayment, mandatory redemption or sinking fund obligations prior to the date six (6) months after the final Maturity Date of all Loans (other than customary offers to repurchase upon a change of control, asset sale or event of loss and customary acceleration rights after an event of default), (b) the covenants, events of default, guarantees, collateral and other terms of which (other than interest rate, call protection and redemption premiums), taken as a whole, are not more restrictive to the Company than those set forth in this Agreement, (c) of which no Subsidiary of the Company is an issuer or guarantor, (d) which are not secured by any Liens on any assets of the Company or any of its Subsidiaries and (e) after giving pro forma effect to the incurrence of such Indebtedness, the Loan Parties will remain in compliance with the financial covenants in Section 7.11.

“Permitted Notes Indenture” means the indenture under which any Permitted Notes have been issued; provided, however, no indenture shall be a “Permitted Notes Indenture” if there exist limitations therein on the ability of any Borrower to incur Indebtedness under this Agreement that are more restrictive to the Borrowers than those set forth in the 2018 Senior Notes Indenture.

“Permitted Share Repurchase” means redemption or repurchase of Equity Interests of the Company, so long as at the time thereof and after giving effect thereto (x) no Default shall have occurred and be continuing and (y) the Adjusted Consolidated Leverage Ratio would be less than 3.0:1.0.

“Permitted Transfers” means (a) Dispositions of inventory in the ordinary course of business; (b) Dispositions of property to any Borrower or any Subsidiary; provided, that if the transferor of such property is a Loan Party then the transferee thereof must be a Loan Party; (c) Dispositions of accounts receivable in connection with the collection or compromise thereof; (d) licenses, sublicenses, leases or subleases granted to others not interfering in any material respect with the business of the Borrower and its Subsidiaries; and (e) the sale or disposition of cash equivalents for fair market value.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any employee benefit plan within the meaning of Section 3(3) of ERISA (including a Pension Plan), maintained for employees of the Company or any ERISA Affiliate or any such Plan to which the Company or any ERISA Affiliate is required to contribute on behalf of any of its employees.

“Platform” has the meaning specified in Section 6.02.

“Public Lender” has the meaning specified in Section 6.02.

“Qualified ECP Guarantor” means, at any time, each Loan Party with total assets exceeding \$10,000,000 or that qualifies at such time as an “eligible contract participant” under the Commodity Exchange Act and can cause another Person to qualify as an “eligible contract participant” at such time under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

“Recipient” means the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of any Loan Party hereunder.

“Redemption Notes” means the 5.875% Senior Notes due 2017 issued by the Company pursuant to the Redemption Notes Indenture.

“Redemption Notes Indenture” means that certain Indenture dated as of June 17, 2013 between the Company and The Bank of New York Mellon Trust Company, N.A.

“Register” has the meaning specified in Section 10.06(c).

“Related Parties” means, with respect to any Person, such Person’s Affiliate Counterparties and other Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliate Counterparties and other Affiliates.

“Reportable Event” means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

“Required Lenders” means, at any time, at least two (2) Lenders having Total Credit Exposures representing greater than 50% of the Total Credit Exposures of all Lenders. The Total Credit Exposure of any Defaulting Lender shall be disregarded in determining Required Lenders at any time; provided that the amount of any participation in any Swingline Loan that such Defaulting Lender has failed to fund that have not been reallocated to and funded by another Lender shall be deemed to be held by the Lender that is the Swingline Lender in making such determination.

“Responsible Officer” means the chief executive officer, president, chief financial officer, treasurer, assistant treasurer or controller of a Loan Party, solely for purposes of the delivery of incumbency certificates pursuant to Section 4.01, the secretary or any assistant secretary of a Loan Party and, solely for purposes of notices given pursuant to Article II, any other officer or employee of the applicable Loan Party so designated by any of the foregoing officers in a notice to the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of the Company or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to the Company’s stockholders, partners or members (or the equivalent Person thereof).

“Revolving Borrowing” means a borrowing consisting of simultaneous Revolving Loans of the same Type and, in the case of LIBOR Rate Loans, having the same Interest Period made by each of the Revolving Lenders pursuant to Section 2.01(b).

“Revolving Commitment” means, as to each Revolving Lender, its obligation to (a) make Revolving Loans to the Borrower pursuant to Section 2.01(b), and (b) purchase participations in Swingline Loans, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender’s name on Schedule 2.01 under the caption “Revolving Commitment” or opposite such caption in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement. The Revolving Commitment of all of the Revolving Lenders on the Closing Date shall be \$175,000,000.

“Revolving Exposure” means, as to any Lender at any time, the aggregate Outstanding Amount at such time of its Revolving Loans and such Lender’s participation in Swingline Loans at such time.

“Revolving Facility” means, at any time, the aggregate amount of the Revolving Lenders’ Revolving Commitments at such time.

“Revolving Lender” means, at any time, (a) so long as any Revolving Commitment is in effect, any Lender that has a Revolving Commitment at such time or (b) if the Revolving Commitments have terminated or expired, any Lender that has a Revolving Loan or a participation in Swingline Loans at such time.

“Revolving Loan” has the meaning specified in Section 2.01(b).

“Revolving Note” means a promissory note made by the Borrower in favor of a Revolving Lender evidencing Revolving Loans or Swingline Loans, as the case may be, made by such Revolving Lender, substantially in the form of Exhibit C-1.

“Sanction(s)” means any international economic sanction administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

“Same Day Funds” means immediately available funds.

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“Specified Loan Party” means any Loan Party that is not then an “eligible contract participant” under the Commodity Exchange Act (determined prior to giving effect to Section 11.11).

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Company.

“Swap Contract” means each master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), and/or any other documents, instruments or agreements executed to further evidence or secure the Swap Obligations, as the same may be hereafter amended, restated, renewed, replaced, supplemented or otherwise modified from time to time.

“Swap Obligations” means all obligations of any Loan Party under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act and shall include without limitation, any interest rate swap transactions, basis swaps, forward rate transactions, commodity swaps, commodity options, equity or equity index swaps, equity or equity index options, bond options, interest rate options, foreign exchange transactions, cap transactions, floor transactions, collar transactions, forward transactions, currency swap transactions, cross-currency rate swap transactions, currency options or similar agreements including, without limitation, the Swap Contracts.

“Swap Termination Value” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender, Affiliate Counterparty or any other Affiliate of a Lender).

“Swingline Borrowing” means a borrowing of a Swingline Loan pursuant to Section 2.03(a).

“Swingline Lender” means TD Bank in its capacity as provider of Swingline Loans, or any successor swingline lender hereunder.

“Swingline Sublimit” has the meaning specified in Section 2.03(a).

“Swingline Loan” means a loan made pursuant to Section 2.03(a).

“Synthetic Lease Obligation” means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“TD Bank” means TD Bank, N.A.

“TD Bank Fee Letter” means the letter agreement dated June 15, 2015 among the Borrowers, the Administrative Agent and TD Bank.

“Term Borrowing” means a borrowing consisting of simultaneous Term Loans of the same Type and, in the case of LIBOR Rate Loans, having the same Interest Period made by each of the Term Lenders pursuant to Section 2.01(a).

“Term Commitment” means, as to each Term Lender, its obligation to make Term Loans to the Borrower pursuant to Section 2.01(a) in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Term Lender’s name on Schedule 2.01 under the caption “Term Commitment” or opposite such caption in the Assignment and Assumption pursuant to which such Term Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement. The Term Commitment of all of the Term Lenders on the Closing Date shall be \$105,000,000.

“Term Facility” means, at any time, (a) on or prior to the Closing Date, the aggregate amount of the Term Commitments at such time and (b) thereafter, the aggregate principal amount of the Term Loans of all Term Lenders outstanding at such time.

“Term Lender” means (a) at any time on or prior to the Closing Date, any Lender that has a Term Commitment at such time and (b) at any time after the Closing Date, any Lender that holds Term Loans at such time.

“Term Loan” means an advance made by any Term Lender under the Term Facility.

“Term Note” means a promissory note made by the Borrowers in favor of a Term Lender evidencing Term Loans made by such Term Lender, substantially in the form of Exhibit C-2.

“Threshold Amount” means \$10,000,000.

“Total Credit Exposure” means, as to any Lender at any time, the unused Commitments, Revolving Exposure and Outstanding Amount of all Term Loans of such Lender at such time.

“Total Revolving Outstandings” means the aggregate Outstanding Amount of all Revolving Loans and Swingline Loans.

“Type” means, with respect to a Loan, its character as a Base Rate Loan or a LIBOR Rate Loan.

“United States” and “U.S.” mean the United States of America.

“U.S. Person” means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” has the meaning specified in Section 3.01(e)(ii)(B)(3).

1.02. Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “hereto,” “herein,” “hereof” and “hereunder,” and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory

provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. Any and all references to “Borrower” regardless of whether preceded by the term a, any, each of, the, all, and/or any other similar term shall be deemed to refer, as the context requires, to each and every party constituting a Borrower, individually and/or in the aggregate.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including;” the words “to” and “until” each mean “to but excluding;” and the word “through” means “to and including.”

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03. Accounting Terms.

(a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Indebtedness of the Company and its Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of FASB ASC 825 and FASB ASC 470-20 on financial liabilities shall be disregarded.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Company or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Company shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (A) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (B) the Company shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.04. Rounding. Any financial ratios required to be maintained by the Company pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05. Zone. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

ARTICLE II

THE COMMITMENTS AND LOANS

2.01. Loans.

(a) Term Borrowing. Subject to the terms and conditions set forth herein, each Term Lender severally agrees to make a single loan to the Borrowers, in Dollars, on the Closing Date in an amount not to exceed such Term Lender’s Applicable Percentage of the Term Facility. The Term Borrowing shall consist of Term Loans made simultaneously by the Term Lenders in accordance with their respective Applicable Percentage of the Term Facility. Term Borrowings repaid or prepaid may not be reborrowed. Term Loans may be Base Rate Loans or LIBOR Rate Loans, as further provided herein.

(b) Revolving Borrowings. Subject to the terms and conditions set forth herein, each Revolving Lender severally agrees to make loans (each such loan, a "Revolving Loan") to the Borrowers in Dollars from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Revolving Commitment; provided, however, that after giving effect to any Revolving Borrowing, (i) the Total Revolving Outstandings shall not exceed the Revolving Facility, and (ii) the Revolving Exposure of any Lender shall not exceed such Lender's Revolving Commitment. Within the limits of each Lender's Revolving Commitment, and subject to the other terms and conditions hereof, the Borrowers may borrow Revolving Loans, prepay under Section 2.05, and reborrow under this Section 2.01(b). Revolving Loans may be Base Rate Loans or LIBOR Rate Loans, as further provided herein. All Swingline Loans shall be made as provided in Section 2.03.

2.02. Borrowings, Conversions and Continuations of Loans.

(a) Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of LIBOR Rate Loans shall be made upon the Borrower Representative's irrevocable notice to the Administrative Agent, which may be given by telephone. Each such notice must be received by the Administrative Agent not later than 2:00 p.m. (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of LIBOR Rate Loans or of any conversion of LIBOR Rate Loans to Base Rate Loans, and (ii) one business day prior to the requested date of any Borrowing of Base Rate Loans. Each telephonic notice by the Borrower Representative pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower Representative. Each Borrowing of, conversion to or continuation of LIBOR Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$250,000 in excess thereof. Except as provided in Section 2.03(b), each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof. Each Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower Representative is requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of LIBOR Rate Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower Representative fails to specify a Type of Loan in a Loan Notice or if the Borrower Representative fails to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or converted to, Base Rate Loans. Any automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable LIBOR Rate Loans. If the Borrower Representative requests a Borrowing of, conversion to, or continuation of LIBOR Rate Loans in any such Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Loan Notice for a Facility, the Administrative Agent shall promptly notify each Appropriate Lender of the amount of its Applicable Percentage under such Facility of the applicable Loans, and if no timely notice of a conversion or continuation is provided by the Borrower Representative, the Administrative Agent shall notify each Appropriate Lender of the details of any automatic conversion to Base Rate Loans, in each case as described in the preceding subsection. In the case of a Borrowing, each Appropriate Lender shall make the amount of its Loan available to the Administrative Agent in Same Day Funds at the Administrative Agent's Office not later than 1:00 p.m. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such Borrowing are the initial Loans, Section 4.01), the Administrative Agent shall make all funds so received available to the Borrower Representative or the other applicable Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of such Borrower on the books of TD Bank with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower Representative.

(c) Except as otherwise provided herein, a LIBOR Rate Loan may be continued or converted only on the last day of an Interest Period for such LIBOR Rate Loan. During the existence of a Default, no Loans may be requested as, converted to or continued as LIBOR Rate Loans without the consent of the Required Lenders.

(d) The Administrative Agent shall promptly notify the Borrower Representative and the Lenders of the interest rate applicable to any Interest Period for LIBOR Rate Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower Representative and the Lenders of any change in TD Bank's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) After giving effect to all Borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than five Interest Periods in effect with respect to Loans.

(f) This Section 2.02 shall not apply to Swingline Loans.

(g) Cashless Settlement Mechanism. Notwithstanding anything to the contrary in this Agreement, any Lender may exchange, continue or rollover all or the portion of its Loans in connection with any refinancing, extension, loan modification or

similar transaction permitted by the terms of this Agreement, pursuant to a cashless settlement mechanism approved by the Borrower Representative, the Administrative Agent and such Lender.

2.03. Swingline Loans.

(a) To the extent there are insufficient collected funds in the Master Account, as determined on any Business Day by the Administrative Agent in its sole discretion, to pay the fees and charges and other account activity in the Master Account for such Business Day, the Borrower Representative shall be deemed to have given notice to the Administrative Agent and the Swingline Lender, and automatically and irrevocably requested, the borrowing of a Swingline Loan from the Swingline Lender in the amount of such insufficiency (the “Insufficiency”). So long as (x) no Default or Event of Default has occurred and is continuing, and (y) no Lender is then a Defaulting Lender, and subject to the terms and conditions of this Agreement, the Swingline Lender agrees to make a Swingline Loan to the Borrowers on such Business Day in the amount of the Insufficiency; provided, however, the making of such Swingline Loan shall not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$5,000,000 (the “Swingline Sublimit”) or (ii) the Revolving Exposure of any Lender exceeding the Revolving Commitment of such Lender; provided, further, however, that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. The proceeds of each Swingline Loan shall be credited to the Master Account by the Swingline Lender. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Swingline Loans. For the avoidance of doubt, the Borrowers may not request a Swingline Loan except in accordance with the procedures set forth in the first sentence of this Section 2.03(a). Each such Swingline Loan shall be a Base Rate Loan. Each Swingline Loan shall be subject to all other terms and conditions applicable to Revolving Loans made pursuant to Section 2.01(b), except that all payments thereon shall be payable to the Swingline Lender for its own account.

(b) The Swingline Lender may by written notice given to the Administrative Agent not later than 11:00 a.m. on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which the Lenders will participate. Promptly upon such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender’s Applicable Percentage of such Swingline Loan. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender’s Applicable Percentage of such Swingline Loan. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner provided in Section 2.12(b) with respect to Loans made by such Lender (and Section 2.12(b) shall apply, mutatis mutandis, through the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amount so received by it from the Lenders. The Administrative Agent shall notify the Borrower Representative of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrowers (or other party on behalf of the Borrowers) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale or participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interest may appear; provided, however, that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent that such payment is required to be refunded to the Borrowers for any reason. The purchase or participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrowers of any default in the payment thereof.

2.04. Appointment of Borrowers’ Representative. Each other Borrower hereby irrevocably appoints the Company as its representative (the “Borrower Representative”), and the Company shall act under this Agreement as the representative of each Borrower for all purposes, including, without being limited to, requesting Borrowings and receiving account statements and other notices and communications to the Borrowers (or any of them) from the Administrative Agent or any Lender. The Administrative Agent and the Lenders may rely, and shall be fully protected in relying, on any request for borrowing, disbursement instruction, report, information or any other notice or communication made or given by the Company, whether in its own name, on behalf of any Borrower, on behalf of “the Borrowers,” and neither the Administrative Agent nor any Lender shall have any obligation to make any inquiry or request any confirmation from or on behalf of any Borrower as to the binding effect on it of any such request, instruction, report, information, notice or communication, nor shall the joint and several character of the Borrowers’ liability for the Obligations be affected.

2.05. Prepayments.

(a) Optional.

(i) The Borrowers may, upon notice to the Administrative Agent pursuant to delivery to the Administrative Agent of a Notice of Loan Prepayment, at any time or from time to time voluntarily prepay Term Loans and Revolving Loans in whole or in part without premium or penalty subject to Section 3.05; provided that, unless otherwise agreed by the Administrative Agent, (A) such notice must be received by the Administrative Agent not later than 11:00 a.m. (1) three (3) Business Days prior to any date of prepayment of LIBOR Rate Loans and (2) on the date of prepayment of Base Rate Loans; (B) any prepayment of LIBOR Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof; and (C) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid and, if LIBOR Rate Loans are to be prepaid, the Interest Period(s) of such Loans. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's ratable portion of such prepayment (based on such Lender's Applicable Percentage in respect of the relevant Facility). If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of principal shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Each prepayment of the outstanding Term Loans pursuant to this Section 2.05(a) shall be applied to the principal repayment installments thereof in inverse order of maturity. Subject to Section 2.15, such prepayments shall be paid to the Lenders in accordance with their respective Applicable Percentages in respect of each of the relevant Facilities.

(ii) At any time the Cash Management Agreements are not in effect, the Borrower may, upon notice to the Swingline Lender pursuant to delivery to the Swingline Lender of a Notice of Loan Prepayment (with a copy to the Administrative Agent), at any time or from time to time, voluntarily prepay Swingline Loans in whole or in part without premium or penalty; provided that, unless otherwise agreed by the Swingline Lender, (A) such notice must be received by the Swingline Lender and the Administrative Agent not later than 1:00 p.m. on the date of the prepayment, and (B) any such prepayment shall be in a minimum principal amount of \$100,000 or a whole multiple of \$100,000 in excess hereof (or, if less, the entire principal thereof then outstanding). Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of principal shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05.

(b) Mandatory.

(i) Dispositions and Involuntary Dispositions. The Borrowers shall prepay the Term Loans as hereinafter provided in an aggregate amount equal to 100% of the Net Cash Proceeds received by any Loan Party or any Subsidiary from all Dispositions (other than Permitted Transfers) and Involuntary Dispositions within ten (10) days of the date of such Disposition or Involuntary Disposition; provided, however, that so long as no Default shall have occurred and be continuing, such Net Cash Proceeds shall not be required to be so applied (A) until the aggregate amount of the Net Cash Proceeds derived from any such Disposition or Involuntary Disposition in any fiscal year of the Borrowers is equal to or greater than \$5,000,000 and (B) at the election of the Borrowers (as notified by the Borrower Representative to the Administrative Agent) to the extent such Loan Party or such Subsidiary reinvests all or any portion of such Net Cash Proceeds in operating assets (other than current assets) (but specifically excluding current assets as classified by GAAP) within two hundred seventy (270) days after the receipt of such Net Cash Proceeds; provided that if such Net Cash Proceeds shall have not been so reinvested shall be immediately applied to prepay the Loans.

(ii) Reserved.

(iii) Reserved.

(iv) Application of Payments. Each prepayment of Loans pursuant to the foregoing provisions of Section 2.05(b)(i)-(iii) shall be applied to the principal repayment installments of the Term Loan in inverse order of maturity, including, without limitation, the final principal repayment installment on the Maturity Date of the Term Facility. Subject to Section 2.15, such prepayments shall be paid to the Lenders in accordance with their respective Applicable Percentages in respect of the Term Facility.

(v) Revolving Outstandings. If for any reason the Total Revolving Outstandings at any time exceed the Revolving Facility at such time, the Borrowers shall immediately prepay Revolving Loans and Swingline Loans (together with all accrued but unpaid interest thereon) in an aggregate amount equal to such excess.

