UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended October 31, 2011

Commission File No. 001-31552

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** *(Address of principal executive offices)*	**01104** *(Zip Code)*

(800) 331-0852
(Registrant's telephone number, including area code)

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 o

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 o

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 o	Accelerated filer ☑	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The registrant had 64,869,449 shares of common stock, par value $0.001, outstanding as of December 1, 2011.

SMITH & WESSON HOLDING CORPORATION
Quarterly Report on Form 10-Q
For the Six Months Ended October 31, 2011
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Statement Regarding Forward-Looking Information

The statements contained in this report on Form 10-Q 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 (including those related to the relocation of hunting production to Springfield, Massachusetts), earnings, and capital expenditures for the remainder of fiscal 2012 and thereafter; future products or product development; our product development strategies; beliefs regarding the features and performance of our products; the success of particular product or marketing programs; and liquidity and anticipated cash needs and availability, including the anticipated repurchase of $30.0 million in principal amount of outstanding convertible notes. 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" in our Annual Report on Form 10-K for the year ended April 30, 2011, filed with the SEC on June 30, 2011.

PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements***

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of:

	October 31, 2011 (Unaudited)	April 30, 2011
	(In thousands, except par value and share data)	
ASSETS		
Current assets:		
Cash and cash equivalents, including restricted cash of $5,827 on October 31, 2011 and $5,821 on April 30, 2011	$ 49,190	$ 58,292
Accounts receivable, net of allowance for doubtful accounts of $1,464 on October 31, 2011 and $2,147 on April 30, 2011	52,863	64,753
Inventories	59,278	51,720
Other current assets	11,318	10,212
Deferred income taxes	14,073	14,073
Income tax receivable	5,930	4,513
Total current assets	192,652	203,563
Property, plant and equipment, net	64,934	62,390
Intangibles, net	8,239	8,692
Other assets	5,838	6,804
	$ 271,663	$ 281,449
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 31,976	$ 40,119
Accrued expenses	21,881	25,356
Accrued payroll	6,606	5,309
Accrued taxes other than income	3,240	11,421
Accrued profit sharing	6,055	4,081
Accrued product/municipal liability	2,275	2,584
Accrued warranty	5,762	3,424
Current portion of notes payable	30,542	30,000
Total current liabilities	108,337	122,294
Deferred income taxes	5,309	5,309
Notes payable, net of current portion	50,000	50,000
Other non-current liabilities	12,148	8,763
Total liabilities	175,794	186,366
Commitments and contingencies (Note 16)		
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, 66,069,449 shares issued and 64,869,449 shares outstanding on October 31, 2011 and 65,710,531 shares issued and 64,510,531 shares outstanding on April 30, 2011	66	66
Additional paid-in capital	187,390	185,802
Accumulated deficit	(85,264)	(84,462)
Accumulated other comprehensive income	73	73
Treasury stock, at cost (1,200,000 common shares)	(6,396)	(6,396)
Total stockholders' equity	95,869	95,083
	$ 271,663	$ 281,449

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

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	For the Three Months Ended:		For the Six Months Ended:	
	(In thousands, except per share data)			
	October 31, 2011	October 31, 2010	October 31, 2011	October 31, 2010
Net sales	$ 92,299	$ 83,565	$ 184,029	$ 161,328
Cost of sales	67,693	58,138	132,907	107,271
Gross profit	24,606	25,427	51,122	54,057
Operating expenses:				
Research and development	1,241	913	2,579	1,892
Selling and marketing	8,636	8,898	16,761	17,285
General and administrative	11,295	10,804	22,817	23,141
Total operating expenses	21,172	20,615	42,157	42,318
Operating income from continuing operations	3,434	4,812	8,965	11,739
Other income/(expense):				
Other income, net	20	672	54	1,155
Interest income	399	292	802	560
Interest expense	(2,477)	(1,109)	(4,416)	(2,206)
Total other income/(expense), net	(2,058)	(145)	(3,560)	(491)
Income from continuing operations before income taxes	1,376	4,667	5,405	11,248
Income tax expense	428	2,095	2,182	4,847
Income from continuing operations	948	2,572	3,223	6,401
Discontinued operations (Note 3):				
Loss from operations of discontinued security solutions division	(4,004)	(41,248)	(6,706)	(39,235)
Income tax benefit	(1,465)	(1,391)	(2,681)	(1,761)
Loss on discontinued operations	(2,539)	(39,857)	(4,025)	(37,474)
Net loss/comprehensive loss	$ (1,591)	$ (37,285)	$ (802)	$ (31,073)
Net income/(loss) per share (Note 14):				
Basic — continuing operations	$ 0.01	$ 0.04	$ 0.05	$ 0.11
Basic — discontinued operations	$ (0.04)	$ (0.66)	$ (0.06)	$ (0.62)
Diluted — continuing operations	$ 0.01	$ 0.04	$ 0.05	$ 0.10
Diluted — discontinued operations	$ (0.04)	$ (0.62)	$ (0.06)	$ (0.60)
Weighted average number of common shares outstanding (Note 14):				
Basic	64,697	60,070	64,613	60,005
Diluted	65,110	63,857	65,130	62,245

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
For the Six Months Ended October 31, 2011
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock		Total Stockholders' Equity
(In thousands)	Shares	Amount				Shares	Amount	
Balance at April 30, 2011	65,711	$ 66	$ 185,802	$ (84,462)	$ 73	1,200	$ (6,396)	$ 95,083
Exercise of employee stock options	124	—	203	—	—	—	—	203
Stock-based compensation	—	—	1,124	—	—	—	—	1,124
Book deduction of stock-based compensation in excess of tax deductions	—	—	(240)	—	—	—	—	(240)
Shares issued under employee stock purchase plan	234	—	501	—	—	—	—	501
Net loss	—	—	—	(802)	—	—	—	(802)
Balance at October 31, 2011	66,069	$ 66	$ 187,390	$ (85,264)	$ 73	1,200	$ (6,396)	$ 95,869

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

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

	For the Six Months Ended October 31, 2011	For the Six Months Ended October 31, 2010
	(In thousands)	
Cash flows from operating activities:		
Net loss	$ (802)	$ (31,073)
Adjustments to reconcile net loss to net cash (used in)/provided by operating activities:		
Amortization and depreciation	8,526	7,023
Loss on sale of assets	361	66
(Recoveries of)/provision for losses on accounts receivable	(607)	187
Impairment of long-lived assets	—	39,495
Deferred income taxes	—	1,875
Stock-based compensation expense	1,124	917
Change in contingent consideration	—	(3,060)
Excess book deduction of stock-based compensation	(240)	(187)
Changes in operating assets and liabilities:		
Accounts receivable	12,497	6,111
Inventories	(7,558)	(7,441)
Other current assets	(1,106)	(3,523)
Income tax receivable/payable	(1,417)	568
Accounts payable	(8,143)	(2,396)
Accrued payroll	1,297	(4,334)
Accrued taxes other than income	(8,181)	3,232
Accrued profit sharing	1,974	2,355
Accrued other expenses	(3,881)	(2,506)
Accrued product/municipal liability	(309)	(184)
Accrued warranty	2,338	(662)
Other assets	1,758	55
Other non-current liabilities	306	761
Net cash (used in)/provided by operating activities	(2,063)	7,279
Cash flows from investing activities:		
Payments to acquire patents and software	(109)	(320)
Proceeds from sale of property and equipment	153	1
Payments to acquire property and equipment	(6,667)	(4,523)
Net cash used in investing activities	(6,623)	(4,842)
Cash flows from financing activities:		
Proceeds from loans and notes payable	1,532	1,365
Cash paid for debt issue costs	(1,887)	—
Proceeds from energy efficiency incentive programs	225	—
Proceeds from exercise of options to acquire common stock including employee stock purchase plan	704	672
Taxes paid related to restricted stock issuance	—	(50)
Payments on loans and notes payable	(990)	(680)
Net cash (used in)/provided by financing activities	(416)	1,307
Net (decrease)/increase in cash and cash equivalents	(9,102)	3,744
Cash and cash equivalents, beginning of period	58,292	39,855
Cash and cash equivalents, end of period	$ 49,190	$ 43,599
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	$ 2,649	$ 1,697
Income taxes	1,129	1,622