(vi) Application of Other Payments. Except as otherwise provided in Section 2.15, prepayments of the Revolving Facility made pursuant to Section 2.05(b)(v), first, shall be applied to the Swingline Loans and, second, shall be applied to the outstanding Revolving Loans.

Within the parameters of the applications set forth above, prepayments pursuant to this Section 2.05(b) shall be applied first to Base Rate Loans and then to LIBOR Rate Loans in direct order of Interest Period maturities. All prepayments under this Section 2.05(b) shall be subject to Section 3.05, but otherwise without premium or penalty, and shall be accompanied by interest on the principal amount prepaid through the date of prepayment.

2.06. Termination or Reduction of Commitments.

(a) The Borrower Representative may, upon notice to the Administrative Agent, terminate the Revolving Facility or from time to time permanently reduce the Revolving Facility; provided that (i) any such notice shall be received by the Administrative Agent not later than 11:00 a.m. five (5) Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of \$10,000,000 or any whole multiple of \$1,000,000 in excess thereof, and (iii) the Borrower Representative shall not terminate or reduce the Revolving Facility if, after giving effect thereto and to any concurrent prepayments hereunder, the Total Revolving Outstandings would exceed the Revolving Facility. The Administrative Agent will promptly notify the Lenders of any such notice of termination or reduction of the Revolving Facility. Any reduction of the Revolving Facility shall be applied to the Revolving Commitment of each Revolving Lender according to its Applicable Percentage. All fees accrued until the effective date of any termination of the Revolving Facility shall be paid on the effective date of such termination.

(b) Application of Commitment Reductions; Payment of Fees.

The Administrative Agent will promptly notify the Lenders of any termination or reduction of the Swingline Sublimit or the Revolving Commitment under this Section 2.06. Upon any reduction of the Revolving Commitments, the Revolving Commitment of each Revolving Lender shall be reduced by such Lender's Applicable Revolving Percentage of such reduction amount. All fees in respect of the Revolving Facility accrued until the effective date of any termination of the Revolving Facility shall be paid on the effective date of such termination.

2.07. Repayment of Loans.

(a) Term Loans. The Borrowers shall jointly and severally repay to the Term Lenders the aggregate principal amount of all Term Loans in quarterly installments of \$1,575,000, in each case, commencing on September 18, 2015 and continuing on each December 18, March 18, June 18 and September 18 thereafter (as such installments may hereafter may be adjusted as a result of the application of prepayments in accordance with the order of priority set forth in Section 2.05), unless accelerated sooner pursuant to Section 8.02. Any remaining Outstanding Amount of the Term Loans, together with all accrued and unpaid interest thereon, shall be due and payable on the Maturity Date for the Term Facility.

(b) Revolving Loans. The Borrowers jointly and severally shall repay to the Revolving Lenders on the Maturity Date for the Revolving Facility the aggregate principal amount of all Revolving Loans outstanding on such date, together with all accrued and unpaid interest thereon.

(c) Swingline Loans. The Borrowers shall repay jointly and severally each Swingline Loan on the earlier to occur of (x) the Maturity Date for the Revolving Facility and (y) the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two (2) Business Days after such Swingline Loan is made; provided, that on each date that a Revolving Borrowing under Section 2.01(b) is made, the Borrowers shall repay all Swingline Loans.

2.08. Interest.

(a) Subject to the provisions of subsection (b) below, (i) each LIBOR Rate Loan under a Facility shall bear interest on the outstanding principal amount thereof for each Interest Period from the applicable borrowing date at a rate per annum equal to the LIBOR Rate for such Interest Period plus the Applicable Rate for such Facility; and (ii) each Base Rate Loan under a Facility shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate for such Facility.

(b) (i) If any amount of principal of any Loan or Swingline Loan is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) If any amount (other than principal of any Loan) payable by any Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then

upon the request of the Required Lenders, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iii) Upon the request of the Required Lenders, while any Event of Default exists (other than as set forth in clauses (b)(i) and (b)(ii) above), the Borrowers shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iv) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.09. Fees.

(a) Commitment Fee. The Borrowers shall jointly and severally pay to the Administrative Agent for the account of each Revolving Lender in accordance with its Applicable Percentage, a commitment fee in Dollars equal to the Applicable Rate times the actual daily amount by which the Revolving Facility exceeds the Outstanding Amount of Revolving Loans, subject to adjustment as provided in Section 2.15. For the avoidance of doubt, the Outstanding Amount of Swingline Loans shall not be counted towards usage of the Revolving Facility. The commitment fee shall accrue at all times during the Availability Period, including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the last day of the Availability Period. The commitment fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Rate during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(b) Late Charge. The Borrowers agree to jointly and severally pay the Administrative Agent for the account of the Lenders holding such Obligations, with respect to any payment of principal, interest or fees due under this Agreement that is not made within ten (10) days after its due date, a late charge equal to six percent (6%) of the amount past due.

(c) Other Fees. (i) The Borrowers shall jointly and severally pay to the TD Bank and the Administrative Agent for their own respective accounts, in Dollars, fees in the amounts and at the times specified in the TD Bank Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

(ii) The Borrowers shall jointly and severally pay to the Lenders, in Dollars, such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.10. Computation of Interest and Fees; Retroactive Adjustments of Applicable Rate.

(a) All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to the LIBOR Rate) shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(b) If, as a result of any restatement of or other adjustment to the financial statements of the Company or for any other reason, the Company or the Lenders determine that (i) the Adjusted Consolidated Leverage Ratio as calculated by the Company as of any applicable date was inaccurate and (ii) a proper calculation of the Adjusted Consolidated Leverage Ratio would have resulted in higher pricing for such period, each Borrower shall immediately and retroactively be obligated to pay to the Administrative Agent for the account of the applicable Lenders, promptly on demand by the Administrative Agent (or, after the occurrence of an actual or deemed entry of an order for relief with respect to any Borrower under the Bankruptcy Code of the United States, automatically and without further action by the Administrative Agent or any Lender), an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period. This paragraph shall not limit the rights of the Administrative Agent or any Lender under Section 2.08(b) or under Article VIII. The Borrowers' obligations under this paragraph shall survive the termination of the Aggregate Commitments and the repayment of all other Obligations hereunder.

2.11. Evidence of Debt.

(a) The Loans made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Loans made by the Lenders to the Borrowers and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrowers hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender to a Borrower made through the Administrative Agent, such Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans to such Borrower in addition to such accounts or records. Each Lender may attach schedules to a Note and endorse thereon the date, Type (if applicable), amount, currency and maturity of its Loans and payments with respect thereto.

(b) In addition to the accounts and records referred to in Section 2.11(a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Swingline Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the account and records of the Administrative Agent shall control in the absence of manifest error.

2.12. Payments Generally; Administrative Agent's Clawback.

(a) General. All payments to be made by the Borrowers shall be made free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrowers hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the applicable Administrative Agent's Office in Dollars and in Same Day Funds not later than 11:00 a.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 11:00 a.m., shall in each case be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by any Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) (i) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing of LIBOR Rate Loans (or, in the case of any Borrowing of Base Rate Loans, prior to 12:00 noon on the date one Business Day prior to such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 (or, in the case of a Borrowing of Base Rate Loans, that such Lender has made such share available in accordance with and at the time required by Section 2.02) and may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the applicable Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in Same Day Funds with interest thereon, for each day from and including the date such amount is made available to such Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the Overnight Rate, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, and (B) in the case of a payment to be made by such Borrower, the interest rate applicable to Base Rate Loans. If such Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to such Borrower the amount of such interest paid by such Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by such Borrower shall be without prejudice to any claim such Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by Borrowers; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from a Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if such Borrower has not in fact made such payment, then each of the Lenders, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender, in Same Day Funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Overnight Rate.

A notice of the Administrative Agent to any Lender or Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender to any Borrower as provided in the foregoing provisions of this Article II, and such funds are not made available to such Borrower by the Administrative Agent because the conditions to the applicable Loans set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Term Loans and Revolving Loans, to fund participations in Swingline Loans and to make payments pursuant to Section 10.04(c) are several and not joint. The failure of any Lender to make any Loan, to fund any such participation or to make any payment under Section 10.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or to make its payment under Section 10.04(c).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(f) Pro Rata Treatment. Except to the extent otherwise provided herein: (i) each Borrowing (other than Swingline Borrowings) shall be made from the Appropriate Lenders, each payment of fees under Section 2.09 shall be made for account of the Appropriate Lenders, and each termination or reduction of the amount of the Commitments shall be applied to the respective Commitments of the Lenders, pro rata according to the amounts of their respective Commitments; (ii) each Borrowing shall be allocated pro rata among the Lenders according to the amounts of their respective Commitments (in the case of the making of Revolving Loans) or their respective Loans that are to be included in such Borrowing (in the case of conversions and continuations of Loans); (iii) each payment or prepayment of principal of Loans by the Borrowers shall be made for account of the Appropriate Lenders pro rata in accordance with the respective unpaid principal amounts of the Loans held by them; and (iv) each payment of interest on Loans by the Borrowers shall be made for account of the Appropriate Lenders pro rata in accordance with the amounts of interest on such Loans then due and payable to the respective Appropriate Lenders.

2.13. Sharing of Payments by Lenders.

If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of (a) Obligations in respect of any of the Facilities due and payable to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations due and payable to such Lender at such time to (ii) the aggregate amount of the Obligations in respect of the Facilities due and payable to all Lenders hereunder and under the other Loan Documents at such time) of payments on account of the Obligations in respect of the Facilities due and payable to all Lenders hereunder and under the other Loan Documents at such time obtained by all the Lenders at such time or (b) Obligations in respect of any of the Facilities owing (but not due and payable) to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations owing (but not due and payable) to such Lender at such time to (ii) the aggregate amount of the Obligations in respect of the Facilities owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time) of payments on account of the Obligations in respect of the Facilities owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time obtained by all of the Lenders at such time, then, in each case under clauses (a) and (b) above, the Lender receiving such greater proportion shall (A) notify the Administrative Agent of such fact, and (B) purchase (for cash at face value) participations in the Loans and subparticipations in Swingline Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of Obligations in respect of the Facilities then due and payable to the Lenders or owing (but not due and payable) to the Lenders, as the case may be, provided that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (x) any payment made by or on behalf of any Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or subparticipations in Swingline Loans to any assignee or participant, other than an assignment to the Company or any Affiliate thereof (as to which the provisions of this Section shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Loan Party rights of setoff and

counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation.

2.14. Increase in Commitments.

(a) Borrower Request. The Borrower Representative may by written notice to the Administrative Agent elect to request (x) prior to the Maturity Date for the Revolving Facility, an increase to the existing Revolving Commitments (each, an “Incremental Revolving Commitment”) and/or (y) the establishment of one or more new term loan commitments (each, an “Incremental Term Commitment”), by an aggregate amount not in excess of \$50,000,000. Each such notice shall specify (i) the date (each, an “Increase Effective Date”) on which the Borrower Representative proposes that the Incremental Commitments shall be effective, which shall be a date not less than 15 Business Days after the date on which such notice is delivered to the Administrative Agent and (ii) the identity of each existing Lender or Eligible Assignee to whom the Borrower Representative proposes any portion of such Incremental Commitments be allocated and the amounts of such allocations; provided that any existing Lender approached to provide all or a portion of the Incremental Commitments may elect or decline, in its sole discretion, to provide such Incremental Commitment. Each Incremental Commitment shall be in an aggregate amount of \$25,000,000 or any whole multiple of \$5,000,000 in excess thereof (provided that such amount may be less than \$10,000,000 if such amount represents all remaining availability under the aggregate limit in respect of Incremental Commitments set forth in above).

(b) Conditions. The Incremental Commitments shall become effective as of the Increase Effective Date; provided that:

(i) each of the conditions set forth in Section 4.02 shall be satisfied;

(ii) no Default shall have occurred and be continuing or would result from the borrowings to be made on the Increase Effective Date;

(iii) the representations and warranties contained in Article V and the other Loan Documents are true and correct in all material respects on and as of the Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall have been true and correct in all material respects as of such earlier date, and except that for purposes of this Section 2.14(b), the representations and warranties contained in Section 5.05(a) and Section 5.05(b) shall be deemed to refer to the most recent financial statements furnished pursuant to subsections (a) and (b), respectively, of Section 6.01.

(iv) on a pro forma basis (assuming, in the case of Incremental Revolving Commitments, that such Incremental Revolving Commitments are fully drawn), the Borrowers shall be in compliance with each of the covenants set forth in Section 7.11 as of the end of the latest fiscal quarter for which internal financial statements are available;

(v) the Borrowers shall jointly and severally make any breakage payments in connection with any adjustment of Revolving Loans pursuant to Section 2.14(d); and

(vi) the Borrower Representative shall deliver or cause to be delivered officer’s certificates and legal opinions of the type delivered on the Closing Date to the extent reasonably requested by, and in form and substance reasonably satisfactory to, the Administrative Agent.

(c) Terms of New Loans and Commitments. The terms and provisions of Loans made pursuant to Incremental Commitments shall be as follows:

(i) terms and provisions of Incremental Term Loans shall be, except as otherwise set forth herein or in the Increase Joinder, identical to the Term Loans (it being understood that Incremental Term Loans may be a part of the Term Loans) and to the extent that the terms and provisions of Incremental Term Loans are not identical to the Term Loans (except to the extent permitted by clause (iii), (iv) or (v) below) they shall be reasonably satisfactory to the Administrative Agent; provided that in any event the Incremental Term Loans must comply with clauses (iii), (iv) and (v) below;

(ii) the terms and provisions of Revolving Loans made pursuant to new Commitments shall be identical to the Revolving Loans;

(iii) the weighted average life to maturity of any Incremental Term Loans shall be no shorter than the remaining weighted average life to maturity of the then existing Term Loans;

(iv) the maturity date of Incremental Term Loans (the “Incremental Term Loan Maturity Date”) shall not be earlier than the then Latest Maturity Date;

(v) the Applicable Rate for Incremental Term Loans shall be determined by the Borrowers and the Lenders of the Incremental Term Loans; provided that in the event that the Applicable Rate for any Incremental Term Loan is greater than the Applicable Rate for the existing Term Loans, then the Applicable Rate for the existing Term Loans shall be increased to the extent necessary so that the Applicable Rate for the Incremental Term Loans is equal to the Applicable

Rate for the existing Term Loans, and the Applicable Rate for Revolving Loans (at each point in the table set forth in the definition of “Applicable Rate,” to the extent applicable) shall be increased by the same number of basis points as the Applicable Rate for the Term Loan is increased; provided, further, that in determining the Applicable Rate applicable to the Term Loans and the Incremental Term Loans, (x) original issue discount (“OID”) or upfront fees (which shall be deemed to constitute like amounts of OID) payable by the Borrowers to the Lenders of the Incremental Term Loans in the primary syndication thereof shall be included (with OID being equated to interest based on an assumed four-year life to maturity), (y) customary arrangement or commitment fees payable to one or more arrangers (or their affiliates) of the Incremental Term Loans shall be excluded; and (z) if the LIBOR or Base Rate “floor” for the Incremental Term Loans is greater than the LIBOR or Base Rate “floor,” respectively, for the existing Term Loans, the difference between such floor for the Incremental Term Loans and the existing Term Loans shall be equated to an increase in the Applicable Rate for purposes of this clause (v).

The Incremental Commitments shall be effected by a joinder agreement (the “Increase Joinder”) executed by the Borrowers, the Administrative Agent and each Lender making such Incremental Commitment, in form and substance reasonably satisfactory to each of them. Notwithstanding the provisions of Section 10.01, the Increase Joinder may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent, to effect the provisions of this Section 2.14. In addition, unless otherwise specifically provided herein, from and after the Increase Effective Date all references in Loan Documents to Revolving Loans or Term Loans shall be deemed, unless the context otherwise requires, to include references to Revolving Loans made pursuant to Incremental Revolving Commitments and Incremental Term Loans that are Term Loans, respectively, made pursuant to this Agreement. This Section 2.14 shall supersede any provisions in Section 2.13 or Section 10.01 to the contrary.

(d) Adjustment of Revolving Loans. To the extent the Commitments being increased on the relevant Increase Effective Date are Incremental Revolving Commitments, then each Revolving Lender that is acquiring an Incremental Revolving Commitment on the Increase Effective Date shall make a Revolving Loan, the proceeds of which will be used to prepay the Revolving Loans of the other Revolving Lenders immediately prior to such Increase Effective Date, so that, after giving effect thereto, the Revolving Loans outstanding are held by the Revolving Lenders pro rata based on their Revolving Commitments after giving effect to such Increase Effective Date. If there is a new borrowing of Revolving Loans on such Increase Effective Date, the Revolving Lenders after giving effect to such Increase Effective Date shall make such Revolving Loans in accordance with Section 2.01(b).

(e) Making of New Term Loans. On any Increase Effective Date on which new Commitments for Term Loans are effective, subject to the satisfaction of the foregoing terms and conditions, each Lender of such new Commitment shall make a Term Loan to the Borrowers in an amount equal to its new Commitment.

(f) Equal and Ratable Benefit. The Loans and Commitments established pursuant to this Section 2.14 shall constitute Loans and Commitments under, and shall be entitled to all the benefits afforded by, this Agreement and the other Loan Documents, and shall, without limiting the foregoing, benefit equally and ratably from the Guarantees, except that the new Loans may be subordinated in right of payment to the extent set forth in the Increase Joinder.

2.15. Defaulting Lenders.

(a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable Law:

(i) Waivers and Amendments. Such Defaulting Lender’s right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of “Required Lenders” and Section 10.01.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 10.08 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment of any amounts owing by such Defaulting Lender to the Swingline Lender hereunder; third, as the Borrower Representative may request (so long as no Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fourth, if so determined by the Administrative Agent and the Borrower Representative, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender’s potential future funding obligations with respect to Loans under this Agreement; fifth, to the payment of any amounts owing to the Lenders or the Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender or the Swingline Lender against such Defaulting

Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; sixth, so long as no Default exists, to the payment of any amounts owing to a Loan Party as a result of any judgment of a court of competent jurisdiction obtained by such Loan Party against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and seventh, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Section 4.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans and funded and unfunded participations in Swingline Loans are held by the Lenders pro rata in accordance with the Commitments hereunder. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees. No Defaulting Lender shall be entitled to receive any fee payable under Section 2.09(a) for any period during which that Lender is a Defaulting Lender (and the Borrowers shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(b) Defaulting Lender Cure. If the Borrower Representative, the Administrative Agent and the Swingline Lender agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Swingline Loans to be held on a pro rata basis by the Lenders in accordance with their Applicable Percentages, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrowers while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

ARTICLE III

TAXES, YIELD PROTECTION AND ILLEGALITY

3.01. Taxes.

(a) Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes. (i) Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws (as determined in the good faith discretion of the Administrative Agent) require the deduction or withholding of any Tax from any such payment by the Administrative Agent or a Loan Party, then the Administrative Agent or such Loan Party shall be entitled to make such deduction or withholding, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If any Loan Party or the Administrative Agent shall be required by the Code to withhold or deduct any Taxes, including both United States Federal backup withholding and withholding taxes, from any payment, then (A) the Administrative Agent shall withhold or make such deductions as are determined by the Administrative Agent to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Administrative Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(iii) If any Loan Party or the Administrative Agent shall be required by any applicable Laws other than the Code to withhold or deduct any Taxes from any payment, then (A) such Loan Party or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) such Loan Party or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under

this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) Payment of Other Taxes by the Loan Parties. Without limiting the provisions of subsection (a) above, the Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) Tax Indemnifications. (i) Each of the Loan Parties shall, and does hereby, jointly and severally indemnify each Recipient, and shall make payment in respect thereof within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.01) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower Representative by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error. Each of the Loan Parties shall, and does hereby, jointly and severally indemnify the Administrative Agent, and shall make payment in respect thereof within 10 days after demand therefor, for any amount which a Lender for any reason fails to pay indefeasibly to the Administrative Agent as required pursuant to Section 3.01(c)(ii) below.

(ii) Each Lender shall, and does hereby, severally indemnify, and shall make payment in respect thereof within 10 days after demand therefor, (x) the Administrative Agent against any Indemnified Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Loan Party to do so), (y) the Administrative Agent and the Loan Party, as applicable, against any Taxes attributable to such Lender's failure to comply with the provisions of Section 10.06(d) relating to the maintenance of a Participant Register and (z) the Administrative Agent and the Loan Party, as applicable, against any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent or a Loan Party in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under this Agreement or any other Loan Document against any amount due to the Administrative Agent under this clause (ii).

(d) Evidence of Payments. Upon request by the Borrower Representative or the Administrative Agent, as the case may be, after any payment of Taxes by any Loan Party or by the Administrative Agent to a Governmental Authority as provided in this Section 3.01, the Borrower Representative shall deliver to the Administrative Agent or the Administrative Agent shall deliver to the Borrower Representative, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the Borrower Representative or the Administrative Agent, as the case may be.

(e) Status of Lenders; Tax Documentation. (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower Representative and the Administrative Agent, at the time or times reasonably requested by the Borrower Representative or the Administrative Agent, such properly completed and executed documentation prescribed by applicable law or the taxing authorities of a jurisdiction pursuant to such applicable law or reasonably requested by the Borrower Representative or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower Representative or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower Representative or the Administrative Agent as will enable the Borrower Representative or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation either (A) set forth in Section 3.01(e)(ii)(A), (ii)(B) and (ii)(D) below or (B) required by applicable law other than the Code or the taxing authorities of the jurisdiction pursuant to such applicable law to comply with the requirements for exemption or reduction of withholding tax in that jurisdiction) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that a Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the Borrower Representative and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time

thereafter upon the reasonable request of the Borrower Representative or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower Representative and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Representative or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN-E (or W-8BEN, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN-E (or W-8BEN, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit K-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of the Borrower Representative within the meaning of Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed copies of IRS Form W-8BEN-E (or W-8BEN, as applicable); or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E (or W-8BEN, as applicable), a U.S. Tax Compliance Certificate substantially in the form of Exhibit K-2 or Exhibit K-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit K-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower Representative and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Representative or the Administrative Agent), executed copies (or originals, as required) of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower Representative or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower Representative and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower Representative or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower Representative or the Administrative Agent as may be necessary for the Borrower Representative and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

(iii) Each Lender agrees that if any form or certification it previously delivered pursuant to this Section 3.01 expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower Representative and the Administrative Agent in writing of its legal inability to do so.

(f) Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender, or have any obligation to pay to any Lender any refund of Taxes withheld or deducted from funds paid for the account of such Lender. If any Recipient determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has

been indemnified by any Loan Party or with respect to which any Loan Party has paid additional amounts pursuant to this Section 3.01, it shall pay to such Loan Party an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by a Loan Party under this Section 3.01 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) incurred by such Recipient, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that each Loan Party, upon the request of the Recipient, agrees to repay the amount paid over to such Loan Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Recipient in the event the Recipient is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the applicable Recipient be required to pay any amount to such Loan Party pursuant to this subsection the payment of which would place the Recipient in a less favorable net after-Tax position than such Recipient would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This subsection shall not be construed to require any Recipient to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Loan Party or any other Person.

(g) Survival. Each party's obligations under this Section 3.01 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

3.02. Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Loans whose interest is determined by reference to the LIBOR Rate, or to determine or charge interest rates based upon the LIBOR Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the applicable interbank market, then, on notice thereof by such Lender to the Borrower Representative through the Administrative Agent, (i) any obligation of such Lender to make or continue LIBOR Rate Loans or to convert Base Rate Loans to LIBOR Rate Loans, shall be suspended, and (ii) if such notice asserts the illegality of such Lender making or maintaining Base Rate Loans the interest rate on which is determined by reference to the LIBOR Rate component of the Base Rate, the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the LIBOR Rate component of the Base Rate, in each case until such Lender notifies the Administrative Agent and the Borrower Representative that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (x) the Borrowers shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, convert all LIBOR Rate Loans of such Lender to Base Rate Loans (the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the LIBOR Rate component of the Base Rate), either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such LIBOR Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such LIBOR Rate Loans and (y) if such notice asserts the illegality of such Lender determining or charging interest rates based upon the LIBOR Rate, the Administrative Agent shall during the period of such suspension compute the Base Rate applicable to such Lender without reference to the LIBOR Rate component thereof until the Administrative Agent is advised in writing by such Lender that it is no longer illegal for such Lender to determine or charge interest rates based upon the LIBOR Rate. Upon any such prepayment or conversion, the Borrowers shall also pay accrued interest on the amount so prepaid or converted.

3.03. Inability to Determine Rates. If in connection with any request for a LIBOR Rate Loan or a conversion to or continuation thereof, (a) the Administrative Agent determines that (i) deposits are not being offered to banks in the applicable offshore interbank market for such currency for the applicable amount and Interest Period of such LIBOR Rate Loan, or (ii) adequate and reasonable means do not exist for determining the LIBOR Rate for any requested Interest Period with respect to a proposed LIBOR Rate Loan or in connection with an existing or proposed Base Rate Loan, or (b) the Required Lenders determine that for any reason the LIBOR Rate for any requested Interest Period with respect to a proposed LIBOR Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such LIBOR Rate Loan, the Administrative Agent will promptly so notify the Borrower Representative and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain LIBOR Rate Loans shall be suspended, and (y) in the event of a determination described in the preceding sentence with respect to the LIBOR Rate component of the Base Rate, the utilization of the LIBOR Rate component in determining the Base Rate shall be suspended, in each case until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower Representative may revoke any pending request for a Borrowing of, conversion to or continuation of LIBOR Rate Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

3.04. Increased Costs; Reserves on LIBOR Rate Loans.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 3.04(e), other than as set forth below);

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or LIBOR Rate Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making, converting to, continuing or maintaining any Loan the interest on which is determined by reference to the LIBOR Rate (or of maintaining its obligation to make any such Loan), or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or any other amount) then, upon request of such Lender, the Borrower Representative will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any Lending Office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Swingline Loans held by, such Lender, to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower Representative will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrower Representative shall be conclusive absent manifest error. The Borrower Representative shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section 3.04 shall not constitute a waiver of such Lender's right to demand such compensation, provided that no Borrower shall be required to compensate a Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrower Representative of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Additional Reserve Requirements. The Borrower Representative shall pay to each Lender, as long as such Lender shall be required to comply with any reserve ratio requirement or analogous requirement of any other central banking or financial regulatory authority imposed in respect of the maintenance of the Commitments or the funding of the LIBOR Rate Loans, such additional costs (expressed as a percentage per annum and rounded upwards, if necessary, to the nearest five decimal places) equal to the actual costs allocated to such Commitment or Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided the Borrower Representative shall have received at least 10 days' prior notice (with a copy to the Administrative Agent) of such additional interest or costs from such Lender. If a Lender fails to give notice 10 days prior to the relevant Interest Payment Date, such additional interest or costs shall be due and payable 10 days from receipt of such notice.

3.05. Compensation for Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrowers shall jointly and severally promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by any Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower Representative; or

(c) any assignment of a LIBOR Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower Representative pursuant to Section 10.13;

including any loss of anticipated profits, any foreign exchange losses and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan, from fees payable to terminate the deposits from which such funds were obtained or from the performance of any foreign exchange contract. The Borrowers shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrowers to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each LIBOR Rate Loan made by it at the LIBOR Rate used in determining the LIBOR Rate for such Loan by a matching deposit or other borrowing in the offshore interbank market for such currency for a comparable amount and for a comparable period, whether or not such LIBOR Rate Loan was in fact so funded.

3.06. Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.04, or requires any Borrower to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then at the request of the Borrower Representative such Lender shall, as applicable, use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby jointly and severally agree to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if any Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01 and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 3.06(a), the Borrowers may replace such Lender in accordance with Section 10.13.

3.07. Survival. All obligations of the Loan Parties under this Article III shall survive termination of the Aggregate Commitments, repayment of all other Obligations hereunder, resignation of the Administrative Agent and the Facility Termination Date.

ARTICLE IV

CONDITIONS PRECEDENT TO LOANS

4.01. Conditions of Initial Loans. The obligation of each Lender to make its initial Loans hereunder is subject to satisfaction of the following conditions precedent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent and each of the Lenders:

(i) executed counterparts of this Agreement, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower Representative;

(ii) Notes executed by the Borrowers in favor of each Lender requesting Notes;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party;

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and that each of the Loan Parties is validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect;

(v) a favorable opinion of Greenberg Traurig, LLP, counsel to the Loan Parties, and Husch Blackwell LLP, Missouri counsel to certain Guarantors (or such other Missouri counsel as may be reasonably acceptable to the Administrative Agent), in each case addressed to the Administrative Agent and each Lender, as to such matters concerning the Loan Parties and the Loan Documents as the Required Lenders may reasonably request;

(vi) a certificate signed by a Responsible Officer of the Company certifying (A) that the conditions specified in Sections 4.02(a) and (b) have been satisfied, and (B) that there has been no event or circumstance since the date of the Audited Financial Statements that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect; (C) that the Redemption Notes have been irrevocably called for redemption on June 15, 2015 in accordance with terms of the Redemption Notes Indenture and that the Company has deposited with the trustee under such indenture the money sufficient to fully redeem the Redemption Notes as of such date in accordance with the terms of the Redemption Notes Indenture and, upon such redemption, the Redemption Notes Indenture has been satisfied and discharged in accordance with (and subject to) the terms of such indenture, excepting those provisions that expressly survive satisfaction and discharge and (D) that the execution and delivery of this Agreement and the incurrence of any Indebtedness hereunder does not violate Section 4.09 of the 2018 Senior Notes Indenture;

(vii) evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect;

(viii) evidence that the Existing Credit Agreement has been or concurrently with the Closing Date is being terminated;

(ix) a Solvency Certificate signed by a Responsible Officer of the Borrower Representative as to the financial condition, solvency and related matters of the Loan Parties, after giving effect to the initial borrowings under the Loan Documents and the other transactions contemplated hereby;

(x) The Administrative Agent shall have received a Loan Notice with respect to the Loans to be made on the Closing Date;

(xi) Evidence reasonably satisfactory to the Administrative Agent that (A) the Redemption Notes have been irrevocably called for redemption on June 15, 2015 in accordance with terms of the Redemption Notes Indenture, (B) the Company has deposited with the trustee under the Redemption Notes Indenture the money sufficient to fully redeem the Redemption Notes as of such date in accordance with the terms of the Redemption Notes Indenture and, upon such redemption, the Redemption Notes Indenture has been satisfied and discharged in accordance with (and subject to) the terms of the Redemption Notes Indenture, excepting those provisions that expressly survive satisfaction and discharge and (C) the Existing Credit Agreement shall be repaid in full on or prior to the Closing Date; and

(xii) such other assurances, certificates, documents, consents or opinions as the Administrative Agent or the Required Lenders reasonably may require.

(b) The Administrative Agent and the Lenders shall have received all fees and expenses, if any, owing pursuant to the TD Bank Fee Letter and Section 2.09.

(c) Unless waived by the Administrative Agent, the Borrowers shall have paid all fees, charges and disbursements of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) to the extent invoiced prior to or on the Closing Date, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Company and the Administrative Agent).

Without limiting the generality of the provisions of the last paragraph of Section 9.03, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

4.02. Conditions to all Loans. The obligation of each Lender to make a Loan on the occasion of a Borrowing (but excluding Revolving Loans the proceeds of which are to reimburse the Swingline Lender for Swingline Loans) is subject to the following conditions precedent:

(a) The representations and warranties of the Loan Parties contained in Article V and in each other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the date of such Loans, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this Section 4.02,

the representations and warranties contained in subsections (a) and (b) of Section 5.06 shall be deemed to refer to the most recent statements furnished pursuant to subsections (a) and (b), respectively, of Section 6.01.

(b) No Default shall exist, or would result from such proposed Loans or from the application of the proceeds thereof.

(c) The Administrative Agent shall have received a Loan Notice in accordance with the requirements hereof.

(d) The incurrence of the Indebtedness in respect of such Borrowing is permitted under Section 4.09 of the 2018 Senior Notes Indenture.

Each Loan Notice (other than a Loan Notice requesting only a conversion of Loans to the other Type or a continuation of LIBOR Rate Loans) submitted by the Borrower Representative shall be deemed to be a representation and warranty that the conditions specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Loan.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

Each Loan Party represents and warrants to the Administrative Agent and the Lenders that:

5.01. Existence, Qualification and Power. Each Loan Party and each of its Subsidiaries (a) is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, and (c) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license; except in each case referred to in clause (b)(i) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect. The copy of the Organization Documents of each Loan Party provided to the Administrative Agent pursuant to the terms of this Agreement is a true and correct copy of each such document, each of which is valid and in full force and effect.

5.02. Authorization; No Contravention. The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is or is to be a party have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (i) any Contractual Obligation to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries, including, without limitation, any Permitted Notes Indenture, or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any Law.

5.03. Governmental Authorization; Other Consents. No material approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with (a) the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document, or (b) the exercise by the Administrative Agent or any Lender of its rights or the remedies under the Loan Documents other than authorizations, approvals, actions, notices and filings which have been duly obtained.

5.04. Binding Effect. This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by each Loan Party that is party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is party thereto in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principals of equity.

5.05. Solvency. (a) (i) The fair value of the assets of the Borrowers, taken as a whole, at a fair valuation, will exceed their debts and liabilities, subordinated, contingent or otherwise, (ii) the present fair saleable value of the property of the Borrowers, taken as a whole, will be greater than the amount that will be required to pay the probable liability of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (iii) the Borrowers, taken as a whole, will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, and (iv) the Borrowers, taken as a whole, will not have unreasonably small capital with which to conduct the business in which they are engaged as such business is now conducted and is proposed to be conducted after the Closing Date.

(b) The Borrowers, taken as a whole, do not intend to, or will not permit any of their Subsidiaries to, or believe that they or any of their Subsidiaries, taken as a whole, will, incur debts beyond their ability to pay such debts as they mature, taking into account the timing of and amounts of cash to be received by them or any such Subsidiary and the timing of the amounts of cash

to be payable on or in respect of their Indebtedness or the Indebtedness of their Subsidiaries, taken as a whole. The Borrowers will not permit any of their Subsidiaries, taken as a whole, to incur debts beyond their ability to pay such debts as they mature, if, as a result of doing so, it could be reasonably expected to have a Material Adverse Effect on the Borrowers and their Subsidiaries, taken as a whole.

5.06. Financial Statements; No Material Adverse Effect.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of the Company and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Company and its Subsidiaries as of the date thereof, including liabilities for taxes and Indebtedness.

(b) The unaudited consolidated balance sheets of the Company and its Subsidiaries dated April 30, 2015, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal quarter ended on that date (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and (ii) fairly present in all material respects the financial condition of the Company and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby, subject, in the case of clauses (i) and (ii), to the absence of footnotes and to normal year-end audit adjustments. Schedule 5.06 sets forth all material indebtedness and other liabilities, direct or contingent, of the Company and its consolidated Subsidiaries not included in such financial statements, including liabilities for taxes, material commitments and Indebtedness.

(c) Since the date of the Audited Financial Statements, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

(d) The consolidated forecasted balance sheet and statements of income and cash flows of the Company and its Subsidiaries delivered pursuant to Section 6.01(c) were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair in light of the conditions existing at the time of delivery of such forecasts, and represented, at the time of delivery, the Company's best estimate of its future financial condition and performance.

5.07. Litigation. There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Company after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against the Company or any of its Subsidiaries or against any of their properties or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby, or (b) except as specifically disclosed in Schedule 5.07, either individually or in the aggregate, if determined adversely, could reasonably be expected to have a Material Adverse Effect, and there has been no adverse change in the status, or financial effect on any Loan Party or any Subsidiary thereof, of the matters described on Schedule 5.07.

5.08. No Default. Neither any Loan Party nor any Subsidiary thereof is in default under or with respect to any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

5.09. Ownership of Property; Liens. Each of the Company and each Subsidiary has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The property of the Company and its Subsidiaries is subject to no Liens, other than Liens permitted by Section 7.01.

5.10. Environmental Compliance. The Company and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof the Company has reasonably concluded that, except as specifically disclosed in Schedule 5.10, such Environmental Laws and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.11. Insurance. The properties of the Company and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Company, in such amounts (after giving effect to any self-insurance compatible with the following standards), with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Company or the applicable Subsidiary operates.

5.12. Taxes. The Company and its Subsidiaries have filed all Federal, state and other material tax returns and reports required to be filed, and have paid all Federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Company or any Subsidiary that would, if made, have a Material Adverse Effect.

5.13. ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state laws. Each Pension Plan that is intended to be a qualified plan under Section 401(a) of the Code has received a favorable determination letter from the IRS to the effect that the form of such Plan is qualified under Section 401(a) of the Code and the trust related thereto has been determined by the IRS to be exempt from federal income tax under Section 501(a) of the Code, or an application for such a letter is currently being processed by the IRS. To the best knowledge of the Company, nothing has occurred that would prevent or cause the loss of such tax-qualified status.

(b) There are no pending or, to the best knowledge of the Company, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred, and neither the Company nor any ERISA Affiliate is aware of any fact, event or circumstance that could reasonably be expected to constitute or result in an ERISA Event with respect to any Pension Plan; (ii) the Company and each ERISA Affiliate has met all applicable requirements under the Pension Funding Rules in respect of each Pension Plan, and no waiver of the minimum funding standards under the Pension Funding Rules has been applied for or obtained; (iii) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is 60% or higher and neither the Company nor any ERISA Affiliate knows of any facts or circumstances that could reasonably be expected to cause the funding target attainment percentage for any such plan to drop below 60% as of the most recent valuation date; (iv) neither the Company nor any ERISA Affiliate has incurred any liability to the PBGC other than for the payment of premiums, and there are no premium payments which have become due that are unpaid; (v) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or Section 4212(c) of ERISA; and (vi) no Pension Plan has been terminated by the plan administrator thereof nor by the PBGC, and no event or circumstance has occurred or exists that could reasonably be expected to cause the PBGC to institute proceedings under Title IV of ERISA to terminate any Pension Plan.

(d) Neither the Company or any ERISA Affiliate maintains or contributes to, or has any unsatisfied obligation to contribute to, or liability under, any active or terminated Pension Plan other than (A) on the Closing Date, those listed on Schedule 5.13 hereto and (B) thereafter, Pension Plans not otherwise prohibited by this Agreement.

5.14. Subsidiaries; Equity Interests. The Company has no Subsidiaries other than those specifically disclosed in Part (a) of Schedule 5.14, and all of the outstanding Equity Interests in such Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by a Loan Party in the amounts specified on Part (a) of Schedule 5.14 free and clear of all Liens. The Company has no equity investments in any other corporation or entity other than those specifically disclosed in Part (b) of Schedule 5.14.

5.15. Margin Regulations; Investment Company Act.

(a) No Borrower is engaged or will engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of the Company, any Person Controlling the Company, or any Subsidiary is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

5.16. Disclosure. The Borrower Representative, on behalf of all Loan Parties, has disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which the Company or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No report, financial statement, certificate or other information furnished (whether in writing or orally) by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (in each case, as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

5.17. Compliance with Laws. Each Loan Party and each Subsidiary thereof is in compliance in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.18. Taxpayer Identification Number. The true and correct U.S. taxpayer identification number of each Borrower is set forth on Schedule 10.02.

5.19. Casualty, Etc. Neither the businesses nor the properties of any Loan Party or any of its Subsidiaries are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.20. Intellectual Property; Licenses, Etc. The Company and its Subsidiaries own, or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights (collectively, “IP Rights”) that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the best knowledge of the Company, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company or any Subsidiary infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Company, threatened, which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.21. OFAC.