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

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended October 31, 2011 and 2010

(1) Basis of Presentation:

The consolidated balance sheet as of October 31, 2011, the consolidated statements of operations and comprehensive loss for the six months ended October 31, 2011 and 2010, the consolidated statement of changes in stockholders' equity for the six months ended October 31, 2011, and the consolidated statements of cash flows for the six months ended October 31, 2011 and 2010 have been prepared by us, without audit.

Smith & Wesson Security Solutions, Inc. ("SWSS"), our security solutions division, is being presented as discontinued operations in the consolidated statements of operations and comprehensive loss for all periods presented. See Note 3 for additional information regarding these discontinued operations. Unless stated otherwise, any reference to the consolidated statements of operations and comprehensive loss items in the notes to the consolidated financial statements refers to results from continuing operations.

The quarter end for each of our wholly owned subsidiaries, Smith & Wesson Corp. ("SWC"), Thompson Center Holding Corporation (formerly Bear Lake Acquisition Corp.) and its subsidiaries (collectively, "Thompson/Center Arms"), including Thompson/Center Arms Company, Inc. ("TCA"), and SWSS, was October 30, 2011, a one-day variance to our reported fiscal quarter end of October 31, 2011. This variance 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 October 31, 2011 and for the periods presented, have been included. All significant intercompany transactions have been eliminated. The consolidated balance sheet as of April 30, 2011 has been derived from our audited financial statements.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended April 30, 2011, filed with the SEC on June 30, 2011. The results of operations for the six months ended October 31, 2011 may not be indicative of the results that may be expected for the year ending April 30, 2012 or any other period.

Reclassification

Certain amounts presented in the prior periods' consolidated financial statements related to discontinued operations have been reclassified to conform to the current period's presentation.

(2) Organization:

We are a U.S.-based leader in firearm manufacturing. 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 firearm 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, the largest U.S. exporter of handguns, and an active participant in the hunting rifle market. We manufacture our firearm products at our facilities in Springfield, Massachusetts; Houlton, Maine; and Rochester, New Hampshire. In addition, we pursue opportunities to license our name and trademarks to third parties for use in association with their products and services.

(3) Discontinued Operations:

Based on a combination of factors occurring since our July 2009 acquisition of SWSS, including federal and corporate budgetary constraints, increased price competition, and other factors, including a fundamental change in strategic direction, on October 5, 2011, we committed to a plan to divest the assets, liabilities, and ongoing operations of our security solutions division. The operating results of SWSS are classified as discontinued operations and are presented in a separate line in the consolidated statements of operations and comprehensive loss for all periods presented. At this time, we are not able to provide a good faith estimate of any of the major types of costs associated with the divestiture nor are we able to provide an estimate of the total range of costs, expenses, or future cash expenditures associated with the divestiture. At this time, we are not able to estimate a timeframe when the divestiture will occur. Prior to the decision to divest of the business, we had reported this business as a separate division under the heading of security solutions.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended October 31, 2011 and 2010

The following is a summary of the operating results of the discontinued operations (in thousands):

	For the Three Months Ended:		For the Six Months Ended:	
	October 31, 2011	October 31, 2010	October 31, 2011	October 31, 2010
Net sales from discontinued operations	$ 5,987	$ 12,756	$ 13,448	$ 29,877
Loss before income taxes	(4,004)	(41,248)	(6,706)	(39,235)
Net loss from discontinued operations	(2,539)	(39,857)(a)	(4,025)	(37,474)(a)

(a) Included in the results of operations for the three and six months ended October 31, 2010 is a non-cash charge related to the impairment of goodwill and other intangible assets totaling $39.5 million. In addition, for the three and six months ended October 31, 2010, we recorded income of $530,000 and $3.1 million, respectively, related to the reduction in the acquisition liability related to contingent consideration versus the value recorded as of April 30, 2010.

The following is a summary of the major assets and liabilities of the discontinued operations (in thousands):

	October 31, 2011 (Unaudited)	April 30, 2011
ASSETS		
Current assets:		
Accounts receivable, net of allowance for doubtful accounts	$ 7,118	$ 11,816
Inventories	4,304	5,092
Total current assets	11,422	16,908
Property, plant and equipment, net	1,578	1,601
Intangibles, net	3,484	3,674
	$ 16,484	$ 22,183
LIABILITIES		
Current liabilities:		
Accounts payable	$ 2,445	$ 2,785
Accrued expenses	1,677	2,298
Total current liabilities	4,122	5,083
Other non-current liabilities	717	672
Total liabilities	$ 4,839	$ 5,755

In accordance with ASC 360-10, *Property, Plant, and Equipment*, the net assets of SWSS do not qualify as held for sale because of the uncertainty of the time frame as to when the divestiture will occur.

(4) Significant Accounting Policies:

Revenue Recognition — For our firearm 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. For our security solutions products and services, we recognize revenue from fixed-price contracts using the percentage-of-completion method, measured by the percentage of costs incurred to date to our total expected costs for each contract. As noted above, revenue from our security solutions division are being classified as discontinued operations.

Product sales account for a substantial portion of our firearm revenue. We recognize revenue from firearm 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. We also provide tooling, forging, heat treating, finishing, plating, and engineering support services to customers. We recognize this revenue when the services are accepted by the customer, 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.

SMITH & WESSON HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended October 31, 2011 and 2010

We determine percentage-of-completion by comparing the cost incurred to date to the estimated total cost required to complete the project. We consider costs incurred to date to be the most reliable, available measure of progress on these projects. We make adjustments to estimates to complete in the periods in which facts resulting in a change become known. When the estimate indicates that a loss will be incurred, we record the loss in the period in which it is identified. When reliable estimates cannot be made, we recognize revenue upon completion. Significant judgment is involved in the estimation process for each contract. Different assumptions could yield materially different results. Delays in the installation process could negatively affect operations in a given period by increasing volatility in revenue recognition. Recognition of revenue in conformity with accounting principles generally accepted in the United States requires us to make judgments that affect the timing and amount of reported revenue.