(a) Sanctions Concerns. No Loan Party, nor any of its Subsidiaries, or, to the knowledge of any Loan Party and its Subsidiaries, any director, officer, employee, agent, affiliate or representative thereof is an individual or entity that is (i) currently the subject of any Sanctions, (ii) included on OFAC’s List of Specially Designated Nationals, HMT’s Consolidated List of Financial Sanctions Targets and the Investment Ban List or any similar list enforced by any other relevant sanctions authority or (iii) located, organized or resident in a country or territory that is the subject of Sanctions.

(b) Anti-Corruption Laws. Except as set forth on Schedule 5.21, and to the knowledge of the Loan Parties, the Loan Parties and their Subsidiaries have conducted their business in compliance in all material respects with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and other similar anti-corruption legislation in other jurisdictions applicable to the Loan Parties, and have instituted and maintained policies and procedures designed to promote and achieve compliance in all material respects with such laws.

5.22. Senior Credit Facility. The Obligations under this Agreement are a “Senior Credit Facility” as defined in the 2018 Senior Notes Indenture. Any Obligations in respect of Swap Contracts complying with Section 6.16 will be Indebtedness under “Hedging Obligations” for all purposes of the 2018 Senior Notes Indenture.

ARTICLE VI

AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, the Company shall, and shall (except in the case of the covenants set forth in Sections 6.01, 6.02, and 6.03) cause each Subsidiary to:

6.01. Financial Statements. Deliver to the Administrative Agent (and the Administrative Agent will furnish to each Lender promptly after receipt thereof) in form and detail satisfactory to the Administrative Agent:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Company or, if earlier, 15 days after the date required to be filed with the SEC (without giving effect to any extension permitted by the SEC)), a consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of income or operations, changes in shareholders’ equity, and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, such consolidated statements to be audited and accompanied by a report and opinion of an independent certified public accountant of nationally recognized standing reasonably acceptable to the Required Lenders, which report and opinion shall be

prepared in accordance with generally accepted auditing standards and shall not be subject to any “going concern” or like qualification or exception or any qualification or exception as to the scope of such audit; and

(b) as soon as available, but in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Company (or, if earlier, 15 days after the date required to be filed with the SEC (without giving effect to any extension permitted by the SEC)), a consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal quarter, the related consolidated statements of income or operations for such fiscal quarter and for the portion of the Company’s fiscal year then ended, and the related consolidated statements of changes in shareholders’ equity, and cash flows for the portion of the Company’s fiscal year then ended, in each case setting forth in comparative form, as applicable, the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail, such consolidated statements to be certified by the chief executive officer, chief financial officer, treasurer or controller of the Company as fairly presenting the financial condition, results of operations, shareholders’ equity and cash flows of the Company and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes; and

(c) as soon as available, but in any event not later than 92 days after the beginning of each fiscal year of the Company, forecasts prepared by management of the Company, in form satisfactory to the Administrative Agent and the Required Lenders, of consolidated balance sheets and statements of income or operations and cash flows of the Company and its Subsidiaries for the immediately following fiscal year (including the fiscal year in which the Maturity Date occurs).

As to any information contained in materials furnished pursuant to Section 6.02(c), the Company shall not be separately required to furnish such information under subsection (a) or (b) above, but the foregoing shall not be in derogation of the obligation of the Company to furnish the information and materials described in subsections (a) and (b) above at the times specified therein.

6.02. Certificates; Other Information. Deliver to the Administrative Agent (and the Administrative Agent will furnish to each Lender promptly after receipt thereof), in form and detail satisfactory to the Administrative Agent:

(a) concurrently with the delivery of the financial statements referred to in Sections 6.01(a) and (b) (commencing with the delivery of the financial statements for the fiscal quarter ended April 30, 2015), a duly completed Compliance Certificate signed by the chief executive officer, chief financial officer, treasurer or controller of the Company (which delivery may, unless the Administrative Agent, or a Lender requests executed originals, be by electronic communication including fax or email and shall be deemed to be an original authentic counterpart thereof for all purposes);

(b) promptly after any request by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Company by independent accountants in connection with the accounts or books of the Company or any Subsidiary, or any audit of any of them;

(c) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Company, and copies of all annual, regular, periodic and special reports and registration statements which the Company may file or be required to file with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(d) promptly after the furnishing thereof, copies of any statement or report furnished to any holder of debt securities of any Loan Party or any Subsidiary thereof pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Lenders pursuant to Section 6.01 or any other clause of this Section 6.02;

(e) promptly, and in any event within five Business Days after receipt thereof by any Loan Party or any Subsidiary thereof, copies of each notice or other correspondence received from the SEC (or comparable agency in any applicable non-U.S. jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of any Loan Party or any Subsidiary thereof;

(f) Within ten (10) days prior to any merger, consolidation, dissolution or other change in entity structure of any Loan Party or any of its Subsidiaries permitted pursuant to the terms hereof, provide notice of such change in entity structure to the Administrative Agent, along with such other information as reasonably requested by the Administrative Agent. Provide notice to the Administrative Agent, not less than ten (10) days prior (or such shorter period of time as agreed to by the Administrative Agent) of any change in any Loan Party’s legal name, state of organization, or organizational existence.

(g) Not later than five (5) Business Days after receipt thereof by any Loan Party or any Subsidiary thereof, copies of all notices, requests and other documents (including amendments, waivers and other modifications) so received under or pursuant to any instrument, indenture, loan or credit or similar agreement regarding or related to any breach or default by any party thereto or any other event that could materially impair the value of the interests or the rights of any Loan Party or otherwise have a Material

Adverse Effect and, from time to time upon request by the Administrative Agent, such information and reports regarding such instruments, indentures and loan and credit and similar agreements as the Administrative Agent may reasonably request; and

(h) promptly, such additional information regarding the business, financial or corporate affairs of the Company or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.01(a) or (b) or Section 6.02(c) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Company posts such documents, or provides a link thereto on the Company's website on the Internet at the website address listed on Schedule 10.02; or (ii) on which such documents are posted on the Company's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Company shall deliver paper copies of such documents to the Administrative Agent or any Lender upon its request to the Company to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Company shall notify the Administrative Agent and each Lender (by facsimile or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. The Administrative Agent shall have no obligation to request the delivery of or to maintain paper copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Company with any such request by a Lender for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

Each Loan Party hereby acknowledges that (a) the Administrative Agent and/or the Arrangers may, but shall not be obligated to, make available to the Lenders materials and/or information provided by or on behalf of the Loan Parties hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on DebtDomain, IntraLinks, Syndtrak or another similar electronic system (the "Platform") and (b) certain of the Lenders (each, a "Public Lender") may have personnel who do not wish to receive material non-public information with respect to any of the Loan Parties or their respective Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. Each Loan Party hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Loan Parties shall be deemed to have authorized the Administrative Agent, the Arrangers and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Loan Parties or their respective securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 10.07); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Side Information;" and (z) the Administrative Agent and the Arrangers shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Side Information."

6.03. Notices. Promptly notify the Administrative Agent (and the Administrative Agent will notify each Lender promptly after receipt thereof):

(a) of the occurrence of any Default;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Company or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Company or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary, including pursuant to any applicable Environmental Laws;

(c) of the occurrence of any ERISA Event; and

(d) of any material change in accounting policies or financial reporting practices by the Company or any Subsidiary, including any determination by the Company referred to in Section 2.10(b).

Concurrently with the delivery of the Compliance Certificate referred to in Section 6.02(a), the Loan Parties will notify the Administrative Agent of any occurrence of any Disposition or Involuntary Disposition of property or assets for which (with the passage of time) the Borrowers are required to make a mandatory prepayment pursuant to Section 2.05(b)(i).

Each notice pursuant to this Section 6.03 shall be accompanied by a statement of a Responsible Officer of the Company setting forth details of the occurrence referred to therein and stating what action the Company has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

6.04. Payment of Obligations. Pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

6.05. Preservation of Existence, Etc. (a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization except in a transaction permitted by Section 7.04 or 7.05; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

6.06. Maintenance of Properties. (a) Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) use the standard of care typical in the industry in the operation and maintenance of its facilities.

6.07. Maintenance of Insurance. Maintain with financially sound and reputable insurance companies not Affiliates of the Company, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts (after giving effect to any self-insurance compatible with the following standards) as are customarily carried under similar circumstances by such other Persons and providing for not less than 30 days' prior notice to the Administrative Agent of termination, lapse or cancellation of such insurance.

6.08. Compliance with Laws. Comply with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.09. Books and Records. (a) Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Company or such Subsidiary, as the case may be; and (b) maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over the Company or such Subsidiary, as the case may be.

6.10. Inspection Rights. Permit representatives and independent contractors of the Administrative Agent to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Company and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Company; provided, however, (i) that, in the absence of a continuing Event of Default, only one such visit or inspection shall be permitted in any calendar year and (ii) when an Event of Default has occurred and is continuing, the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Company at any time during normal business hours and without advance notice.

6.11. Use of Proceeds. Use the proceeds of the Loans (i) to repay in full all amounts in respect of the Existing Credit Agreement and (ii) for general corporate purposes not in contravention of any Law or of any Loan Document, including, without limitation, Permitted Acquisitions, Permitted Business Acquisitions, Permitted Share Repurchases, Permitted Note Repurchases and Redemptions and working capital purposes.

6.12. Additional Subsidiary Guarantors; Foreign Subsidiaries.

(a) Notify the Administrative Agent at the time that (i) any Person becomes a Domestic Subsidiary (other than an Excluded Subsidiary) or (ii) any Excluded Subsidiary ceases to constitute an Excluded Subsidiary, and promptly thereafter (and in any event within 5 days), cause such Person to (A) become a Guarantor by executing and delivering to the Administrative Agent a Joinder Agreement and (B) deliver to the Administrative Agent documents of the types referred to in clauses (iii) and (iv) of Section 4.01(a), favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clause (a)) and such other documents or agreements as the Administrative Agent may reasonably request, all in form, content and scope reasonably satisfactory to the Administrative Agent.

(b) With respect to the creation or acquisition on any date after the Closing Date, of a First Tier Foreign Subsidiary (other than an Immaterial Subsidiary), or if such a First Tier Foreign Subsidiary is no longer an Immaterial Subsidiary on any date, the Borrower Representative shall deliver (or cause to be delivered) to the Administrative Agent as promptly as possible but in any event within thirty (30) days (or such later date as may be agreed upon by the Administrative Agent) of such date, for the benefit of the Lenders and any Affiliate Counterparties or other Affiliates of any Lenders holding any Obligations, the share certificates (or other evidence of equity), if any, owned by a Loan Party and related undated stock transfer powers executed in blank pursuant to the terms of a pledge agreement executed by the appropriate Loan Party; provided, however, that no Loan Party shall be required to pledge more than the Applicable Pledge Percentage of the outstanding shares or other Equity Interest in any such First Tier Foreign Subsidiary.

(c) With respect to any foreign shares pledged to the Administrative Agent, for the benefit of the Lenders and any Affiliate Counterparties or other Affiliates of any Lenders holding any Obligations, on or after the Closing Date, the Administrative Agent shall, at all times thereafter, in the discretion of the Administrative Agent or the Required Lenders, have the right to perfect, at the Borrowers' cost, payable upon request therefor (including, without limitation, any foreign counsel, or foreign notary, filing, registration or similar, fees, costs or expenses), its security interest in the pledged securities in the respective foreign jurisdiction; provided that, the Administrative Agent, in its reasonable discretion and in consultation with the Borrower Representative, may waive the requirements of this subsection (c) with respect to the perfection of any pledged securities in any foreign jurisdiction to the extent that it determines that the costs of perfecting its security interests in such pledged securities are excessive in relation to the value of the security to be afforded thereby.

6.13. Depository Banks. Maintain TD Bank as a principal depository bank, including for the maintenance of operating, administrative, cash management, collection activity, and other deposit accounts for the conduct of its business.

6.14. Further Assurances. Promptly upon request by the Administrative Agent, or any Lender through the Administrative Agent, (a) correct any material defect or error that may be discovered in any Loan Document or in the execution, acknowledgment, filing or recordation thereof, and (b) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, certificates, assurances and other instruments as the Administrative Agent, or any Lender through the Administrative Agent, may reasonably require from time to time in order to carry out more effectively the purposes of the Loan Documents.

6.15. Anti-Corruption Laws. Conduct its business in compliance in all material respects with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and other similar anti-corruption legislation in other jurisdictions applicable to the Loan Parties and maintain policies and procedures designed to promote and achieve compliance in all material respects with such laws.

6.16. Interest Rate Hedging. S&W shall enter into prior to September 13, 2015 and maintain at all times thereafter, interest rate Swap Contracts with one or more Lenders or Affiliate Counterparties, or with other Persons acceptable to the Administrative Agent and the Required Lenders, covering a notional amount of not less than 75% of the aggregate outstanding Term Loans.

ARTICLE VII

NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, the Company shall not, nor shall it permit any Subsidiary to, directly or indirectly:

7.01. Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens pursuant to any Loan Document securing the Obligations;

(b) Liens existing on the Closing Date and listed on Schedule 7.01 and any renewals or extensions thereof, provided that (i) the property covered thereby is not changed, (ii) the amount secured or benefited thereby is not increased except as contemplated by Section 7.03(b), (iii) the direct or any contingent obligor with respect thereto is not changed, and (iv) any renewal or extension of the obligations secured or benefited thereby is permitted by Section 7.03(b);

(c) Liens for Taxes not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person;

(e) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;

(f) deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;

(h) Liens securing judgments for the payment of money not constituting an Event of Default under Section 8.01(h);

(i) Liens securing Indebtedness permitted under Section 7.03(e); provided that (i) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (ii) the Indebtedness secured thereby does not exceed the cost or fair market value, whichever is lower, of the property being acquired on the date of acquisition;

(j) in connection with any Acquisition, any Lien on personal property of the acquisition target with respect to capital leases or purchase money Indebtedness existing prior to acquisition by the Company or any Subsidiary, provided that (i) such Lien shall be limited to the assets financed by such capital lease or purchase money Indebtedness, (ii) such Lien shall not apply to the inventory, accounts and general intangibles of the acquisition target, (iii) such Lien shall not apply or extend to any other assets or property of any Borrower or any other Subsidiary, (iv) such Lien shall secure only those obligations it secures on the date of such acquisition, including any extensions, renewals and replacements thereof, and no future obligations, and (v) such Lien was not granted in contemplation of or in connection with such Acquisition;

(k) Liens arising out of sale and leaseback transactions permitted by Section 7.17, provided that such Liens do not at any time encumber any property other than the property which is the subject of such sale and leaseback transactions; and

(l) Liens of a collecting bank arising in the ordinary course of business under the Uniform Commercial Code covering only the items being collected upon.

7.02. Investments. Make any Investments, other than the following:

(a) Permitted Investments;

(b) (i) Investments in existence on the Closing Date by a Borrower in Equity Interests of its Subsidiaries and (ii) other Investments in existence on the Closing Date as described in Schedule 7.02; provided, that, other than to the extent permitted by clause (c) below, the amount in each case of (i) and (ii) is not increased after the date of this Agreement;

(c) Investments after the date hereof by a Borrower in Equity Interests in a Guarantor;

(d) loans or advances made by any Borrower to any other Borrower or any Guarantor and made by any Guarantor to any Borrower or any other Guarantor;

(e) guarantees constituting Indebtedness permitted by Section 7.03 or arising by endorsement of items for deposit or collection received in the ordinary course of business;

(f) Investments by a Borrower in any Subsidiary to the extent required to make a Permitted Acquisitions or Permitted Business Acquisitions in accordance with the terms of this Agreement;

(g) notes payable, or stock or other securities issued by account debtors to a Loan Party pursuant to plans of reorganization or negotiated agreements with respect to settlement of such account debtor's Accounts in the ordinary course of business, consistent with past practices;

(h) Investments in the form of Swap Contracts permitted by Section 7.03;

(i) Investments of any Person existing at the time such Person becomes a Subsidiary of the Company or consolidates or merges with the Company or any of the Subsidiaries so long as such investments were not made in contemplation of such Person becoming a Subsidiary or of such merger;

(j) Investments received in connection with the dispositions of assets permitted by Section 7.05; and

(k) Investments, in the aggregate, not exceeding \$1,000,000 in the aggregate in any fiscal year of the Company; provided, however, that the amount of Investments permitted under this clause (k) will be increased in any fiscal year by an amount equal to amounts not expended in prior fiscal years (commencing with the Company's fiscal year that commenced May 1, 2015).

7.03. Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) Indebtedness outstanding on the date hereof and listed on Schedule 7.03 and any refinancings, refundings, renewals or extensions thereof; provided that the amount of such Indebtedness is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such refinancing and by an amount equal to any existing commitments unutilized thereunder;

(c) Guarantees of the Company or any Subsidiary in respect of any contractual right or Indebtedness otherwise permitted hereunder of the Company or any wholly-owned Subsidiary;

(d) obligations (contingent or otherwise) of the Company or any Subsidiary existing or arising under any Swap Contract, provided that such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person, and not for purposes of speculation or taking a "market view;"

(e) Indebtedness in respect of capital leases, Synthetic Lease Obligations and purchase money obligations for fixed or capital assets within the limitations set forth in Section 7.01(i); provided, that after giving effect to the incurrence of such Indebtedness, the Loan Parties will remain in compliance with Section 7.11;

(f) Indebtedness which represents an extension, refinancing, or renewal of any of the Indebtedness described in clause (b) hereof; provided that, (i) the principal amount or interest rate of such Indebtedness is not increased, (ii) any Liens securing such Indebtedness are not extended to any additional property of any Borrower, (iii) no Loan Party that is not originally obligated with respect to repayment of such Indebtedness is required to become obligated with respect thereto, (iv) such extension, refinancing or renewal does not result in a shortening of the average weighted maturity of the Indebtedness so extended, refinanced or renewed, (v) the terms of any such extension, refinancing, or renewal are not less favorable to the obligor thereunder than the original terms of such Indebtedness and (vi) if the Indebtedness that is refinanced, renewed, or extended was subordinated in right of payment to the Obligations, then the terms and conditions of the refinancing, renewal, or extension Indebtedness must include subordination terms and conditions that are at least as favorable to the Lender Parties as those that were applicable to the refinanced, renewed, or extended Indebtedness;

(g) Indebtedness owed to any Person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance, pursuant to reimbursement or indemnification obligations to such Person, in each case incurred in the ordinary course of business;

(h) Indebtedness of any Borrower or any Subsidiary in respect of performance bonds, bid bonds, appeal bonds, surety bonds and similar obligations, in each case provided in the ordinary course of business;

(i) Indebtedness in respect of any Permitted Notes;

(j) Intercompany Debt;

(k) Indebtedness in respect of reimbursement obligations owed to TD Bank with respect to letters of credit issued by TD Bank for the account of a Loan Party; and

(l) other unsecured Indebtedness not contemplated by the above provisions; provided that, after giving effect to the incurrence of such Indebtedness, the Loan Parties will remain in compliance with the financial covenants set forth in Section 7.11.

7.04. Fundamental Changes. Merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default exists or would result therefrom:

(a) any Borrower or any Subsidiary may merge with (i) a Borrower, provided that such Borrower shall be the continuing or surviving Person, or (ii) any one or more other Subsidiaries (other than a Borrower), provided that when any Guarantor is merging with another Subsidiary, the Guarantor shall be the continuing or surviving Person;

(b) any Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to a Borrower or to another Subsidiary; provided that if the transferor in such a transaction is a Guarantor, then the transferee must either be a Borrower or a Guarantor;

(c) in connection with any Permitted Acquisitions or Permitted Business Acquisitions, any Subsidiary of a Borrower may merge into or consolidate with any other Person or permit any other Person to merge into or consolidate with it; provided that (i) the Person surviving such merger shall be a wholly-owned Subsidiary of such Borrower and (ii) in the case of any such merger to which any Loan Party (other than a Borrower) is a party, such Loan Party is the surviving Person;

(d) No Loan Party will, or will permit any of its Subsidiaries to, form any new Subsidiary which is a Foreign Subsidiary, except to the extent permitted under the definition of "Permitted Foreign Subsidiary Loan and Investment"; and

(e) Any Loan Party (other than a Borrower) that is a corporation may convert to a limited liability company so long as (a) the Organization Documents of such limited liability company are substantially similar to the Organization Documents of any other Loan Party that is a limited liability company on the Closing Date, (b) the Administrative Agent is satisfied, in its sole and absolute discretion, that the liabilities and obligations of such Loan Party under the Loan Documents continue to be vested in the converted Loan Party and (c) the Administrative Agent is provided not less than 10 Business Days prior written notice of such conversion).