We recognize trademark licensing revenue for individual licensees on a quarterly basis based on historical experience and expected cash receipts from licensees. This revenue consists of minimum royalties and/or a percentage of a licensee's sales on licensed products. Under our current licensing agreements, this revenue is payable on a calendar quarter basis. We recognize non-refundable license fees received upon the initial signing of license agreements as revenue when no future obligation is required on our part. As a result of a combination of uncertain factors regarding existing licensees, including current and past payment performance, market acceptance of the licensee's product, and insufficient historical experience, we believe that reasonable assurance of collectability does not exist based on the results and past payment performance of licensees in general. Therefore, we do not recognize minimum royalty payments upon contract signing, but instead record royalty revenue monthly when the minimum royalty can be reasonably estimated for that month and payment is assured.

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 gross margin and percentage of completion on in-process security solutions projects, accruals for warranty, product liability, workers' compensation, environmental liability, excess and obsolete inventory, forfeiture rates on stock-based awards, asset impairments, and medical claims payable. Actual results could differ from those estimates.

Accounting for Acquisitions — Our accounting for acquisitions involves significant judgments and estimates, including the fair value of certain forms of consideration; the fair value of acquired intangible assets, which involve projections of future revenue and cash flows, the fair value of other acquired assets and assumed liabilities, including potential contingencies; and the useful lives and, as applicable, the reporting unit of the assets. Our financial position or results of operations may be materially impacted by changes in our initial assumptions and estimates relating to prior or future acquisitions. Additionally, we determine the fair value of the reporting unit, for purposes of the first step in our annual goodwill impairment test, based on an income approach. If prior or future acquisitions are not accretive to our results of operations as expected or our market value declines dramatically, we may be required to complete the second step, which requires significant judgments and estimates and which may result in material impairment charges in the period in which they are determined (see *Valuation of Long-lived Tangible and Intangible Assets and Goodwill* below).

Segment Information — We have historically reported certain financial information under two segments, firearms and security solutions. As a result of our plan to divest SWSS, the results of the operations comprising the security solutions segment are now being reported as discontinued operations for all periods presented. See Note 3 — *Discontinued Operations* for additional information.

Valuation of Long-lived Tangible and Intangible Assets and Goodwill — 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 fixed assets, developed technology, patents, trademarks, and tradenames. 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. With the exception of goodwill and intangible assets with indefinite lives, 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;
- 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 would materially impact future results of operations and financial position in the reporting period identified.

In accordance with ASC 350, *Intangibles — Goodwill and Other*, we test intangible assets with indefinite lives for impairment on an annual basis as of the end of our third fiscal quarter 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 goodwill and intangible assets with indefinite lives, to assess whether impairment is present. We have reviewed the provisions of ASC 280-10 with respect to the criteria necessary to evaluate the number of reporting units that exist. Based on our review of the *Segment Reporting Topic*, ASC 280-10-50, we have determined that we operate our continuing operations in one reporting unit for our Springfield, Massachusetts and Houlton, Maine facilities. As of October 31, 2011, we had no goodwill recorded on our books for continuing operations.

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 during the three and six months ended October 31, 2011 based on the review of long-lived assets. We recorded impairment charges related to our discontinued security solutions division during the three and six months ended October 31, 2010. See Note 3 — *Discontinued Operations* for additional information. See also Note 8 - *Intangible Assets*.

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.

(5) Notes Payable:

Credit Facilities — Pursuant to an amended and restated credit agreement dated December 7, 2010, we, as guarantor, along with certain of our direct and indirect subsidiaries, including SWC and TCA, as borrowers, increased our revolving line of credit to $120.0 million, removed the accounts receivable and inventory borrowing base limitations, and extended the agreement to December 7, 2014. Pursuant to an amendment of the amended and restated credit agreement dated October 28, 2011, we decreased our revolving line of credit to $60.0 million. As a result of the reduction of our credit facility, we wrote off $563,000 of debt issuance costs to interest expense during the three and six months ending October 31, 2011.

The credit facility provides for availability until December 7, 2014 for working capital needs. The revolving line of credit bears interest at a variable rate equal to LIBOR or prime plus an applicable margin based on our leverage ratio, at our election. As of October 31, 2011, there were no borrowings outstanding. Had there been borrowings, they would have borne an interest rate of 5.0% per annum.

As security for the credit facility, TD Bank has a first priority lien on all of our personal property and real estate assets.

We may prepay, in whole or in part, any of the loans that have interest rates determined by reference to the prime rate, with interest accrued to the date of the prepayment on the amount prepaid, without any penalty or premium. Loans with a fixed rate of interest determined by reference to the LIBOR interest rate may be prepaid provided that we reimburse TD Bank for any costs associated with (i) our making payments on dates other than those specified in the credit agreement, or (ii) our borrowing or converting a LIBOR loan on a date other than the borrowing or conversion dates specified in the credit agreement. We received a waiver of the 2% prepayment penalty associated with our repayment of the acquisition line of credit, as described above.

Convertible Notes — On December 15, 2006, we issued an aggregate of $80.0 million of 4% senior convertible notes (the “Convertible Notes”) maturing on December 15, 2026 to qualified institutional buyers pursuant to the terms and conditions of a securities purchase agreement and indenture. In fiscal 2011, we exchanged a total of $50.0 million of the Convertible Notes for $50.0 million of the Senior Notes (as defined below).

The Convertible Notes bear interest at a rate of 4% per annum payable on June 15 and December 15 of each year.

Holders of the Convertible Notes may require us to repurchase all or part of their Convertible Notes on December 15, 2011, December 15, 2016, or December 15, 2021 and in the event of a fundamental change in our company, as defined in the indenture governing the Convertible Notes. We have classified the $30.0 million of outstanding Convertible Notes as short term-debt on our balance sheet as of October 31, 2011 because we anticipate that the holders will require us to repurchase their Convertible Notes in December 2011.

As of October 31, 2011, taking into account the exchange agreements defined below, the remaining outstanding Convertible Notes are convertible into a total of 2,431,906 shares of common stock. The Convertible Notes may be converted at any time. Until December 15, 2011, we may redeem all or a portion of the Convertible Notes at the redemption price of 100% of the principal amount of the Convertible Notes plus accrued and unpaid interest only if the closing price of our common stock exceeds 150% of the then applicable conversion price of the Convertible Notes for no fewer than 20 trading days in any period of 30 consecutive trading days. After December 15, 2011, we may redeem all or a portion of the Convertible Notes.

The Convertible Notes are our general unsecured obligations, ranking senior in right of payment to our subordinated indebtedness and ranking pari passu with all other unsecured and unsubordinated indebtedness. Until such time that the closing price of our common stock exceeds 200% of the then applicable conversion price of the Convertible Notes for at least 30 trading days in any period of 40 consecutive trading days, we agreed not to incur any additional indebtedness in excess of the greater of (1) $60.0 million available under our credit facility, and (2) three times LTM EBITDA (as defined in the indenture governing the Convertible Notes) at the time such additional debt is incurred and including any amounts outstanding under our credit facility.

We evaluated the conversion features of the Convertible Notes and determined that no beneficial conversion feature existed and that there are no features of the instruments requiring bifurcation.

Senior Notes — On January 14, 2011, we issued an aggregate of $23.1 million of 9.5% senior notes due 2016 (“Senior Notes”) to two investors in exchange for $23.1 million of the Convertible Notes pursuant to the terms and conditions of an exchange agreement and indenture (the “Senior Notes Indenture”). On February 10, 2011 and March 3, 2011, we issued an aggregate of $16.8 million and $10.1 million, respectively, of Senior Notes to additional investors in exchange for $16.8 million and $10.1 million, respectively, of the Convertible Notes pursuant to the terms and conditions of additional exchange agreements and the Senior Notes Indenture. As a result, we exchanged a total of $50.0 million of the Convertible Notes for $50.0 million of Senior Notes.

The Senior Notes bear interest at a rate of 9.5% per annum payable on June 15 and December 15 of each year.

At any time prior to January 14, 2014, we may, at our option, (a) redeem all or a portion of the Senior Notes at a redemption price of 100% of the principal amount of the 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 Senior Notes with the net cash proceeds of one or more equity offerings at a redemption price of 104.75% of the principal amount of the Senior Notes, plus accrued and unpaid interest as of the redemption date; provided that in the case of clause (b) above, at least 65% of the aggregate original principal amount of the Senior Notes remains outstanding and the redemption occurs within 60 days after the closing of the equity offering. On and after January 14, 2014, we may, at our option, redeem all or a portion of the Senior Notes at a redemption price of (1) 104.75% of the principal amount of the Senior Notes to be redeemed, if redeemed during the 12-month period beginning on January 14, 2014; or (2) 100% of the principal amount of the Senior Notes to be redeemed, if redeemed during the 12-month period beginning on January 14, 2015, plus, in either case, accrued and unpaid interest on the 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 Senior Notes from the holders of the 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 Senior Notes mature on January 14, 2016.

The Senior Notes are general unsecured obligations of our company. The Senior Notes Indenture contains certain affirmative and negative covenants, including limitations on restricted payments, limitations on indebtedness, limitations on the sale of assets, and limitations on liens.

The limitation on indebtedness in the Senior Notes Indenture is only applicable at such time that the consolidated coverage ratio (as set forth in the Senior Notes Indenture) for us and our restricted subsidiaries is less than 2.00 to 1.00. In general, as set forth in the 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.

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The credit agreement with TD Bank contains financial covenants relating to maintaining maximum leverage and minimum debt service coverage. The indenture governing the Convertible Notes contains a financial covenant relating to maximum additional indebtedness. The Senior Notes Indenture contains a financial covenant relating to times interest earned. We were in compliance with these debt covenants as of October 31, 2011.

(6) Capital Lease:

On October 28, 2011, we entered into a lease agreement totaling $3.5 million. The proceeds from the lease were used to finance the acquisition of machinery and equipment to increase production capacity. Borrowings under the lease have an effective interest rate of 5.76% and are payable in 60 monthly installments through fiscal 2017. Leases are accounted for under the provisions of ASC 840-10, *Leases*, which requires that leases be evaluated and classified as operating or capital leases for financial reporting purposes. Based on our evaluation under ASC 840-10, we determined that the lease qualifies as a capital lease because the net present value of future lease payments exceed 90% of the fair market value of the leased machinery and equipment. We have pledged the assets financed to secure the amounts outstanding. We included $406,000 of short-term capital lease obligation in accrued expenses and $3.1 million in other non-current liabilities.

The following sets forth the future minimum lease payments as of October 31, 2011 (in thousands):

	Capital Lease Obligation (Unaudited)
2012	$ 297
2013	596
2014	596
2015	596
2016	596
Thereafter	1,500
Total future minimum lease payments	4,181
Less amounts representing interest	(696)
Present value of minimum lease payments	3,485
Less current maturities of capital lease	(406)
Long-term maturities of capital lease	$ 3,079

(7) Inventories:

The following sets forth a summary of inventories, stated at the lower of cost or market, as of October 31, 2011 and April 30, 2011 (in thousands):

	October 31, 2011 (Unaudited)	April 30, 2011
Finished goods	$ 17,494	$ 15,409
Finished parts	24,985	18,845
Work in process	9,303	8,091
Raw material	7,496	9,375
Total inventories	$ 59,278	$ 51,720

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(8) Intangible Assets:

Intangible assets consisted of the following as of October 31, 2011 and April 30, 2011 (in thousands):

	October 31, 2011 (Unaudited)	April 30, 2011
Developed technology	$ 3,120	$ 3,120
Customer relationships	100	100
Patents, trademarks, and tradenames	7,145	7,036
Software	542	542
	10,907	10,798
Less: Accumulated amortization	(2,668)	(2,106)
Total intangible assets, net	$ 8,239	$ 8,692

(9) Accrued Expenses:

Accrued expenses consisted of the following as of October 31, 2011 and April 30, 2011 (in thousands):

	October 31, 2011 (Unaudited)	April 30, 2011
Accrued professional fees	$ 4,225	$ 4,585
Accrued distributor incentives	4,036	6,301
Interest payable	2,250	1,575
Accrued employee benefits	2,226	2,690
Accrued commissions	1,553	1,383
Accrued rebates and promotions	1,532	1,731
Accrued severance/restructuring costs (Note 13)	1,516	1,252
Deferred revenue	1,156	1,855
Accrued workers' compensation	676	593
Accrued utilities	457	579
Current portion of capital lease obligation	406	—
Pension liability	114	111
Accrued environmental	78	107
Accrued other	1,656	2,594
Total accrued expenses	$ 21,881	$ 25,356

(10) Advertising Costs:

We expense advertising costs, primarily consisting of magazine advertisements, printed materials, and television advertisements, as incurred. For the six months ended October 31, 2011 and 2010, advertising expense was $7.6 million and $7.1 million, respectively.

(11) Warranty Reserve:

We generally provide a lifetime warranty to the original purchaser of our new firearm products and provide warranties for up to two years on the materials and workmanship in our security solutions projects, which includes products purchased by us from third-party manufacturers. 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.

On November 11, 2011, we initiated a recall of all Thompson/Center Arms Venture™ Rifles manufactured since the product's introduction in mid 2009. We estimate that the cost of this recall to be approximately $2.1 million, which is included in the accrued warranty balance. Warranty expense for the six months ended October 31, 2011 and 2010 was $3.9 million and $958,000, respectively.

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The following sets forth the change in accrued warranty, a portion of which is recorded as a non-current liability, in the six months ended October 31, 2011 and 2010 (in thousands):

	October 31, 2011 (Unaudited)	October 31, 2010 (Unaudited)
Beginning Balance	$ 4,213	$ 4,548
Warranties issued and adjustments to provisions	3,879	958
Warranty claims	(1,555)	(1,664)
Ending Balance	$ 6,537	$ 3,842

(12) Self-Insurance Reserves:

As of October 31, 2011 and April 30, 2011, we had reserves for workers' compensation, product liability, municipal liability, and medical/dental costs totaling $9.6 million, of which $4.9 million and $4.6 million, respectively, have been classified as non-current and included in other non-current liabilities and $2.4 million and $2.3 million, respectively, have been included in accrued expenses, and $2.3 million and $2.6 million, respectively, have been included in accrued product/municipal liability on the accompanying consolidated balance sheets. In addition, $221,000 of excess workers' compensation receivable 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 $6.6 million and $5.7 million for the six months ended October 31, 2011 and 2010, respectively.