7.05. Dispositions. Make any Disposition or enter into any agreement to make any Disposition, except:

(a) Permitted Transfers;

(b) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business;

(c) Dispositions of equipment or real property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of such Disposition are reasonably promptly applied to the purchase price of such replacement property;

(d) Dispositions permitted by Section 7.04;

(e) licenses of IP Rights in the ordinary course of business and substantially consistent with past practice;

(f) sale and leaseback transactions permitted by Section 7.17;

(g) dispositions resulting from any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset of any Borrower or any Subsidiary; and

(h) Dispositions by the Company and its Subsidiaries not otherwise permitted under this Section 7.05; provided that (i) at the time of such Disposition, no Default shall exist or would result from such Disposition and (ii) the aggregate book value of all property Disposed of in reliance on this clause (h) in any single fiscal year shall not exceed ten percent (10%) of the total book value of the assets of the Company and its Subsidiaries on a consolidated basis for the most recently-ended fiscal year.

7.06. Restricted Payments. Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that, so long as no Default shall have occurred and be continuing at the time of any action described below or would result therefrom:

(a) each Subsidiary of the Company (including, without limitation, S&W) may make Restricted Payments to the Company, the Guarantors and any other Person that owns an Equity Interest in such Subsidiary, ratably according to their respective holdings of the type of Equity Interest in respect of which such Restricted Payment is being made;

(b) the Company and each Subsidiary (including, without limitation, S&W) may declare and make dividend payments or other distributions payable solely in the common stock or other common Equity Interests of such Person;

(c) the Company may make Permitted Share Repurchases;

(d) the Company may make Permitted Note Repurchases and Redemptions; and

(e) the Company may make Permitted Dividends.

7.07. Change in Nature of Business. Engage in any material line of business substantially different from those lines of business conducted by the Company and its Subsidiaries on the date hereof or any business substantially related or incidental thereto.

7.08. Transactions with Affiliates. Enter into any transaction of any kind with any Affiliate of the Company, whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to the Company or such Subsidiary as would be obtainable by the Company or such Subsidiary at the time in a comparable arm's length transaction with a Person other than an Affiliate.

7.09. Burdensome Agreements. With the exception of (x) the 2018 Senior Notes Indenture and (y) any other Permitted Notes Indenture, enter into, or permit to exist, any Contractual Obligation (other than this Agreement or any other Loan Document) that (a) limits the ability (i) of any Subsidiary to make Restricted Payments to a Borrower or any Guarantor or to otherwise transfer property to a Borrower or any Guarantor, (ii) of any Subsidiary to Guarantee the Indebtedness of the Borrowers; (iii) of any Borrower to incur Indebtedness under this Agreement; or (iv) of the Company or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person; provided, however, that this clause (iv) shall not prohibit any negative pledge incurred or provided in favor of any holder of Indebtedness permitted under Section 7.03(e) solely to the extent any such negative pledge relates to the property financed by or the subject of such Indebtedness; or (b) requires the grant of a Lien to secure an obligation of such Person if a Lien is granted to secure another obligation of such Person.

7.10. Use of Proceeds. Use the proceeds of any Loan, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

7.11. Financial Covenants.

(a) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio as of the end of any fiscal quarter of the Company to be less than 1.50:1.00.

(b) Adjusted Consolidated Leverage Ratio. Permit the Adjusted Consolidated Leverage Ratio as of the end of any fiscal quarter of the Company to be greater than 3.25:1.00.

7.12. Sanctions. Directly or indirectly, use the proceeds of any Loan, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other individual or entity, to fund any activities of or business with any individual, or entity, or in any jurisdiction, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as Lender, Arranger, Administrative Agent, Swingline Lender or otherwise) of Sanctions.

7.13. Amendments of Organization Documents; Fiscal Year; Legal Name, State of Formation; Form of Entity and Accounting Changes.

(a) Amend any of its Organization Documents in any manner adverse to the interests and rights of the Administrative Agent or any Lender under the Loan Documents (it being acknowledged and agreed that the conversion of any Loan Party that is a corporation (other than a Borrower) to a limited liability company shall not be deemed to adversely affect the interests and rights of the Administrative Agent or any Lender so long as (a) the Organization Documents of such limited liability company are substantially similar to the Organization Documents of any other Loan Party that is a limited liability company on the Closing Date, (b) the Administrative Agent is satisfied, in its sole and absolute discretion, that the liabilities and obligations of such Loan Party under the Loan Documents continue to be vested in the converted Loan Party and (c) the Administrative Agent is provided not less than 10 Business Days prior written notice of such conversion);

(b) change its fiscal year;

(c) without providing ten (10) days prior written notice to the Administrative Agent (or such shorter period of time as agreed to by the Administrative Agent), change its name, state of formation, form of organization or principal place of business; or

(d) make any material change in accounting policies or reporting practices, except as required by GAAP.

7.14. Prepayments, Etc. of Indebtedness. Prepay, redeem, purchase, defease or otherwise satisfy or obligate itself to do so prior to the scheduled maturity thereof in any manner (including by the exercise of any right of setoff), or make any payment in violation of any subordination, standstill or collateral sharing terms of or governing any Indebtedness, except (a) the prepayment of the Loans in accordance with the terms of this Agreement, (b) regularly scheduled or required repayments or redemptions of Indebtedness under the Indebtedness set forth in Schedule 7.02 and refinancings and refundings of such Indebtedness in compliance with Section 7.02(b) and (c) a Permitted Note Repurchase and Redemption.

7.15. Amendment, Etc. of Indebtedness. Amend, modify or change in any manner any term or condition of any material Indebtedness, including, without limitation, any Permitted Notes, but excluding the Indebtedness arising under the Loan Documents, if

such amendment or modification would add or change any terms in a manner materially adverse to the Lenders, or shorten the final maturity or average life to maturity or require any payment to be made sooner than originally scheduled or increase the interest rate applicable thereto. Except as otherwise permitted hereunder, without limiting the foregoing, the Company will not permit any Subsidiary to Guarantee any Permitted Notes or any other Indebtedness without the prior written consent of the Required Lenders.

7.16. Holding Company Covenant. Permit the Company to engage in any business or activity other than the ownership of all the outstanding shares of capital stock of its Subsidiaries and activities incidental thereto. The Company will not own or acquire any assets (other than Equity Interests of its Subsidiaries as permitted hereunder, the Master Account and the cash proceeds of any Restricted Payments permitted by Section 7.06) or incur any liabilities (other than liabilities under the Loan Documents and liabilities reasonably incurred in connection with its maintenance of its existence), except in accordance with this Agreement.

7.17. Sale and Leaseback Transactions. Enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred, except as permitted by Schedule 7.17 and except for any such sale of any fixed or capital assets by any Borrower or any Subsidiary that is made for cash consideration in an amount not less than the fair value of such fixed or capital asset and is consummated within ninety (90) days after such Borrower or such Subsidiary acquires or completes the construction of such fixed or capital asset.

7.18. Excluded Subsidiary Covenant. Except as otherwise permitted hereunder, permit any Excluded Subsidiary to, directly or indirectly, (i) enter into or permit to exist any transaction or agreement (including any agreement for the incurrence or assumption of Indebtedness, other than the Obligations or the granting of a Lien, other than to secure the Obligations), between itself and any other Person, (ii) engage in any business or conduct any activity (other than the holding of any Investment held on the Closing Date (including, without limitation, increasing any such Investment in accordance with the terms of this Agreement) and the performance of ministerial activities and payment of taxes and administrative fees), (iii) transfer any of its assets to, or consolidate or merge with or into, any other Person, (iv) own any property or asset, other than property or assets held on the Closing Date or (v) have any Subsidiaries.

7.19. Anti-Corruption Laws. Use any Loan or the proceeds of any Loan for any purpose which would breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and other similar anti-corruption legislation in other jurisdictions applicable to the Loan Parties.

7.20. Senior Credit Facility. After the Closing Date, enter into any Permitted Notes Indenture that prohibits or limits the incurrence of Indebtedness under this Agreement or any other Obligation.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

8.01. Events of Default. Any of the following shall constitute an Event of Default:

(a) Non-Payment. Any Borrower or any other Loan Party fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan, or (ii) within five days after the same becomes due, any interest on any Loan, or any fee due hereunder, or (iii) within five days after the same becomes due, any other amount payable hereunder or under any other Loan Document; or

(b) Specific Covenants. The Company fails to perform or observe any term, covenant or agreement contained in any of Section 6.03(a), 6.05, or 6.11 or Article VII, or

(c) Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days; or

(d) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Company or any other Loan Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) Cross-Default. (i) The Company or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit

arrangement) of more than the Threshold Amount, (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; (ii) (A) an “Event of Default” occurs under any Swap Contract or any other existing or future agreement (related or unrelated) between the Company or any Subsidiary and any Lender, any Affiliate Counterparty or any other Affiliate of any Lender where the Company or such Subsidiary is the defaulting party or (B) there occurs under any other Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from any Event of Default (as defined in such Swap Contract) under such Swap Contract as to which the Company or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) and the Swap Termination Value owed by the Company or such Subsidiary as a result thereof is greater than the Threshold Amount; or (iii); the Company or any Subsidiary (A) fails to make any payment in respect of any Indebtedness (other than the Obligations) owed pursuant to the Master Letter of Credit Agreement when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) and such failure continues after the applicable grace or notice period, if any, specified in the document relating thereto on the date of such failure; or (B) fails to perform or observe any other condition or covenant, or any other event shall occur or condition exist, under any agreement or instrument relating to the Master Letter of Credit Agreement, if the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause such Indebtedness to be declared to be due and payable prior to its stated maturity (without regard to any subordination terms with respect thereto).

(f) Insolvency Proceedings, Etc. Any Loan Party or any of its Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) The Company or any Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within 60 days after its issue or levy; or

(h) Judgments. There is entered against the Company or any Subsidiary (i) one or more final judgments or orders for the payment of money in an aggregate amount (as to all such judgments or orders) exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 60 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount, or (ii) the Company or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; or

(j) Invalidity of Loan Documents. Any material provision of any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or any Loan Party or any other Person contests in any manner the validity or enforceability of any provision of any Loan Document; or any Loan Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any provision of any Loan Document;

(k) Change of Control. There occurs any Change of Control; or

(l) Permitted Notes Indenture. The occurrence of any “Event of Default” under and as defined in a Permitted Notes Indenture.

Without limiting the provisions of Article VIII, if a Default shall have occurred under the Loan Documents, then such Default will continue to exist until it either is cured (to the extent specifically permitted) in accordance with the Loan Documents or is otherwise expressly waived by the Administrative Agent (with the approval of the requisite Appropriate Lenders (in their sole discretion) as determined in accordance with Section 10.01.

8.02. Remedies Upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the Commitment of each Lender to make Loans to be terminated, whereupon such Commitments shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrowers;

(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to any Borrower under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Administrative Agent or any Lender.

If any Event of Default has occurred and is continuing, the Lenders, any Affiliate Counterparties or other Affiliates of Lenders may pursue any and all remedies provided for under any Swap Contracts.

8.03. Application of Funds. After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall, subject to the provisions of Section 2.15, be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders (including fees, charges and disbursements of counsel to the respective Lenders (including fees and time charges for attorneys who may be employees of any Lender) and amounts payable under Article III), ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and other Obligations, ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans and Swap Obligations, ratably among the Lenders, Affiliate Counterparties and other Affiliates of Lenders in proportion to the respective amounts described in this clause Fourth held by them; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Company or as otherwise required by Law.

ARTICLE IX

ADMINISTRATIVE AGENT

9.01. Appointment and Authority. Each of the Lenders hereby irrevocably appoints TD Bank to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and neither the Borrowers nor any other Loan Party shall have rights as a third party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" herein or in any other Loan Documents (or any other similar

term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

9.02. Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of banking, trust, financial, advisory, underwriting or other business with the Borrowers or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders or to provide notice to or consent of the Lenders with respect thereto.

9.03. Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent and its Related Parties:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any of the Borrowers or any of their respective Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

Neither the Administrative Agent nor any of its Related Parties shall be liable for any action taken or not taken by the Administrative Agent under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby or thereby (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given in writing to the Administrative Agent by the Borrower Representative or a Lender. In the event that the Administrative Agent receives such a notice, the Administrative Agent shall immediately give notice thereof to the Lenders.

Neither the Administrative Agent nor any of its Related Parties have any duty or obligation to any Lender or participant or any other Person to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

9.04. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon and shall be fully protected in relying, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person and shall be fully protected in relying, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the

making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Loan Parties), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts. For purposes of determining compliance with the conditions specified in Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objections.

9.05. Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

9.06. Resignation of Administrative Agent.

(a) The Administrative Agent may at any time give written notice of its resignation to the Lenders and the Borrower Representative. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower Representative, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Administrative Agent may (but shall not be obligated to) on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to the Borrower Representative and such Person remove such Person as Administrative Agent and, in consultation with the Borrower Representative, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders) (the "Removal Effective Date"), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (1) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and (2) except for any indemnity payments or other amounts then owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or removed) Administrative Agent (other than as provided in Section 3.01(g) and other than any rights to indemnity payments or other amounts owed to the retiring or removed Administrative Agent as of the Resignation Effective Date or the Removal Effective Date, as applicable), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrowers to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrowers and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as Administrative Agent.

(d) Any resignation by TD Bank as Administrative Agent pursuant to this Section shall also constitute its resignation as Swingline Lender. If TD Bank resigns as Swingline Lender, it shall retain all the rights of the Swingline Lender provided for hereunder with respect to Swingline Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund risk participations in outstanding Swingline Loans pursuant to Section 2.03(b). Upon the appointment by the Borrower Representative of a successor Swingline Lender hereunder (which successor shall in all cases be a Lender other than a Defaulting Lender), (i) such successor shall succeed to and become vested

with all of the rights, powers, privileges and duties of the retiring Swingline Lender, as applicable, and (ii) the retiring Swingline Lender shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents.

9.07. Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

9.08. No Other Duties, Etc. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Arrangers, Joint Book Runners and Co-Syndication Agents shall not have any duties or responsibilities, nor shall the Arrangers, Joint Book Runners, and Co-Syndication Agents have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Arrangers, Joint Book Runners and Co-Syndication Agents.

9.09. Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on any Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.09 and 10.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 10.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

9.10. Guaranty Matters. Without limiting the provisions of Section 9.09, the Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Guarantor from its obligations under the Guaranty if such Person ceases to be a Subsidiary as a result of a transaction permitted under the Loan Documents.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release any Guarantor from its obligations under the Guaranty pursuant to this Section 9.10.

ARTICLE X

MISCELLANEOUS

10.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrowers or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders (or by the Administrative Agent with the written consent of the Required Lenders) and the Borrowers or the applicable Loan Party, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) waive any condition set forth in Section 4.01(a) without the written consent of each Lender;

(b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender (it being understood and agreed that a waiver of any condition precedent in Section 4.02 or of any Default or a mandatory reduction in Commitments is not considered an extension or increase in Commitments of any Lender);

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayments) of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan, or (subject to clause (ii) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document, or change the manner of computation of any financial ratio (including any change in any applicable defined term) used in determining the Applicable Rate that would result in a reduction of any interest rate on any Loan or any fee payable hereunder without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Required Lenders shall be necessary (i) to amend the definition of "Default Rate" or to waive any obligation of any Borrower to pay interest at the Default Rate or (ii) to amend any financial covenant hereunder (or any defined term used therein) even if the effect of such amendment would be to reduce the rate of interest on any Loan or to reduce any fee payable hereunder;

(e) Change (i) Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender or (ii) the order of application of any reduction in the Commitments or any prepayment of Loans among the Facilities from the application thereof set forth in the applicable provisions of Section 2.05(b) or Section 2.06(b), respectively, in any manner that materially and adversely affects the Lenders under a Facility without the written consent of all Revolving Lenders or all Term Lenders, as applicable or (iii) Section 2.12(f) in a manner that would alter the pro rata application required thereby without the written consent of each Lender directly affected thereby;

(f) [Reserved].

(g) change any provision of this Section 10.01 or the definition of "Appropriate Lenders" or "Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or thereunder or make any determination or grant any consent hereunder without the written consent of each Lender; or

(h) release all or substantially all of the value of the Guaranty without the written consent of each Lender, except to the extent the release of any Guarantor is permitted pursuant to Section 9.10 (in which case such release may be made by the Administrative Agent acting alone);

and, provided, further, that (i) no amendment, waiver or consent shall, unless in writing and signed by Swingline Lender in addition to the Lenders required above, affect the rights or duties of the Swingline Lender under this Agreement; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (iii) the TD Bank Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto.

Any amendment, waiver or consent with respect to this Agreement or any of the other Loan Documents that (i) amends or modifies this Section 10.01, (ii) except to the extent that the Lenders are similarly adversely impacted, modifies any other provision of this Agreement or other Loan Documents in a manner that adversely impacts the rights of an Affiliate Counterparty or other Affiliates of any Lender holding any Swap Obligations: (x) with respect to the priority hereunder or thereunder of any security for any Swap Obligations (including, without limitation, the definitions of Affiliate Counterparty, Obligations, Swap Contract and Swap Obligations, or (y) as an indemnitee hereunder or thereunder; or (iii) imposes any additional obligations on an Affiliate Counterparty or other Affiliates of any

Lender holding any Swap Obligations, in each case under this Section 10.01 shall, in addition to the consent of the applicable Lenders, require the consent of any Affiliate Counterparty and any other Affiliates of any Lender holding any Swap Obligations.

Notwithstanding anything to the contrary herein, (A) no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender, or all Lenders or each affected Lender under a Facility, may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender, or all Lenders or each affected Lender under a Facility, that by its terms affects any Defaulting Lender disproportionately adversely relative to other affected Lenders shall require the consent of such Defaulting Lender; (B) each Lender is entitled to vote as such Lender sees fit on any bankruptcy reorganization plan that affects the Loans, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code of the United States supersedes the unanimous consent provisions set forth herein; and (C) the Required Lenders shall determine whether or not to allow a Loan Party to use cash collateral in the context of a bankruptcy or insolvency proceeding and such determination shall be binding on all of the Lenders.

Notwithstanding any provision herein to the contrary, this Agreement may be amended with the written consent of the Required Lenders, the Administrative Agent and the Loan Parties (i) to add one or more additional revolving credit or term loan facilities to this Agreement, in each case subject to the limitations in Section 2.14, and to permit the extensions of credit and all related obligations and liabilities arising in connection therewith from time to time outstanding to share ratably (or on a basis subordinated to the existing facilities hereunder) in the benefits of this Agreement and the other Loan Documents with the obligations and liabilities from time to time outstanding in respect of the existing facilities hereunder, and (ii) in connection with the foregoing, to permit, as deemed appropriate by the Administrative Agent and approved by the Required Lenders, the Lenders providing such additional credit facilities to participate in any required vote or action required to be approved by the Required Lenders or by any other number, percentage or class of Lenders hereunder.