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 reasonably 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 October 31, 2011 and April 30, 2011, we had accrued reserves for product and municipal litigation liabilities of $5.3 million and $5.5 million, respectively (of which $3.0 million and $2.9 million, respectively, were non-current), consisting entirely of expected legal defense costs. In addition, as of October 31, 2011 and April 30, 2011, we had recorded receivables from insurance carriers related to these liabilities of $2.1 million, of which $2.0 million has been classified as other assets and the remaining $25,000 has been classified as other current assets.

(13) Plant Consolidation:

On December 8, 2010, we implemented a restructuring plan to move production of our hunting products to our Springfield, Massachusetts facility and to close our Rochester, New Hampshire facility. The closure of our Rochester, New Hampshire facility will result in the termination or relocation of all employees of such facility and an increase in the number of employees in our Springfield, Massachusetts facility by approximately 225 full-time equivalents. We have incurred major capital expenditures relating to moving equipment and processes from Rochester, New Hampshire to Springfield, Massachusetts, improving production efficiencies, tooling for new product offerings, and various projects designed to increase capacity and upgrade manufacturing technology. We completed this restructuring plan in November 2011.

For the three months ended October 31, 2011, we recorded $930,000 in expenses related to facilities and employee severance, including $787,000 of restructuring expenses in cost of sales, excluding the impact of reduced productivity and efficiencies in our Rochester, New Hampshire facility, and $143,000 in operating expenses. For the six months ended October 31, 2011, we recorded $2.5 million in expenses related to facilities and employee severance, including $2.0 million of restructuring expenses in cost of sales, excluding the impact of reduced productivity and efficiencies in our Rochester, New Hampshire facility, and $504,000 in operating expenses. We expect to record an additional $400,000 in expenses during the remainder of fiscal 2012, including an additional $348,000 of restructuring expenses in cost of sales, excluding the impact of reduced productivity and efficiencies in our Rochester, New Hampshire facility, and $52,000 in operating expenses. Once completed, the total amount incurred in connection with our restructuring plan is expected to be $5.6 million, with $2.5 million for employee severance and relocation expenses and $3.1 million for facilities-related expenses.

The following table summarizes the restructuring liabilities, included in accrued expenses, accrued for and changes in those amounts at October 31, 2011 for the plan discussed above (in thousands):

	Employee Severance and Termination Benefits	Facilities-Related Costs
Balance at April 30, 2011	$ 1,252	$ 409
Costs incurred during the period	529	1,057
Costs paid or settled during the period	(231)	(1,371)
Balance at July 31, 2011	1,550	95
Costs incurred during the period	417	513
Costs paid or settled during the period	(451)	(524)
Balance at October 31, 2011	$ 1,516	$ 84

On December 21, 2010, under the Economic Development Incentive Program of the Commonwealth of Massachusetts, we were awarded a refundable economic incentive tax credit ("ITC") by the Economic Assistance Coordinating Council in conjunction with our plan discussed above. The ITC is calculated as 40% of qualified capital expenditures placed in service and allows for a refundable tax credit from the Commonwealth of Massachusetts of up to $4.4 million during the fiscal year ending April 30, 2011. As of October 31, 2011, we have recorded the maximum $4.4 million of ITC as a contra asset account included in property, plant, and equipment.

(14) Stockholders' Equity:

Common Stock

During the six months ended October 31, 2011, options were exercised and common stock issued as follows:

(a) We issued 123,500 shares of common stock having a market value of $418,000 to former employees upon the exercise of options granted to them while employed at our company and to a director upon the exercise of options granted to her for service provided to our company. The purchase price of these shares was $203,000.

(b) In September 2011, we issued 234,418 shares of common stock under our current Employee Stock Purchase Plan ("ESPP"). The purchase price of these shares was $501,000.

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Earnings per Share

The following table provides a reconciliation of the income amounts and weighted average number of common and common equivalent shares used to determine basic and diluted earnings per share for the three and six months ended October 31, 2011 and 2010 (in thousands, except per share data):

	For the three months ended		For the six months ended	
	October 31, 2011	October 31, 2010	October 31, 2011	October 31, 2010
Net income/(loss)				
Income from continuing operations	$ 948	$ 2,572	$ 3,223	$ 6,401
Loss from discontinued operations, net of tax	(2,539)	(39,857)	(4,025)	(37,474)
Net loss	$ (1,591)	$ (37,285)	$ (802)	$ (31,073)
Average shares outstanding — Basic	64,697	60,070	64,613	60,005
Dilutive effect of stock option and award plans	413	3,787	517	2,240
Diluted shares outstanding	65,110	63,857	65,130	62,245
Earnings per common share — Basic				
Income from continuing operations	$ 0.01	$ 0.04	$ 0.05	$ 0.11
Loss from discontinued operations	(0.04)	(0.66)	(0.06)	(0.62)
Net loss	(0.02)	(0.62)	(0.01)	(0.52)
Earnings per common share — Diluted				
Income from continuing operations	$ 0.01	$ 0.04	$ 0.05	$ 0.10
Loss from discontinued operations	(0.04)	(0.62)	(0.06)	(0.60)
Net loss	(0.02)	(0.58)	(0.01)	(0.50)

For the three months ended October 31, 2011, 2,431,906 shares of common stock issuable upon conversion of the Convertible Notes and 3,077,995 shares of common stock issuable upon the exercise of stock options and the delivery of restricted stock units ("RSUs") were excluded from the computation of diluted earnings per share because the effect would be antidilutive. For the three months ended October 31, 2010, 6,485,084 shares of common stock issuable upon the conversion of the Convertible Notes and 1,111,447 shares of common stock issuable upon the exercise of stock options and the delivery of RSUs were excluded from the computation of diluted earnings per share because the effect would be antidilutive.

For the six months ended October 31, 2011, 2,431,906 shares of common stock issuable upon conversion of the Convertible Notes and 2,568,098 shares of common stock issuable upon the exercise of stock options and the delivery of RSUs were excluded from the computation of diluted earnings per share because the effect would be antidilutive. For the six months ended October 31, 2010, 6,485,084 shares of common stock issuable upon the conversion of the Convertible Notes and 1,042,014 shares of common stock issuable upon the exercise of stock options and the delivery of RSUs were excluded from the computation of diluted earnings per share because the effect would be antidilutive.

Stock Option and Employee Stock Purchase Plans

We have two stock option plans (the "SOPs"): the 2001 Stock Option Plan and the 2004 Incentive Stock Plan. New grants under the 2001 Stock Option Plan have not been made since the approval of the 2004 Incentive Stock Plan at our September 13, 2004 annual meeting of stockholders. All new grants covering all participants are issued under the 2004 Incentive Stock Plan.

The 2004 Incentive Stock Plan authorizes the issuance of the lesser of (1) 15% of the shares of our common stock outstanding from time to time, or (2) 10,000,000 shares of our common stock. The plan permits the grant of options to acquire common stock, restricted common stock and deferred stock, RSUs, stock appreciation rights, and dividend equivalents. Our board of directors, or a committee established by our board, administers the SOPs, selects recipients to whom awards are granted, and determines the grants to be awarded. Options granted under the SOPs 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 SOPs are nontransferable and subject to forfeiture.

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Unless terminated earlier by our board of directors, the 2004 Incentive Stock Plan will terminate on the earlier of (1) ten years from the date of the later to occur of (i) the original date the plan was approved by our board of directors or our stockholders, whichever is earlier, or (ii) the date an increase in the number of shares reserved for issuance under the plan is approved by our board of directors (so long as such increase is also approved by our stockholders), and (2) such time as no shares of common stock remain available for issuance under the plan and our company has 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. Generally, awards vest over a period of three years and are exercisable for a period of ten years. The plan also permits the grant of awards to non-employees, which the board has granted in the past. A separate option grant, outside of the 2004 Incentive Stock Plan, for 500,000 shares was made, at an exercise price of $1.47 per share, in connection with the hiring of our former President and Chief Executive Officer during the fiscal year ended April 30, 2005. As of October 31, 2011, there were 450,000 options outstanding relating to this grant, which expire on December 6, 2014.

The number of shares and weighted average exercise prices of (i) options granted under the SOPs and (ii) the separate option grant to our former President and Chief Executive Officer outside of the SOPs for the six months ended October 31, 2011 and 2010 are as follows:

	For the Six Months Ended October 31,			
	2011		2010	
	Shares	Weighted-Average Price	Shares	Weighted-Average Price
Options outstanding, beginning of year	3,137,565	$ 4.73	3,207,264	$ 4.84
Granted during year	1,094,100	3.12	535,600	3.91
Exercised during year	(123,500)	1.64	(85,334)	1.61
Canceled/forfeited during year	(205,333)	4.89	(143,399)	4.14
Options outstanding, end of period	3,902,832	$ 4.37	3,514,131	$ 4.89
Weighted average remaining contractual life	7.12 years		6.69 years	
Options exercisable, end of period	2,084,359	$ 5.08	2,176,039	$ 4.70
Weighted average remaining contractual life	5.20 years		5.27 years	

The aggregate intrinsic value of outstanding options that were vested as of October 31, 2011 and 2010 was $1.1 million and $1.8 million, respectively. The aggregate intrinsic value of outstanding options that were exercisable as of October 31, 2011 and 2010 was $938,000 and $1.8 million, respectively.

We currently have an ESPP that commenced on June 24, 2002 (the “2001 ESPP”), which authorizes the sale of up to 10,000,000 shares of our common stock to employees. The 2001 ESPP continues in effect for a term of ten years unless sooner terminated. The 2001 ESPP was implemented by a series of offering periods of two years in duration, with four six-month purchase periods in the offering period. The 2001 ESPP was amended in September 2004 so that future offering periods, commencing with the October 1, 2004 offering period, are six months, consistent with the six-month purchase period. The purchase price is 85% of the fair market value of our common stock on the offering date or on the purchase date, whichever is lower. A participant may elect to have payroll deductions made on each payday during the offering period in an amount not less than 1% and not more than 20% (or such greater percentage as the board may establish from time to time before an offering date) of such participant’s compensation on each payday during the offering period. The last day of each offering period is the purchase date for such offering period. An offering period commencing on April 1 ends on the next September 30. An offering period commencing on October 1 ends on the next March 31. Our board of directors has the power to change the duration and/or the frequency of offering and purchase periods with respect to future offerings and purchases without stockholder approval if such change is announced at least five days prior to the scheduled beginning of the first offering period to be affected. The maximum number of shares an employee may purchase during each purchase period is 12,500 shares or a total of $25,000 in shares, based on the fair market value on the first day of the purchase period. The 2001 ESPP is scheduled to expire with the offering period that ends March 31, 2012.

All options and rights to participate in the 2001 ESPP are nontransferable and subject to forfeiture in accordance with the 2001 ESPP guidelines. In the event of certain corporate transactions, each option outstanding under the 2001 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 the six months ended October 31, 2011 and 2010, 234,418 and 176,761 shares were purchased under the 2001 ESPP, respectively.

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On September 26, 2011, our stockholders approved the 2011 ESPP to replace our expiring 2001 ESPP. Initially, there will be a total of 6,000,000 shares of our common stock reserved under the 2011 ESPP, which will include any shares available for issuance under the 2001 ESPP on the first offering date under the 2011 ESPP, but not to exceed 6,000,000 shares. The shares included in the 2011 ESPP will no longer be available for issuance under the 2001 ESPP. The 2011 ESPP will be implemented in a series of successive offering periods, each with a maximum duration of 12 months. If the fair market value ("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 the 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 the 2011 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, unless the participant's entry date is not the first day of the offering period, in which case the exercise price will equal 85% of the lower of (i) the greater of the FMV on the first day of the offering period or the FMV of our common stock on the entry date, or (ii) 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. The 2011 ESPP's effective date is April 1, 2012, and the 2011 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 the 2011 ESPP, (b) such date as is determined by our Board of Directors in its discretion, or (c) March 31, 2022. 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 and warrants issued to employees using the Black-Scholes model at the time the options and warrants were granted. That amount is then amortized over the vesting period of the option or warrant. With our 2001 ESPP, fair value is determined at the beginning of the purchase period and amortized over the term of the offering period.

The following assumptions were used in valuing our options and 2001 ESPP purchases during the six-month periods ended October 31, 2011 and 2010:

	For the Six Months Ended October 31,	
	2011	2010
Stock option grants:		
Risk-free interest rate	0.92 - 2.20%	1.31 - 2.47%
Expected term	5.30 - 8.18 years	5.36 - 9.0 years
Expected volatility	66.9 - 74.6%	69.5 - 76.4%
Dividend yield	0%	0%
Employee Stock Purchase Plan:		
Risk-free interest rate	0.06%	0.19%
Expected term	6 months	6 months
Expected volatility	49.9%	40.1%
Dividend yield	0%	0%

We estimate expected volatility using historical volatility for the expected term. The fair value of each stock option or 2001 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 weighted-average fair value of stock options granted during the six months ended October 31, 2011 was $2.06 per share. There were 1,094,100 and 535,600 options granted during the six months ended October 31, 2011 and 2010, respectively. The total stock-based compensation expense, including stock options, purchases under the 2001 ESPP, and RSU awards, was $1.1 million and $917,000 for the six months ended October 31, 2011 and 2010, respectively. Stock-based compensation expense is included in general and administrative expenses.

We calculate the fair value of our performance-based RSUs ("PSUs") issued to employees using the Monte-Carlo model at the time the PSUs were granted. We use the following assumptions in valuing our PSUs: (a) grant date market value of our common stock and the NASDAQ Composite Index, (b) expected volatilities of our common stock and the NASDAQ Composite Index (c) correlation coefficient between our common stock and the NASDAQ Composite Index, (d) risk-free interest rate, and (e) dividend yield.