Notwithstanding anything to the contrary herein the Administrative Agent may, with the prior written consent of the Loan Parties only, amend, modify or supplement this Agreement or any of the other Loan Documents to cure any ambiguity, omission, mistake, defect or inconsistency, and such amendment shall become effective without any further consent of any other party to such Loan Document so long as (i) such amendment, modification or supplement does not adversely affect the rights of any Lender or other holder of Obligations in any material respect and (ii) the Lenders shall have received at least five Business Days' prior written notice thereof and the Administrative Agent shall not have received, within five Business Days of the date of such notice to the Lenders, a written notice from the Required Lenders stating that the Required Lenders object to such amendment.

If any Lender does not consent to a proposed amendment, waiver, consent or release with respect to any Loan Document that requires the consent of each Lender and that has been approved by the Required Lenders, the Borrower may replace such Non-Consenting Lender in accordance with Section 10.13; provided that such amendment, waiver, consent or release can be effected as a result of the assignment contemplated by such Section (together with all other such assignments required by the Borrower to be made pursuant to this paragraph).

10.02. Notices; Effectiveness; Electronic Communication.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower Representative or any other Loan Party, the Administrative Agent or the Swingline Lender to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire (including, as appropriate, notices delivered solely to the Person designated by a Lender on its Administrative Questionnaire then in effect for the delivery of notices that may contain material non-public information relating to the Company).

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent, the Swingline Lender or the Borrower Representative may each, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii), if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice, email or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to any Borrower, any Lender, any Loan Party or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Company's, any other Loan Party's or the Administrative Agent's transmission of Borrower Materials through the Internet.

(d) Change of Address, Etc. Each of the Borrowers, the Administrative Agent and the Swingline Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the Borrower Representative, the Administrative Agent and the Swingline Lender. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, facsimile number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States Federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to the Company or its securities for purposes of United States Federal or state securities laws.

(e) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic or electronic notices, Loan Notices, Notices of Loan Prepayment and Swingline Loan Notices) purportedly given by or on behalf of any Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Loan Parties jointly and severally shall indemnify the Administrative Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of any Borrower. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

10.03. No Waiver; Cumulative Remedies; Enforcement. No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Loan Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.02 for the benefit of all the Lenders and any Affiliate Counterparties or other Affiliates of Lenders; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) the Swingline Lender from exercising the rights and remedies that inure to its benefit (solely in its capacity as Swingline Lender) hereunder or under the other Loan Documents, (c) any Lender or Affiliate Counterparty or other Affiliate of any Lender from exercising setoff rights in accordance with Section 10.08 (subject to the terms of Section 2.13), or (d) any Lender, Affiliate Counterparty or other Affiliate of any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Loan Party under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.02 and (ii) in addition to the matters set forth in clauses (b), (c) and (d) of the preceding proviso and subject to Section 2.13, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

10.04. Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Borrowers shall jointly and severally pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof, including, without limitation, in connection with any pledge of Equity Interests of a Foreign Subsidiary (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent or any Lender in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made hereunder including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) Indemnification by the Borrowers. The Borrowers shall jointly and severally indemnify the Administrative Agent (and any sub-agent thereof) and each Lender and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Company or any other Loan Party) other than such Indemnitee and its Related Parties arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents (including in respect of any matters addressed in Section 3.01), (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to any Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by a Borrower or any other Loan Party, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by a Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if a Borrower or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. Without limiting the

provisions of Section 3.01(c), this Section 10.04(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) Reimbursement by Lenders. To the extent that the Borrowers for any reason fail to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof) or the Swingline Lender, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or the Swingline Lender, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the Total Credit Exposure at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender), such payment to be made severally among them based on such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought), provided further that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or the Swingline Lender, in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or the Swingline Lender, in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, no Loan Party shall assert, and hereby waives, and acknowledges that no other Person shall have, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) Payments. All amounts due under this Section shall be payable not later than ten Business Days after written demand therefor.

(f) Survival. The agreements in this Section and the indemnity provisions of Section 10.02(e) shall survive the resignation of the Administrative Agent and the Swingline Lender, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

10.05. Payments Set Aside. To the extent that any payment by or on behalf of any Borrower is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the applicable Overnight Rate from time to time in effect. The obligations of the Lenders under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

10.06. Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither Borrower nor any other Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in Swingline Loans) at the time owing to it); provided that (in each case with respect to any Facility) any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment under any Facility and/or the Loans at the time owing to it (in each case with respect to any Facility) or contemporaneous assignments to related Approved Funds (determined after giving effect to such Assignments) that equal at least the amount specified in paragraph (b)(i)(B) of this Section in the aggregate or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower Representative otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement and the other Loan Documents with respect to the Loans or the Commitment assigned, except that this clause (ii) shall not apply to the Swingline Lender's rights and obligations in respect of Swingline Loans.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower Representative (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the Borrower Representative shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five Business Days after having received notice thereof; and provided further that the Borrower Representative's consent shall not be required during the primary syndication of the Facilities;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender; and

(C) the consent of the Swingline Lender shall be required for any assignment in respect of the Revolving Facility.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of \$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Certain Persons. No such assignment shall be made (A) to the Company or any of the Company's Affiliates or Subsidiaries, (B) to any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B), or (C) to a natural Person.

(vi) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower Representative and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent or

any Lender hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Swingline Loans in accordance with its Applicable Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable Law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment; provided, that except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Upon request, each Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrowers (and such agency being solely for tax purposes), shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it (or the equivalent thereof in electronic form) and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrowers, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrowers and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, any Borrower or the Administrative Agent, sell participations to any Person (other than a natural Person, a Defaulting Lender or the Company or any of the Company's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participation in Swingline Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnity under Section 10.04(c) without regard to the existence of any participation.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that affects such Participant. The Borrowers agree that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section (it being understood that the documentation required under Section 3.01(e) shall be delivered to the Lender who sells the participation) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Sections 3.06 and 10.13 as if it were an assignee under paragraph (b) of this Section and (B) shall not be entitled to receive any greater payment under Sections 3.01 or 3.04, with respect to any participation, than the Lender from whom it acquired the applicable participation would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower Representative's request and expense, to use reasonable efforts to cooperate with the Borrower Representative to effectuate the provisions of Section 3.06 with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender; provided that such Participant agrees to be subject to Section 2.13 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower Representative, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to

establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(f) Resignation as Swingline Lender After Assignment. Notwithstanding anything to the contrary contained herein, if at any time TD Bank assigns all of its Commitments and Loans pursuant to subsection (b) above, TD Bank may, upon 30 days written notice to the Borrowers and the Lenders, resign as Swingline Lender. In the event of any such resignation, the Borrower Representative shall be entitled to appoint from among the Lenders a successor Swingline Lender hereunder; provided, however, that no failure by the Borrower Representative to appoint any such successor shall affect the resignation of TD Bank as Swingline Lender. If TD Bank resigns as Swingline Lender, it shall retain all of the rights of the Swingline Lender provided for hereunder with respect to Swingline Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund risk participations in outstanding Swingline Loans pursuant to Section 2.03(b). Upon the appointment of a successor Swingline Lender, (i) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Swingline Lender and (ii) the retiring Swingline Lender shall be discharged from all of its duties and obligations hereunder or under the other Loan documents.

10.07. Treatment of Certain Information; Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement or any Eligible Assignee invited to be a Lender pursuant to Section 2.14(c) or (ii) any actual or prospective party (or its Related Parties) to any swap, derivative or other transaction under which payments are to be made by reference to any of the Borrowers and their obligations, this Agreement or payments hereunder, (g) on a confidential basis to (i) any rating agency in connection with rating the Company or its Subsidiaries or the credit facilities provided hereunder or (ii) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers or other market identifiers with respect to the credit facilities provided hereunder, (h) with the consent of the Borrower Representative or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent or any Lender, or any of their respective Affiliates on a nonconfidential basis from a source other than the Company. For purposes of this Section, "Information" means all information received from the Company or any Subsidiary relating to the Company or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Company or any Subsidiary, provided that, in the case of information received from the Company or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent and the Lenders acknowledges that (a) the Information may include material non-public information concerning the Company or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including United States Federal and state securities Laws.

Further, the foregoing notwithstanding, the Loan Parties agree that the Administrative Agent, any Lender or any Affiliate of the Administrative Agent or any Lender may (i) disclose a general description of transactions arising under the Loan Documents for advertising (including any "tombstone" or comparable advertising), marketing or other similar purposes and (ii) use any Loan Party's name, logo or other indicia germane to such party in connection with such advertising, marketing or other similar purposes. The obligations of the Administrative Agent and Lenders under this Section 10.07 shall supersede and replace the obligations of the Administrative Agent and Lenders under any confidentiality agreement in respect to the financing evidenced hereby executed and

delivered by the Administrative Agent or any Lender prior to the date hereof. In addition to the foregoing, the Administrative Agent and each Lender may disclose the existence of this Agreement and the information about this Agreement to market data collectors, similar service providers to the lending industry, and service providers to the Administrative Agent and the Lenders in connection with the administration and management of this Agreement and the other Loan Documents.

10.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of their respective Affiliate Counterparties and other Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate Counterparty or other Affiliate to or for the credit or the account of any Borrower or any other Loan Party against any and all of the obligations of such Borrower or such Loan Party now or hereafter existing under this Agreement, any other Loan Document or Swap Contract to such Lender, any Affiliate Counterparty or other of its Affiliates, irrespective of whether or not such Lender, Affiliate Counterparty or other Affiliate shall have made any demand under this Agreement, any other Loan Document or Swap Contract and although such obligations of such Borrower or such other Loan Party may be contingent or unmaturing or are owed to a branch, office or Affiliate Counterparty or other Affiliate of such Lender different from the branch, office or Affiliate Counterparty or other Affiliate holding such deposit or obligated on such indebtedness; provided, that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.15 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender and their respective Affiliate Counterparties and other Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that each such Lender, Affiliate Counterparty or its other Affiliates may have. Each Lender agrees to notify the Borrower Representative and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.09. Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower Representative. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder. In addition, the differential between the amount of interest which would have otherwise been payable under the Loan Documents assuming no applicable Maximum Rate and the amount actually paid on a current basis after giving effect to the Maximum Rate shall be carried forward and shall be payable on any subsequent date of calculation so as to result in a recovery of interest previously unrealized (because of the limitation imposed by such Maximum Rate) at a rate of interest, and as part of the interest payable, that, after giving effect to the recovery of such differential and all other interest paid and accrued under this Agreement to the date of calculation, does not exceed the then applicable Maximum Rate.

10.10. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents, and any separate letter agreements with respect to fees payable to the Administrative Agent, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging means (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Agreement.

10.11. Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Loan, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

10.12. Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Without limiting the foregoing provisions of this Section 10.12, if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Lenders shall be limited by Debtor Relief Laws, as determined in good faith by the Administrative Agent or the Swingline Lender, as applicable, then such provisions shall be deemed to be in effect only to the extent not so limited.

10.13. Replacement of Lenders. If the Borrowers are entitled to replace a Lender pursuant to the provisions of Section 3.06, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrowers may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06), all of its interests, rights (other than its existing rights to payments pursuant to Sections 3.01 and 3.04) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrowers jointly and severally shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 10.06(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter;

(d) such assignment does not conflict with applicable Laws; and

(e) in the case of an assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrowers to require such assignment and delegation cease to apply.

10.14. Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT (EXCEPT, AS TO ANY OTHER LOAN DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. THE COMPANY AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE ADMINISTRATIVE AGENT, ANY LENDER, OR ANY RELATED PARTY OF THE FOREGOING IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY

ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY BORROWER OR ANY OTHER LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. EACH BORROWER AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

10.15. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.16. No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Company and each other Loan Party acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent, the Arrangers, and the Lenders are arm's-length commercial transactions between the Company, each other Loan Party and their respective Affiliates, on the one hand, and the Administrative Agent, the Arrangers, and the Lenders, on the other hand, (B) each of the Company and the other Loan Parties has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Company and each other Loan Party is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent, the Arrangers and each Lender is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Company, any other Loan Party or any of their respective Affiliates, or any other Person and (B) neither the Administrative Agent, the Arrangers nor any Lender has any obligation to the Company, any other Loan Party or any of their respective Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent, the Arrangers and the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, the other Loan Parties and their respective Affiliates, and neither the Administrative Agent, the Arrangers, nor any Lender has any obligation to disclose any of such interests to the Company, any other Loan Party or any of their respective Affiliates. To the fullest extent permitted by law, each of the Company and each other Loan Party hereby waives and releases any claims that it may have against the Administrative Agent, the Arrangers or any Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

10.17. Electronic Execution of Assignments and Certain Other Documents. The words "execute," "execution," "signed," "signature," and words of like import in any Assignment and Assumption or in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

10.18. USA PATRIOT Act. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrowers that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that

identifies the Borrowers, which information includes the name and address of each Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify such Borrower in accordance with the Act. Each Borrower shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Act.

10.19. Joint and several Obligations.

(a) Each of the Borrowers expressly represents and acknowledges that it is part of a common enterprise with the other Borrowers and that any financial accommodations by the Administrative Agent and the other Lenders to any other Borrower hereunder and under the other Loan Documents are and will be of direct and indirect interest, benefit and advantage to the Borrowers. Each Borrower hereby agrees that such Borrower is jointly and severally liable for, and hereby absolutely and unconditionally guarantees to the Administrative Agent and Lenders and their respective successors and assigns, the full and prompt payment (whether at stated maturity, by acceleration or otherwise) and performance of, all Obligations owed or hereafter owing to the Administrative Agent and Lenders by each other Borrower, including, without limitation, the Loans. Each Borrower agrees that its guaranty obligation hereunder is a continuing guaranty of payment and performance and not of collection, that its obligations under this Section 10.19 shall not be discharged until payment and performance, in full, of the Obligations has occurred, and that its obligations under this Section 10.19 shall be absolute, unconditional and irrevocable, irrespective of, and unaffected by, (i) the genuineness, validity, regularity, enforceability or any future amendment of, or change in, this Agreement, any other Loan Document or any other agreement, document or instrument to which any Borrower is or may become a party; (ii) the absence of any action to enforce this Agreement (including this Section 10.19), any other Loan Document or the waiver or consent by the Administrative Agent and Lenders with respect to any of the provisions thereof; (iii) the insolvency of any Borrower or Subsidiary; and (iv) any other action or circumstances that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor. Each Borrower shall be regarded, and shall be in the same position, as principal debtor with respect to the Obligations guaranteed hereunder.

(b) The Borrowers acknowledge that any Loan Notice or other notice or request given by the Borrower Representative to the Administrative Agent shall bind the Borrowers, and that any notice given by the Administrative Agent or any other Lender to the Borrower Representative shall be effective with respect to the Borrowers. Each of the Borrowers acknowledges and agrees that the Borrowers shall be liable, on a joint and several basis, for all of the Loans and other Obligations, regardless of which Borrower actually may have received the proceeds of any of the Loans or other extensions of credit or the amount of such Loans received or the manner in which the Administrative Agent or any other Lender accounts among the Borrowers for such Loans or other extensions of credit on its books and records, and further acknowledges and agrees that Loans and other extensions of credit to the Borrowers inure to the mutual benefit of all of the Borrowers and that the Administrative Agent and the other Lenders are relying on the joint and several liability of the Borrowers in extending the Loans and other financial accommodations hereunder.

10.20. Subordination. Each Loan Party (a “Subordinating Loan Party”) hereby subordinates the payment of all obligations and indebtedness of any other Loan Party owing to it, whether now existing or hereafter arising, including but not limited to any obligation of any such other Loan Party to the Subordinating Loan Party as subrogee of the Lender Parties or resulting from such Subordinating Loan Party’s performance under the Guaranty, to the indefeasible payment in full in cash of all Obligations. If the Administrative Agent so requests, any such obligation or indebtedness of any such other Loan Party to the Subordinating Loan Party shall be enforced and performance received by the Subordinating Loan Party as trustee for the Lenders and the proceeds thereof shall be paid over to the Administrative Agent on account of the Obligations, but without reducing or affecting in any manner the liability of the Subordinating Loan Party under this Agreement. Without limitation of the foregoing, so long as no Default has occurred and is continuing, the Loan Parties may make and receive payments with respect to Intercompany Debt; provided, that in the event that any Loan Party receives any payment of any Intercompany Debt at a time when such payment is prohibited by this Section, such payment shall be held by such Loan Party, in trust for the benefit of, and shall be paid forthwith over and delivered, upon written request, to the Administrative Agent.

ARTICLE XI

CONTINUING GUARANTY

11.01. Guaranty. Each Guarantor hereby absolutely and unconditionally, jointly and severally guarantees, as a guaranty of payment and performance and not merely as a guaranty of collection, prompt payment when due, whether at stated maturity, by required prepayment, upon acceleration, demand or otherwise, and at all times thereafter, of any and all Obligations (for each Guarantor, subject to the proviso in this sentence, its “Guaranteed Obligations”); provided that (a) the Guaranteed Obligations of a Guarantor shall exclude any Excluded Swap Obligations with respect to such Guarantor and (b) the liability of each Guarantor

individually with respect to this Guaranty shall be limited to an aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance under Section 548 of the Bankruptcy Code of the United States or any comparable provisions of any applicable state law. The Administrative Agent's books and records showing the amount of the Obligations shall be admissible in evidence in any action or proceeding, and shall be binding upon each Guarantor, and conclusive for the purpose of establishing the amount of the Obligations. This Guaranty shall not be affected by the genuineness, validity, regularity or enforceability of the Obligations or any instrument or agreement evidencing any Obligations, or by the existence, validity, enforceability, perfection, non-perfection or extent of any collateral therefor, or by any fact or circumstance relating to the Obligations which might otherwise constitute a defense to the obligations of the Guarantors, or any of them, under this Guaranty, and each Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to any or all of the foregoing.

11.02. Rights of Lenders and Affiliate Counterparties. Each Guarantor consents and agrees that the Lender Parties, Affiliate Counterparties and other Affiliates of any Lender holding any Swap Obligations may, at any time and from time to time, without notice or demand, and without affecting the enforceability or continuing effectiveness hereof: (a) amend, extend, renew, compromise, discharge, accelerate or otherwise change the time for payment or the terms of the Obligations or any part thereof; (b) take, hold, exchange, enforce, waive, release, fail to perfect, sell, or otherwise dispose of any security for the payment of this Guaranty or any Obligations; (c) apply such security and direct the order or manner of sale thereof as the Administrative Agent and the Lenders in their sole discretion may determine, subject to the provisions of Section 8.03; and (d) release or substitute one or more of any endorsers or other guarantors of any of the Obligations. Without limiting the generality of the foregoing, each Guarantor consents to the taking of, or failure to take, any action which might in any manner or to any extent vary the risks of such Guarantor under this Guaranty or which, but for this provision, might operate as a discharge of such Guarantor.

11.03. Certain Waivers. Each Guarantor waives (a) any defense arising by reason of any disability or other defense of the Borrowers or any other guarantor, or the cessation from any cause whatsoever (including any act or omission of any Lender Party) of the liability of the Borrowers or any other Loan Party; (b) any defense based on any claim that such Guarantor's obligations exceed or are more burdensome than those of the Borrowers or any other Loan Party; (c) the benefit of any statute of limitations affecting any Guarantor's liability hereunder; (d) any right to proceed against the Borrowers or any other Loan Party, proceed against or exhaust any security for the Obligations, or pursue any other remedy in the power of any Lender Party or Affiliate Counterparty or other Affiliates of any Lender holding any Swap Obligations whatsoever; (e) any benefit of and any right to participate in any security now or hereafter held by any Lender Party, Affiliate Counterparty or other Affiliates of any Lender holding any Swap Obligations; and (f) to the fullest extent permitted by law, any and all other defenses or benefits that may be derived from or afforded by applicable Law limiting the liability of or exonerating guarantors or sureties. Each Guarantor expressly waives all setoffs and counterclaims and all presentments, demands for payment or performance, notices of nonpayment or nonperformance, protests, notices of protest, notices of dishonor and all other notices or demands of any kind or nature whatsoever with respect to the Obligations, and all notices of acceptance of this Guaranty or of the existence, creation or incurrence of new or additional Obligations.