During the six months ended October 31, 2011 and 2010, we granted 95,200 and 120,200 PSUs, respectively, with an aggregate maximum award of 190,400 and 240,400 PSUs, respectively, to current and former employees. These PSUs were granted to certain of our named executive officers and vest based on the relative performance of our stock price against the NASDAQ Composite Index over a three-year period. The aggregate fair market value of our RSU and PSU grants is being amortized to compensation expense over the vesting period (three years). During the six months ended October 31, 2011 and 2010, we issued 1,000 and 58,695 shares of common stock, respectively, under RSUs and PSUs that had vested during such periods with a total market value of $3,000 and

$237,000, respectively. During the six months ended October 31, 2011, we cancelled 88,700 PSUs previously granted to our former President and Chief Executive Officer. During the six months ended October 31, 2010, we cancelled an aggregate of 68,333 PSUs, consisting of (i) 53,333 PSUs previously granted to our former President and Chief Executive Officer, as financial targets associated with these PSUs were not met for the fiscal year ended April 30, 2011, and (ii) 15,000 PSUs previously granted to our former President of the discontinued security solutions division. Compensation expense recognized related to grants of RSUs and PSUs, excluding the $180,000 impact of the 88,700 cancelled PSUs, was $143,000 for the six months ended October 31, 2011. Compensation expense recognized related to grants of RSUs and PSUs, excluding the $493,000 impact of the 68,333 cancelled PSUs, was $114,000 for the six months ended October 31, 2010. As of October 31, 2011, there was $316,000 of unrecognized compensation cost related to unvested RSUs, much of which relates to PSUs. This cost is expected to be recognized over a weighted average of 2.2 years.

Stockholder Rights Plan

On August 9, 2005, we adopted a stockholder rights plan (the “Rights Plan”). Under the Rights Plan, we made a dividend distribution of one preferred share purchase right (a “Right”) for each outstanding share of common stock. The dividend is payable to stockholders of record at the close of business on August 26, 2005. Each Right entitles the registered holder to purchase from us one one-thousandth of a share of our Series A Junior Participating Preferred Stock, par value $.001 per share (the “Preferred Stock”), at a price of $36.00 per one one-thousandth of a share of Preferred Stock, subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement dated as of August 25, 2005, as the same may be amended from time to time, between us and Interwest Transfer Company, Inc., as Rights Agent.

In general, until the earlier to occur of (i) ten days following a public announcement that a person or group of affiliated or associated persons (with certain exceptions) has acquired beneficial ownership of 15% or more of the outstanding shares of our common stock or (ii) ten business days (or such later date as may be determined by action of our board of directors prior to such time as any person or group of affiliated persons becomes an “Acquiring Person”) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of the then outstanding shares of our common stock, the Rights will be evidenced, with respect to any of the common stock certificates outstanding as of August 25, 2005, by such common stock certificates together with a copy of a summary describing the Rights. As of October 31, 2011, we have not had any such changes that would have resulted in the execution of the Rights Plan.

(15) 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.

At October 31, 2011, we had gross tax-affected unrecognized tax benefits of approximately $1.1 million, all of which, if recognized, would favorably impact our effective tax rate. Included in the unrecognized tax benefits at October 31, 2011 and 2010 was approximately $233,000 and $328,000, respectively, of accrued interest and penalties related to uncertain tax positions, which have been recorded in other non-current liabilities as none of these positions are expected to reverse in the next 12 months.

The full value of our unrecognized tax benefits has been classified as non-current income tax liabilities because a payment of cash is not anticipated within one year of the balance sheet date. In fiscal 2012, we expect to incur additional interest on outstanding tax accounts. We do not expect this change to be material. Interest and penalties related to income tax liabilities are included in income tax expense.

With limited exception, we are subject to U.S. federal, state, local, and non-U.S. income tax audits by tax authorities for fiscal years subsequent to April 30, 2007.

(16) Commitments and Contingencies:

Litigation

We, together with certain related organizations, are a co-defendant in various legal proceedings involving product liability claims and are aware of other product liability claims, including allegations of defective product design, manufacturing, negligent marketing, and/or distribution of firearms leading to personal injury. The lawsuits and claims are based principally on the theory of “strict liability,” but also may be based on negligence, breach of warranty, and other legal theories. In many of the lawsuits, punitive damages, as well as compensatory damages, are demanded. Aggregate claimed amounts currently exceed product liability accruals and, if applicable, insurance coverage. 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 and that there should be no recovery against us.

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In addition, we are a co-defendant in legal proceedings brought 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 in shootings. The city's complaint seeks money damages, among other things, for the costs of investigating crime, preventing crime, costs of medical care, police and emergency services, and decreases in property values. In addition, nuisance abatement and/or injunctive relief is sought to change the design, manufacture, marketing, and distribution practices of the various defendants. The suit alleges public nuisance, negligent distribution and marketing, and negligent design. We believe that the various allegations as described above are unfounded, and, in addition, that any accidents and any results from them were due to negligence or misuse of the firearm by a third party and that there should be no recovery against us.

We and certain of our officers and directors were named in three similar purported securities class action lawsuits, which were subsequently consolidated into one action. The plaintiffs seek damages for alleged violations of Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The certified consolidated action consists of a class of persons that purchased our securities between June 15, 2007 and December 6, 2007. On March 25, 2011, the court dismissed the case with prejudice. The plaintiff is appealing the Court's dismissal.

In addition, we are involved in several purported stockholder derivative lawsuits. These actions were brought by putative plaintiffs on behalf of our company against certain of our officers and directors. The lawsuits are based principally on a theory of breach of fiduciary duties. The putative plaintiffs seek unspecified damages on behalf of our company from the individual defendants, and recovery of their attorneys' fees.

We are vigorously defending ourselves in the lawsuits. 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.

We monitor the status of known claims and the product liability accrual, which includes amounts for defense costs for asserted and unasserted claims. While it is difficult to forecast the outcome of these claims, we believe, after consultation with litigation counsel, that it is uncertain whether the outcome of these claims will have a material adverse effect on our financial position, results of operations, or cash flows. We believe that we have provided adequate reserves for defense costs. We do not anticipate material adverse judgments and intend to vigorously defend ourselves.

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

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.

New Cases

The following case was filed against us or became reportable during the three and six months ended October 31, 2011.

Mark D. Lee v. Smith & Wesson Corp., et al., in the Court of Common Pleas of Richland County, Ohio. This civil action, originally filed on November 11, 2008, alleged that the plaintiff sustained an injury to his right eye on November 11, 2006 while operating a Smith & Wesson Model 460 XVR revolver. The plaintiff sought unspecified damages against us and the seller of the firearm. The complaint alleged that this incident occurred when the cylinder of the revolver swung open upon firing, allowing gases and particles to escape from the firearm during firing. The complaint asserted claims for negligence, strict liability, and breach of warranty. On August 18, 2010, the plaintiff filed a Notice of Voluntary Dismissal Without Prejudice, as well as a Notice of Substitution of Counsel. The plaintiff re-filed his action, on August 17, 2011, within the one-year statute of limitations. On October 24, 2011, the court awarded us costs in the amount of approximately $4,600 from the first filing. The case is stayed by the court pending payment by the plaintiff of those costs.