11.04. Obligations Independent. The obligations of each Guarantor hereunder are those of primary obligor, and not merely as surety, and are independent of the Obligations and the obligations of any other guarantor, and a separate action may be brought against each Guarantor to enforce this Guaranty whether or not the Borrowers or any other person or entity is joined as a party.

11.05. Subrogation. No Guarantor shall exercise any right of subrogation, contribution, indemnity, reimbursement or similar rights with respect to any payments it makes under this Guaranty until all of the Obligations and any amounts payable under this Guaranty have been indefeasibly paid and performed in full and the Commitments are terminated. If any amounts are paid to a Guarantor in violation of the foregoing limitation, then such amounts shall be held in trust for the benefit of the Lender Parties, Affiliate Counterparties and other Affiliates of any Lender holding any Swap Obligations and shall forthwith be paid to the Lender Parties and Affiliate Counterparties to reduce the amount of the Obligations, whether matured or unmatured, in the order set forth in Section 8.03.

11.06. Termination; Reinstatement. This Guaranty is a continuing and irrevocable guaranty of all Obligations now or hereafter existing and shall remain in full force and effect until indefeasible payment and satisfaction in full of all Obligations. Notwithstanding the foregoing, this Guaranty shall continue in full force and effect or be revived, as the case may be, if any payment by or on behalf of any Borrower or a Guarantor is made, or any of the Lender Parties or Affiliate Counterparties exercises its right of setoff, in respect of the Obligations and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by any of the Lender Parties or Affiliate Counterparties in their discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Laws or otherwise, all as if such payment had not been made or such setoff had not occurred and whether or not the Lender Parties or Affiliate Counterparties are in possession of or have released this Guaranty and regardless of any prior revocation, rescission, termination or reduction. The obligations of each Guarantor under this paragraph shall survive termination of this Guaranty.

11.07. Stay of Acceleration. If acceleration of the time for payment of any of the Obligations is stayed, in connection with any case commenced by or against a Guarantor or a Borrower under any Debtor Relief Laws, or otherwise, all such amounts shall nonetheless be payable by each Guarantor, jointly and severally, immediately upon demand by the Lender Parties or any Affiliate Counterparty.

11.08. Condition of Borrowers. Each Guarantor acknowledges and agrees that it has the sole responsibility for, and has adequate means of, obtaining from the Borrowers and any other guarantor such information concerning the financial condition, business and operations of the Borrowers and any such other guarantor as such Guarantor requires, and that none of the Lender Parties or Affiliate Counterparties has any duty, and such Guarantor is not relying on the Lender Parties or Affiliate Counterparties at any time, to disclose to it any information relating to the business, operations or financial condition of the Borrowers or any other guarantor (each Guarantor waiving any duty on the part of the Lender Parties and Affiliate Counterparties to disclose such information and any defense relating to the failure to provide the same).

11.09. Appointment of Borrower Representative. Each of the Guarantors hereby appoints the Borrower Representative to act as its agent for all purposes of this Agreement and the other Loan Documents and agrees that (a) the Borrower Representative may execute such documents on behalf of such Guarantor as the Borrower Representative deems appropriate in its sole discretion and each Guarantor shall be obligated by all of the terms of any such document executed on its behalf, (b) any notice or communication delivered by the Administrative Agent, any Lender or any Affiliate Counterparty to the Borrower Representative shall be deemed delivered to each Guarantor and (c) the Administrative Agent, the Lenders or any Affiliate Counterparty may accept, and be permitted to rely on, any document, instrument or agreement executed by the Borrower Representative on behalf of each Guarantor.

11.10. Right of Contribution. The Guarantors agree among themselves that, in connection with payments made hereunder, each Guarantor shall have contribution rights against the other Guarantors as permitted under applicable Law.

11.11. Keepwell. Each Loan Party that is a Qualified ECP Guarantor at the time the Guaranty, in each case, by any Specified Loan Party becomes effective with respect to any Swap Obligation, hereby jointly and severally, absolutely, unconditionally and irrevocably undertakes to provide such funds or other support to each Specified Loan Party with respect to such Swap Obligation as may be needed by such Specified Loan Party from time to time to honor all of its obligations under the Loan Documents in respect of such Swap Obligation (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering such Qualified ECP Guarantor's obligations and undertakings under this Article XI voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations and undertakings of each Qualified ECP Guarantor under this Section shall remain in full force and effect until the Obligations have been indefeasibly paid and performed in full. Each Loan Party intends this Section to constitute, and this Section shall be deemed to constitute, a guarantee of the obligations of, and a "keepwell, support, or other agreement" for the benefit of, each Specified Loan Party for all purposes of the Commodity Exchange Act.

11.12. Eligible Contract Participant Status. Each Guarantor, in its own capacity and in its capacity as guarantor for and on behalf of S&W, represents and warrants to the Lenders, any Affiliate Counterparty and any other Affiliates of any Lender holding any Swap Obligations that, on and as of the date hereof and on each date on which a "Swap Transaction Event" (as defined in the bilateral agreement between any Lender, Affiliate Counterparty or other such Affiliate and S&W) occurs between any Lender, Affiliate Counterparty or other such Affiliate and S&W, it is an "eligible contract participant" within the meaning of Section 1a(18) of the Commodity Exchange Act as amended from time to time, and applicable regulations thereunder.

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

BORROWERS

SMITH & WESSON HOLDING CORPORATION

By: /s/ Jeffrey D. Buchanan
Name: Jeffrey D. Buchanan
Title: Executive Vice President,
Chief Financial Officer and Treasurer

SMITH & WESSON CORP.

By: /s/ Jeffrey D. Buchanan
Name: Jeffrey D. Buchanan
Title: Executive Vice President,
Chief Financial Officer and Treasurer

(Signature Page to Credit Agreement)

GUARANTORS

THOMPSON/CENTER ARMS COMPANY, LLC

By: /s/ Jeffrey D. Buchanan
Name: Jeffrey D. Buchanan
Title: Executive Vice President,
Chief Financial Officer and Treasurer

SMITH & WESSON DISTRIBUTING, INC.

By: /s/ Jeffrey D. Buchanan
Name: Jeffrey D. Buchanan
Title: Executive Vice President,
Chief Financial Officer and Treasurer

DEEP RIVER PLASTICS, LLC

By: /s/ Jeffrey D. Buchanan
Name: Jeffrey D. Buchanan
Title: Executive Vice President,
Chief Financial Officer and Treasurer

SWSS LLC

By: /s/ Jeffrey D. Buchanan
Name: Jeffrey D. Buchanan
Title: Executive Vice President,
Chief Financial Officer and Treasurer

BEAR LAKE HOLDINGS, LLC

By: /s/ Jeffrey D. Buchanan
Name: Jeffrey D. Buchanan
Title: Executive Vice President,
Chief Financial Officer and Treasurer

BATTENFELD TECHNOLOGIES, INC.

By: /s/ Jeffrey D. Buchanan
Name: Jeffrey D. Buchanan
Title: Executive Vice President,
Chief Financial Officer and Treasurer

BATTENFELD ACQUISITION COMPANY, INC.

By: /s/ Jeffrey D. Buchanan
Name: Jeffrey D. Buchanan
Title: Executive Vice President,
Chief Financial Officer and Treasurer

(Signature Page to Credit Agreement)

TD BANK, N.A., as
Administrative Agent

By: /s/ Maria Goncalves
Name: Maria Goncalves
Title: Regional Vice President

(Signature Page to Credit Agreement)

TD BANK, N.A., as a Lender
and Swingline Lender

By: /s/ Maria Goncalves

Name: Maria Goncalves

Title: Regional Vice President

(Signature Page to Credit Agreement)

PEOPLE'S UNITED BANK, NATIONAL
ASSOCIATION

By: /s/ Edward S. Borden

Name: Edward S. Borden

Title: SVP

(Signature Page to Credit Agreement)

BRANCH BANKING AND TRUST
COMPANY

By: /s/ Matthew J. Davis

Name: Matthew J. Davis

Title: Vice President

(Signature Page to Credit Agreement)

REGIONS BANK

By: /s/ Bruce Rhodes

Name: Bruce Rhodes

Title: Senior Vice President

(Signature Page to Credit Agreement)

WELLS FARGO BANK, N.A.

By: /s/ Michael Sweeney

Name: Michael Sweeney

Title: Sr Vice President

(Signature Page to Credit Agreement)

EXHIBIT A

[FORM OF] LOAN NOTICE

Date: [_____, ____]

TO: TD Bank, N.A., as Administrative Agent

RE: Credit Agreement, dated as of June 15, 2015, by and among SMITH & WESSON HOLDING CORPORATION, a Nevada corporation, and SMITH & WESSON CORP., a Delaware corporation, as borrowers, the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and TD Bank, N.A., as Administrative Agent (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement)

DATE: [Date]

The Borrower Representative hereby requests (select one):

- A Borrowing of [Revolving] [Term] Loans
- A [conversion] or [continuation] of [LIBOR Rate][Base Rate] Loans

1. On _____ (the "Credit Extension Date").
2. In the amount of \$ _____.
3. Comprised of: Base Rate Loans
 LIBOR Rate Loans

[4. For LIBOR Rate Loans: with an Interest Period of __ months.]

[¹The Revolving Borrowing requested herein complies with the proviso to the first sentence of Section 2.01(b) of the Credit Agreement.]

The Borrower hereby represents and warrants that the conditions specified in Section 4.02 of the Credit Agreement shall be satisfied on and as of the date of the Credit Extension Date.

Delivery of an executed counterpart of a signature page of this notice by fax transmission or other electronic mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this notice.

¹ Include this sentence in the case of a Revolving Borrowing

SMITH & WESSON HOLDING CORPORATION

By: _____

Name: _____

Title: _____

EXHIBIT C-1

[FORM OF] REVOLVING NOTE

\$_[_____]

June 15, 2015

FOR VALUE RECEIVED, the undersigned SMITH & WESSON HOLDING CORPORATION, a Nevada corporation (the "Company"), and SMITH & WESSON CORP., a Delaware corporation ("S&W"), and, together with the Company, the "Borrowers" and, each a "Borrower"), hereby jointly and severally promise to pay to [_____] or its registered assigns (the "Lender"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of each Loan from time to time made by the Lender to the Borrowers under that certain Credit Agreement dated as of the date hereof (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement;" the terms defined therein being used herein as therein defined), among the Borrowers, the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and TD Bank, N.A., as Administrative Agent.

The Borrowers jointly and severally promise to make principal payments as specified in the Credit Agreement, and pay interest on the unpaid principal amount of each Loan from the date of such Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Credit Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Credit Agreement.

This Note is one of the Notes referred to in the Credit Agreement, and the holder is entitled to the benefits thereof. Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

Each Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

Delivery of an executed counterpart of a signature page of this Note by fax transmission or other electronic mail transmission shall be effective as delivery of a manually executed counterpart of this Note.

This Revolving Note amends and restates and is issued in substitution for and replacement of but not in satisfaction of that certain Revolving Note dated [____], issued by the Borrowers in favor of the Lender, in the principal amount of \$[_____].

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Borrowers have executed this Note as an instrument under seal as of the day first written above.

SMITH & WESSON HOLDING CORPORATION

By: _____

Name:

Title:

SMITH & WESSON CORP.

By: _____

Name:

Title:

EXHIBIT C-2

[FORM OF] TERM NOTE

\$_[_____]

June 15, 2015

FOR VALUE RECEIVED, the undersigned SMITH & WESSON HOLDING CORPORATION, a Nevada corporation (the "Company"), and SMITH & WESSON CORP., a Delaware corporation ("S&W", and, together with the Company, the "Borrowers" and, each a "Borrower"), hereby jointly and severally promise to pay to [_____] or its registered assigns (the "Lender"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of the Term Loan from time to time made by the Lender to the Borrowers under that certain Credit Agreement, dated as of the date hereof (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement," the terms defined therein being used herein as therein defined), among the Borrowers, the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and TD Bank, N.A., as Administrative Agent.

The Borrowers jointly and severally promise to pay interest on the unpaid principal amount of the Term Loan made by the Lender from the date of such Term Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Credit Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Credit Agreement.

This Term Note is one of the Term Notes referred to in the Credit Agreement and the holder is entitled to the benefits thereof. The Term Loan made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Term Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

Each Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Term Note.

Delivery of an executed counterpart of a signature page of this Term Note by fax transmission or other electronic mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Term Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Borrowers have executed this Note as an instrument under seal as of the day first written above.

SMITH & WESSON HOLDING CORPORATION

By: _____
Name:
Title:

SMITH & WESSON CORP.

By: _____
Name:
Title:

EXHIBIT C-3

[FORM OF] SWINGLINE NOTE

\$ _____

June 15, 2015

FOR VALUE RECEIVED, the undersigned SMITH & WESSON HOLDING CORPORATION, a Nevada corporation (the "Company"), and SMITH & WESSON CORP., a Delaware corporation ("S&W"), and, together with the Company, the "Borrowers" and, each a "Borrower"), hereby jointly and severally promise to pay to TD Bank, N.A. or its registered assigns (the "Lender"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of each Swingline Loan from time to time made by the Lender to the Borrowers under that certain Credit Agreement dated as of the date hereof (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement," the terms defined therein being used herein as therein defined), among the Borrowers, the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and TD Bank, N.A., as Administrative Agent.

The Borrowers jointly and severally promise to make principal payments as specified in the Credit Agreement, and pay interest on the unpaid principal amount of each Swingline Loan from the date of such Swingline Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Credit Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Credit Agreement.

This Note is one of the Notes referred to in the Credit Agreement, and the holder is entitled to the benefits thereof. Swingline Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Swingline Loans and payments with respect thereto.

Each Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

Delivery of an executed counterpart of a signature page of this Note by fax transmission or other electronic mail transmission shall be effective as delivery of a manually executed counterpart of this Note.

This Swingline Note amends and restates and is issued in substitution for and replacement of but not in satisfaction of that certain Swingline Note dated August 15, 2013, issued by the Borrowers in favor of the Lender, in the principal amount of \$[_____].

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Borrowers have executed this Note as an instrument under seal as of the day first written above.

SMITH & WESSON HOLDING CORPORATION

By: _____

Name:

Title:

SMITH & WESSON CORP.

By: _____

Name:

Title:

EXHIBIT D

[FORM OF] COMPLIANCE CERTIFICATE

Financial Statement Date: [_____, ____]

TO: TD Bank, N.A., as Administrative Agent

RE: Credit Agreement dated as of June 15, 2015 by and among SMITH & WESSON HOLDING CORPORATION, a Nevada corporation (the "Company"), and SMITH & WESSON CORP., a Delaware corporation, as borrowers, the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and TD Bank, N.A., as Administrative Agent (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement)

DATE: [Date]

The undersigned hereby certifies as of the date hereof that [he/she] is the [Chief Financial Officer] [Treasurer] [Controller] of the Company, and that, as such, [he/she] is authorized to execute and deliver this Certificate to the Administrative Agent on the behalf of the Borrowers and the other Loan Parties, and that:

[Use following paragraph 1 for fiscal year-end financial statements]

1. The Loan Parties have delivered the year-end audited financial statements required by Section 6.01(a) of the Credit Agreement for the fiscal year of the Company and its Subsidiaries ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

[Use following paragraph 1 for fiscal quarter-end financial statements]

1. The Loan Parties have delivered the unaudited consolidated financial statements required by Section 6.01(b) of the Credit Agreement for the fiscal quarter of the Company and its Subsidiaries ended as of the above date. Such financial statements fairly present the financial condition, results of operations, shareholders' equity and cash flows of the Company and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Credit Agreement and has made, or has caused to be made under [his/her] supervision, a detailed review of the transactions and condition (financial or otherwise) of the Loan Parties and their Subsidiaries during the accounting period covered by such financial statements.

3. A review of the activities of the Loan Parties and their Subsidiaries during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Loan Parties performed and observed all their obligations under the Loan Documents, and

[select one:]

[to the best knowledge of the undersigned, during such fiscal period each of the Loan Parties performed and observed each covenant and condition of the Loan Documents applicable to it, and no Default has occurred and is continuing.]

—or—

[to the best knowledge of the undersigned, the following covenants or conditions have not been performed or observed and the following is a list of each such Default and its nature and status:]

4. The representations and warranties of the Borrowers and each other Loan Party contained in Article V of the Credit Agreement and in each other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, are true and correct on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct as of such earlier date, and except that for purposes of this Compliance Certificate, the representations and warranties contained in subsections (a) and (b) of Section 5.06 shall be deemed to refer to the most recent statements furnished pursuant to subsections (a) and (b), respectively, of Section 6.01 of the Credit Agreement, including the statements in connection with which this Compliance Certificate is delivered.

5. The financial covenant analyses and information set forth on Schedule A attached hereto are true and accurate on and as of the date of this Certificate.

6. Except as set forth on Schedule B hereto, since the date of the previous Compliance Certificate delivered in accordance with Section 6.02(a) of the Credit Agreement, there have been no Dispositions or Involuntary Dispositions of property or assets for which (with the passage of time) the Borrowers will be required to make a mandatory prepayment pursuant to Section 2.05(b)(i) of the Credit Agreement.

7. [For the fiscal year of the Company and its Subsidiaries ended as of the above date (commencing with the Company's fiscal year that commenced May 1, 2015), the Company and its Subsidiaries have made Investments pursuant to Section 7.02(k) of the Credit Agreement totaling \$[_____] in the aggregate. Pursuant to Section 7.02(k) of the Credit Agreement, the amount of Investments permitted under Section 7.02(k) of the Credit Agreement will be increased for the fiscal year ending [_____] by an amount equal to \$[_____].]²

Delivery of an executed counterpart of a signature page of this Certificate by fax transmission or other electronic mail transmission shall be effective as delivery of a manually executed counterpart of this Certificate.

[Remainder of page intentionally left blank.]

² Include paragraph 8 for Compliance Certificates delivered concurrently with fiscal year-end financial statements only.

IN WITNESS WHEREOF, the undersigned has executed this Compliance Certificate on the day and year first mentioned above.

SMITH & WESSON HOLDING CORPORATION

By: _____
Name:
Title:

Schedule A

Financial Statement Date: [_____, ____] (“Statement Date”)

I. Minimum Consolidated Fixed Charge Coverage Ratio:

The actual Fixed Charge Coverage Ratio for such period is:

___ to 1.00

The minimum Fixed Charge Coverage Ratio required for such period is:

1.50 to 1.00

In Compliance:

[Yes][No]

The Fixed Charge Coverage Ratio has been calculated as follows:

A. Consolidated Net Income	\$ _____
B. <i>Plus:</i> Consolidated Interest Expense	\$ _____
C. <i>Plus:</i> Income Tax Expense (with a deduction in case of income tax benefit)	\$ _____
D. <i>Plus:</i> Depreciation and Amortization Expense	\$ _____
E. <i>Plus:</i> Extraordinary Charges	\$ _____
F. <i>Plus:</i> Non-Cash Charges for such period related to Stock Options and Restricted Stock Grants	\$ _____
G. <i>Plus:</i> Other Nonrecurring Non-Cash Charges (but excluding any non-cash charge included in Consolidated Net Income in a prior period)	\$ _____
H. <i>Less:</i> Extraordinary Gains and Non-Cash Income	\$(_____)
I. Consolidated EBITDA	\$ _____
J. <i>Plus:</i> Consolidated Rental Expense	\$ _____
K. <i>Less:</i> Unfinanced Capital Expenditures	\$(_____)
L. <i>Less:</i> Cash Taxes Paid	\$(_____)
M. <i>Less:</i> Dividends and Distributions Paid in Cash	\$(_____)
N. Consolidated Net Cash Available for Debt Service	\$ _____
O. Cash Consolidated Interest Expense	\$ _____
P. <i>Plus:</i> Consolidated Rental Expense Paid	\$ _____
Q. <i>Plus:</i> Scheduled Principal Repayments on Indebtedness made	\$ _____
R. <i>Plus:</i> Capital Lease Obligation Payments Made	\$ _____
S. Consolidated Fixed Charges	\$ _____
U. Consolidated Fixed Charge Coverage Ratio (N divided by S)	_____x

II. Maximum Adjusted Consolidated Leverage Ratio:

The actual Adjusted Consolidated Leverage Ratio for such period is:

___ to 1.00

The Maximum Adjusted Consolidated Leverage Ratio allowed for such period is:

3.25 to 1.00

In Compliance:

[Yes][No]

The Adjusted Consolidated Leverage Ratio has been calculated as follows:

A.	Total Loans outstanding	\$ _____
B.	Plus: Other Outstanding Indebtedness of the Companies:	\$ _____
C. i.	Amount due on Guaranties	\$ _____
ii.	Maximum Principal Amount of Indebtedness Guaranteed	\$ _____
iii.	Greater of (i) or (ii)	\$ _____
iv.	Off-Balance Sheet Liabilities	\$ _____
v.	Contingent Liabilities (Sum of iii and iv)	\$ _____
D.	Total Funded Debt (A plus B plus C(v))	\$ _____
E.	Less: cash and cash equivalents of the Loan Parties on a consolidated basis (as reflected on the most recent balance sheet delivered by the Loan Parties to the Administrative Agent) in excess of \$25,000,000 and subject to no Liens	\$(_____)
F.	Adjusted Consolidated Funded Indebtedness (D minus E)	\$ _____
G.	Consolidated EBITDA (from above)	\$ _____
H.	Adjusted Consolidated Leverage Ratio (F divided by G)	_____x

Schedule B

Dispositions or Involuntary Dispositions

EXHIBIT E-1

[FORM OF] ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (this "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [the][each]³ Assignor identified in item 1 below ([the][each, an] "Assignor") and [the][each]⁴ Assignee identified in item 2 below ([the][each, an] "Assignee"). [It is understood and agreed that the rights and obligations of [the Assignors][the Assignees]⁵ hereunder are several and not joint.]⁶ Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and [the][each] Assignee hereby irrevocably purchases and assumes from [the Assignor][the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (a) all of [the Assignor's][the respective Assignors'] rights and obligations in [its capacity as a Lender][their respective capacities as Lenders] under the Credit Agreement and any other Loan Documents in the amount[s] and equal to the percentage interest[s] identified below of all the outstanding rights and obligations under the respective facilities identified below and (b) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)][the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other Loan Documents or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (a) above (the rights and obligations sold and assigned by [the][any] Assignor to [the][any] Assignee pursuant to clauses (a) and (b) above being referred to herein collectively as [the][an] "Assigned Interest"). Each such sale and assignment is without recourse to [the][any] Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by [the][any] Assignor.

1. Assignor[s]: _____

2. Assignee[s]: _____

[for each Assignee, indicate [Affiliate][Approved Fund] of [identify Lender]]

3. Borrowers: Smith & Wesson Corp., a Delaware corporation and Smith & Wesson Holding Corporation, a Nevada corporation

4. Administrative Agent: TD Bank, N.A., as the administrative agent under the Credit Agreement

5. Credit Agreement: Credit Agreement, dated as of June 15, 2015 among Smith & Wesson Holding Corporation and Smith & Wesson Corp., as borrowers (each a "Borrower" and collectively, the "Borrowers"), the Guarantors from time to time thereto, the Guarantors from time to time party thereto, the Lenders from time to time party thereto and the Administrative Agent

³ For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.

⁴ For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.

⁵ Select as appropriate.

⁶ Include bracketed language if there are either multiple Assignors or multiple Assignees.

6. Assigned Interest:

Assignor[s] ⁷	Assignee[s] ⁸	Facility Assigned ⁹	Aggregate Amount of Commitment/ Loans for all Lenders	Amount of Commitment / Loans Assigned	Percentage Assigned of Commitment/ Loans ¹⁰
			\$	\$	%
			\$	\$	%
			\$	\$	%

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

[Remainder of page intentionally left blank.]

⁷ List each Assignor, as appropriate.

⁸ List each Assignee, as appropriate.

⁹ Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Commitment", "Term Commitment", etc.).

¹⁰ Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____
Name:
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____
Name:
Title:

[Consented to and]¹¹ Accepted:

TB BANK, N.A., as Administrative Agent and Swingline Lender

By: _____
Name:
Title:

[Consented to:]¹²

SMITH & WESSON HOLDING CORPORATION

By: _____
Name:
Title:

¹¹ To be added only if the consent of the Administrative Agent and Swingline Lender is required by the terms of the Credit Agreement.

¹² To be added only if the consent of the Borrower Representative is required by the terms of the Credit Agreement.

ANNEX 1 TO ASSIGNMENT AND ASSUMPTION

Standard Terms and Conditions for Assignment and Assumption

1. Representations and Warranties.

1.1. Assignor. [The][Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the][the relevant] Assigned Interest, (ii) [the][such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrowers, any of their Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrowers, any of their Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an assignee under the terms of the Credit Agreement (subject to such consents, if any, as may be required under the terms of the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement and the other Loan Documents as a Lender thereunder and, to the extent of [the][the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by [the][such] Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire [the][such] Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to the terms of the Credit Agreement, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, and (vii) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by [the][such] Assignee; and (b) agrees that (i) it will, independently and without reliance upon the Administrative Agent, [the][any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the][each] Assigned Interest (including payments of principal, interest, fees and other amounts) to [the][the relevant] Assignor for amounts which have accrued to but excluding the Effective Date and to [the][the relevant] Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by fax transmission or other electronic mail transmission shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT E-2

[FORM OF] ADMINISTRATIVE QUESTIONNAIRE

I. ADMINISTRATIVE DETAILS FORM



**ADMINISTRATIVE QUESTIONNAIRE
Markley Group**

Agent Address:	<u>6000 Atrium Way</u>	Return to:	<u>Investor Processing</u>
	<u>Mount Laurel, NJ</u>	Tel.:	<u>(888) 751-9000</u>
	<u>08054</u>	E-mail:	<u>investorprocessing@yesbank.com</u>
		CC:	<u>david.kelson@tdsecurities.com</u>

It is very important that **all** of the requested information be completed accurately and that this questionnaire be returned promptly. If your institution is sub-allocating its allocation, please fill out an administrative questionnaire for each legal entity.

Legal Name of Lender to appear in Documentation:

Name of Lender for any eventual Tombstone:

Signature Block Information:

Lender Parent:

Domestic Lending Office

Address: _____
Attention: _____
Telephone: _____
Facsimile: _____
E-Mail Address: _____

Contacts/Notification Methods: Borrowings, Paydowns, Interest, Fees, etc.

Primary Credit Contact

Secondary Credit Contact

Name: _____
Company: _____
Title: _____
Address: _____

Telephone: _____
Facsimile: _____
E-Mail Address: _____

Primary Operations Contact

Secondary Operations Contact

Name: _____
Company: _____
Title: _____
Address: _____

Telephone: _____
Facsimile: _____
E-Mail Address: _____

L/C Contact

Primary Legal Counsel

Name: _____
Company: _____
Title: _____
Address: _____

Telephone: _____
Facsimile: _____
E-Mail Address: _____

Lender's US Wire Instructions

Bank Name: _____
City, State: _____
ABA/Routing No.: _____
Account Name: _____
Account No.: _____
Benef. Acct. Name: _____
Benef. Acct. No.: _____
Attention: _____
Reference: _____

Agent's Wire Instructions

Bank Name: _____
ABA/Routing No.: _____
Account Name: _____
Account No.: _____
Attention: _____
Reference: _____

EXHIBIT F

[FORM OF] JOINDER AGREEMENT

THIS JOINDER AGREEMENT (this "Agreement"), dated as of [_____, ____], is by and among [_____, a _____] (the "Subsidiary Guarantor"), Smith and Wesson Holding Corporation, a Nevada corporation ("Holdings"), Smith & Wesson Corp., a Delaware corporation ("S&W," and together with Holdings, the "Borrowers") and TD Bank, N.A., in its capacity as administrative agent (in such capacity, the "Administrative Agent") under that certain Credit Agreement, dated as of June 15, 2015 (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"), by and among the Borrowers, the Guarantors from time to time party thereto, the Lenders from time to time party thereto and the Administrative Agent. Capitalized terms used herein but not otherwise defined shall have the meanings provided in the Credit Agreement.

The Subsidiary Guarantor is an additional Loan Party, and, consequently, the Loan Parties are required by Section 6.12 of the Credit Agreement to cause the Subsidiary Guarantor to become a "Guarantor" thereunder.

Accordingly, the Subsidiary Guarantor and the Borrowers hereby agree as follows with the Administrative Agent, for the benefit of the Secured Parties:

1. The Subsidiary Guarantor hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the Subsidiary Guarantor will be deemed to be a party to and a "Guarantor" under the Credit Agreement and shall have all of the obligations of a Guarantor thereunder as if it had executed the Credit Agreement and the other Loan Documents as a Guarantor. The Subsidiary Guarantor hereby ratifies, as of the date hereof, and agrees to be bound by, all representations and warranties, covenants and other terms, conditions and provisions of the Credit Agreement and the other applicable Loan Documents. Without limiting the generality of the foregoing terms of this Paragraph 1, the Subsidiary Guarantor hereby guarantees, jointly and severally together with the other Guarantors, the prompt payment of the Secured Obligations in accordance with Article XI of the Credit Agreement.

2. Each of the Subsidiary Guarantor and the Borrowers hereby agree that all of the representations and warranties contained in Article V of the Loan Agreement and each other Loan Document are true and correct as of the date hereof.

3. The Subsidiary Guarantor acknowledges and confirms that it has received a copy of the Credit Agreement and the schedules and exhibits thereto and each Loan Document and the schedules and exhibits thereto. The information on the schedules to the Credit Agreement are hereby supplemented (to the extent permitted under the Credit Agreement) to reflect the information shown on the attached Schedule A.

4. Each Borrower confirms that the Credit Agreement is, and upon the Subsidiary Guarantor becoming a Guarantor, shall continue to be, in full force and effect. The parties hereto confirm and agree that immediately upon the Subsidiary Guarantor becoming a Guarantor the term "Obligations," as used in the Credit Agreement, shall include all obligations of the Subsidiary Guarantor under the Credit Agreement and under each other Loan Document.

5. Each of the Borrowers and the Subsidiary Guarantor agrees that at any time and from time to time, upon the written request of the Administrative Agent, it will execute and deliver such further documents and do such further acts as the Administrative Agent may reasonably request in accordance with the terms and conditions of the Credit Agreement and the other Loan Documents in order to effect the purposes of this Agreement.

6. This Agreement may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Agreement by fax transmission or other electronic mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Agreement.

7. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York. The terms of Sections 10.14 and 10.15 of the Credit Agreement are incorporated herein by reference, mutatis mutandis, and the parties hereto agree to such terms.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the Borrowers and the Subsidiary Guarantor has caused this Agreement to be duly executed by its authorized officer, and the Administrative Agent, for the benefit of the Secured Parties, has caused the same to be accepted by its authorized officer, as of the day and year first above written.

SUBSIDIARY GUARANTOR:

[SUBSIDIARY GUARANTOR]

By: _____
Name: _____
Title: _____

BORROWERS:

SMITH & WESSON HOLDING CORPORATION

By: _____
Name: _____
Title: _____

SMITH & WESSON CORP.

By: _____
Name: _____
Title: _____

Acknowledged, accepted and agreed:

TD BANK, N.A.,
as Administrative Agent

By: _____
Name: _____
Title: _____

EXHIBIT G

[FORM OF] SOLVENCY CERTIFICATE

TO: TD Bank, N.A., as Administrative Agent

RE: Credit Agreement, dated as of June 15, 2015, by and among Smith and Wesson Holding Corporation, a Nevada corporation ("Holdings"), Smith & Wesson Corp., a Delaware corporation ("S&W," and together with Holdings, the "Borrowers"), the Guarantors, the Lenders and TD Bank, N.A., as Administrative Agent (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement)

DATE: June 15, 2015

The undersigned Responsible Officer of the Borrower Representative is familiar with the properties, businesses, assets and liabilities of the Loan Parties and is duly authorized to execute this certificate on behalf of the Borrower Representative and the other Loan Parties.

The undersigned certifies that [he/she] has made such investigation and inquiries as to the financial condition of the Loan Parties and their Subsidiaries as the undersigned deems necessary and prudent for the purpose of providing this Certificate. The undersigned acknowledges that the Administrative Agent and the Lenders are relying on the truth and accuracy of this Certificate in connection with the making of Loans and the other transactions contemplated under the Credit Agreement.

The undersigned certifies that the financial information, projections and assumptions which underlie and form the basis for the representations made in this Certificate were reasonable when made and were made in good faith and continue to be reasonable as of the date hereof.

BASED ON THE FOREGOING, the undersigned certifies that, both before and after giving effect to the transactions contemplated by the Credit Agreement:

(a) The fair value of the assets of the Loan Parties, taken as a whole, at a fair valuation, will exceed their debts and liabilities, subordinated, contingent or otherwise.

(b) The present fair saleable value of the property of the Loan Parties, taken as a whole, will be greater than the amount that will be required to pay the probable liability of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured.

(c) The Loan Parties, taken as a whole, will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured.

(d) The Loan Parties, taken as a whole, will not have unreasonably small capital with which to conduct the business in which they are engaged as such business is now conducted and is proposed to be conducted after the Closing Date.

(e) The Loan Parties, taken as a whole, do not intend to, or will not permit any of their Subsidiaries to, or believe that they or any of their Subsidiaries, taken as a whole, will, incur debts beyond their ability to pay such debts as they mature, taking into account the timing of and amounts of cash to be received by them or any such Subsidiary and the timing of the amounts of cash to be payable on or in respect of their Indebtedness or the Indebtedness of their Subsidiaries, taken as a whole.

(f) The Loan Parties will not permit any of their Subsidiaries, taken as a whole, to incur debts beyond their ability to pay such debts as they mature, if, as a result of doing so, it could be reasonably expected to have a Material Adverse Effect on the Borrowers and their Subsidiaries, taken as a whole.

Delivery of an executed counterpart of a signature page of this Certificate by fax transmission or other electronic mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Certificate.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Solvency Certificate to be duly executed as of the date first above written.

SMITH & WESSON HOLDING CORPORATION

By: _____

Name: _____

Title: _____

EXHIBIT K-1

[FORM OF] U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders that are not Partnerships for U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of June 15, 2015 by and among Smith & Wesson Corp., a Delaware corporation and Smith & Wesson Holding Corporation, a Nevada corporation, as borrowers (each a "Borrower" and, collectively, the "Borrowers"), the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and TD Bank, N.A., as Administrative Agent (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement). Pursuant to the provisions of Section 3.01 of the Credit Agreement, the undersigned hereby certifies that (a) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (b) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (c) it is not a ten percent shareholder of either Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (d) it is not a controlled foreign corporation related to either Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrowers with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E. By executing this certificate, the undersigned agrees that (a) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrowers and the Administrative Agent, and (b) the undersigned shall have at all times furnished the Borrowers and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF FOREIGN LENDER]

By: _____

Name:

Title:

Date: _____, ____

EXHIBIT K-2

[FORM OF] U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants that are not Partnerships for U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of June 15, 2015 by and among Smith & Wesson Corp., a Delaware corporation and Smith & Wesson Holding Corporation, a Nevada corporation, as borrowers (each a "Borrower" and, collectively, the "Borrowers"), the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and TD Bank, N.A., as Administrative Agent (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement). Pursuant to the provisions of Section 3.01 of the Credit Agreement, the undersigned hereby certifies that (a) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (b) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (c) it is not a ten percent shareholder of either Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (d) it is not a controlled foreign corporation related to the either Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E. By executing this certificate, the undersigned agrees that (a) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (b) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, _____

EXHIBIT K-3

[FORM OF] U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants that are Partnerships for U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of June 15, 2015 by and among Smith & Wesson Corp., a Delaware corporation and Smith & Wesson Holding Corporation, a Nevada corporation, as borrowers (each a “Borrower” and, collectively, the “Borrowers”), the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and TD Bank, N.A., as Administrative Agent (as amended, modified, extended, restated, replaced, or supplemented from time to time, the “Credit Agreement”); capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement). Pursuant to the provisions of Section 3.01 of the Credit Agreement, the undersigned hereby certifies that (a) it is the sole record owner of the participation in respect of which it is providing this certificate, (b) its direct or indirect partners/members are the sole beneficial owners of such participation, (c) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (d) none of its direct or indirect partners/members is a ten percent shareholder of either Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (e) none of its direct or indirect partners/members is a controlled foreign corporation related to either Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (a) an IRS Form W-8BEN or IRS Form W-8BEN-E or (b) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (i) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (ii) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, _____

EXHIBIT K-4

[FORM OF] U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders that are Partnerships for U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of June 15, 2015 by and among Smith & Wesson Corp., a Delaware corporation and Smith & Wesson Holding Corporation, a Nevada corporation, as borrowers (each a "Borrower" and, collectively, the "Borrowers"), the Guarantors from time to time party thereto, the Lenders from time to time party thereto, and TD Bank, N.A., as Administrative Agent (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement). Pursuant to the provisions of Section 3.01 of the Credit Agreement, the undersigned hereby certifies that (a) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (b) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (c) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (d) none of its direct or indirect partners/members is a ten percent shareholder of either Borrower within the meaning of Section 871(h)(3)(B) of the Code and (e) none of its direct or indirect partners/members is a controlled foreign corporation related to either Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrowers with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (a) an IRS Form W-8BEN or IRS Form W-8BEN-E or (b) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (i) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrowers and the Administrative Agent, and (ii) the undersigned shall have at all times furnished the Borrowers and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, _____

SUBSIDIARIES

Name	State or Jurisdiction of Organization
Smith & Wesson Corp.	Delaware
Battenfeld Technologies, Inc.	Missouri

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements of Smith & Wesson Holding Corporation and its subsidiaries on Form S-8 (Nos. 333-87748, 333-87750, 333-128804, 333-180057, 333-193001, and 333-193003) and Form S-3 (Nos. 333-130634 and 333-141231) of our report dated June 22, 2015 relating to the consolidated financial statements and financial statement schedule and the effectiveness of Smith & Wesson Holding Corporation's internal control over financial reporting, which appear in this Annual Report on Form 10-K.

/s/ Deloitte & Touche LLP

Hartford, Connecticut
June 22, 2015

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-87748, 333-87750, 333-128804, 333-180057, 333-193001, and 333-193003) and Form S-3 (Nos. 333-130634 and 333-141231) of Smith & Wesson Holding Corporation and its subsidiaries of our report dated June 19, 2014 relating to the consolidated financial statements and financial statement schedule which appears in this Annual Report on Form 10-K.

/s/ BDO USA, LLP

Boston, Massachusetts
June 19, 2015

CERTIFICATION

I, P. James Debney, certify that:

1. I have reviewed this annual report on Form 10-K of Smith & Wesson Holding Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 22, 2015

/s/ P. James Debney

P. James Debney

President and Chief Executive Officer

CERTIFICATION

I, Jeffrey D. Buchanan, certify that:

1. I have reviewed this annual report on Form 10-K of Smith & Wesson Holding Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 22, 2015

/s/ Jeffrey D. Buchanan

Jeffrey D. Buchanan

*Executive Vice President, Chief Financial Officer, and
Treasurer*

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Smith & Wesson Holding Corporation (the "Company") for the year ended April 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, P. James Debney, President and Chief Executive Officer of the Company, certify, to my best knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 22, 2015

/s/ P. James Debney

P. James Debney

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Smith & Wesson Holding Corporation (the "Company") for the year ended April 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey D. Buchanan, Executive Vice President, Chief Financial Officer, and Treasurer of the Company, certify, to my best knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 22, 2015

/s/ Jeffrey D. Buchanan

Jeffrey D. Buchanan

*Executive Vice President, Chief Financial Officer, and
Treasurer*