Cases Dismissed or Resolved

Universal Safety Response, Inc. v. Barrier1 Systems, Inc., in the United States District Court for the Northern District of New York. On August 16, 2011, this case was settled within the limits of our self-insured retention.

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Todd Brown and Kathy Brown v. Smith & Wesson Corp., in the United States District Court for the Western District of Arkansas. Trial began on June 27, 2011. During the course of the trial, the plaintiff voluntarily withdrew this action without prejudice. The plaintiff has one year to re-file this action. Pursuant to the court's order, the plaintiff must pay our costs and fees for the first trial prior to re-filing this action.

J.D. Nelson, et al. v. Smith & Wesson Corp., et al., in the United States District Court for the District of Alaska. This suit was filed in the state court of Alaska on June 3, 2009, and removed to the United States District Court on January 25, 2010 after service of process. On May 18, 2010, the district court granted our motion to dismiss, and dismissed the plaintiffs' case in its entirety. On June 1, 2010, the plaintiffs filed a motion for reconsideration. On June 14, 2010, the plaintiffs' motion for reconsideration was denied by the district court. The plaintiffs filed an appeal to the Ninth Circuit Court of Appeals on June 18, 2010. On September 1, 2011, the appellate court affirmed the decision of the district court dismissing the case in its entirety.

Chester Wolfe, et al. v. Smith & Wesson Holding Corporation, et al., in the Common Pleas Court of Miami County, Ohio. On September 3, 2011, this case was settled within the limits of our self-insured retention.

Charles Quasté v. Smith & Wesson Corporation, in the United States District Court for the Eastern District of Pennsylvania. On October 20, 2011, this case was settled within the limits of our self-insured retention.

Cybergun, S.A. v. Smith & Wesson Holding Corporation and Smith & Wesson Corporation, in the Commercial Court of Paris, France. On September 9, 2011, this case was settled within the limits of our self-insured retention.

Smith & Wesson Holding Corporation and Smith & Wesson Corp. v. Cybergun, S.A., et al., in the United States District Court for the District of Arizona. On September 9, 2011, this case was settled within the limits of our self-insured retention.

Cases on Appeal

The ruling in the following case is subject to certain pending appeals:

In re Smith & Wesson Holding Corp. Securities Litigation. This case is a consolidation of the following three cases: *William Hwang v. Smith & Wesson Holding Corp., et al.; Joe Cranford v. Smith & Wesson Holding Corp., et al.;* and *Joanne Trudelle v. Smith & Wesson Holding Corp., et al.* It was filed in the United States District Court for the District of Massachusetts (Springfield), and is a purported securities class action lawsuit brought individually and on behalf of all persons who purchased the securities of our company between June 15, 2007 and December 6, 2007. The putative plaintiffs seek unspecified damages against us, certain of our officers, and our directors for alleged violations of Sections 10(b) and 20(a) of the Exchange Act. The Oklahoma Firefighters Pension and Retirement System was appointed Lead Plaintiff of the putative class. On May 30, 2008, Lead Plaintiff filed a Consolidated Class Action Complaint seeking unspecified damages against us and several officers and directors for alleged violations of Sections 10(b) and 20(a) of the Exchange Act. On August 28, 2008, we and the named officers and directors moved to dismiss the Consolidated Amended Complaint because it failed to state a claim under the federal securities laws and the Private Securities Litigation Reform Act of 1995. The putative class Lead Plaintiff submitted its Opposition to our motion on October 28, 2008. On March 26, 2009, our motion was granted as to Mr. Monheit and denied as to the remaining defendants. On May 11, 2010, the court certified the consolidated action as consisting of a class of persons who purchased securities of our company between June 15, 2007 and December 6, 2007 and suffered damage as a result. Court scheduled discovery concerning the facts of this action ended on May 28, 2010. Examination of any experts put forth by the parties ended on October 1, 2010. On October 29, 2010, we moved for summary disposition of the case. Lead Plaintiff opposed our motion on November 22, 2010 and cross-moved for partial summary judgment. A hearing of this matter was held for December 20, 2010. On March 25, 2011, the court granted our Motion for Summary Judgment as to all remaining defendants, and dismissed the consolidated actions with prejudice. The Lead Plaintiff filed its Notice of Appeal of that dismissal on April 21, 2011. The Lead Plaintiff has not appealed Mr. Monheit's dismissal and the time for such an appeal has now past. The Lead Plaintiff filed its Appellant Brief on July 5, 2011. We filed our Opposition to Appellant's Brief on August 22, 2011. On November 7, 2011, an appellate argument was heard before the First Circuit Court of Appeals. No decision has been issued.

Pending Cases

Norman Hart v. Smith & Wesson Holding Corp., et al.; and *Frank Holt v. Smith & Wesson Holding Corp., et al.*, in the United States District Court for the District of Massachusetts. These two actions were filed on or about September 1, 2010 (Holt) and September 17, 2010 (Hart) in the United States District Court for the District of Nevada. They are purported derivative actions brought by two separate plaintiffs on behalf of our company against certain of our officers and directors. The complaints allege, *inter alia*, that the officer and director defendants breached their fiduciary duties by failing to: (1) institute and maintain internal controls permitting us to engage in systematic violations of the U.S. Foreign Corrupt Practices Act of 1977 ("FCPA"); (2) maintain internal accounting controls despite our obligation to do so under the FCPA; and (3) take any steps to prevent the purportedly unlawful conduct engaged in by certain company executives. The putative plaintiffs seek unspecified damages on behalf of our company from the individual defendants and recovery of their attorneys' fees. On November 15, 2010, the parties stipulated to a scheduling order, signed by the court that same day, that, among other things: (1) consolidated the two cases; and (2) set forth a schedule for the putative plaintiffs to file a consolidated amended complaint, and then a motion to dismiss briefing schedule. On or about November 23, 2010, the defendants removed the action from the District Court of Nevada, Clark County to the United States District Court for the District of Nevada. On December 8, 2010, the putative plaintiffs filed an *ex parte* motion for extension of time to file their consolidated amended complaint, indicating that they intended to file a motion to remand the case back to state court. The district court granted the motion on December 14, 2010, and ordered that the consolidated amended complaint was due within 14 days after the district court rules on the then-anticipated motion to remand. The putative plaintiffs filed their anticipated motion to remand on December 21, 2010. On December 22, 2010, defendants filed a response to the motion to remand, in which they consented to the remand. On or about May 9, 2011, this case was remanded back to the Clark County District Court for the State of Nevada. On May 24, 2011, the putative plaintiffs filed their consolidated Verified Amended Complaint. On June 10, 2011, the putative plaintiffs agreed to dismiss their Nevada state court complaint with the intention of refilling a similar complaint in the U.S. District Court for the District of Massachusetts. On July 20, 2011, the putative plaintiffs filed their Verified Shareholder Derivative Complaint in the U.S. District Court for the District of Massachusetts. On September 30, 2011, we moved to dismiss the Verified Shareholder Derivative Complaint. On November 14, 2011, putative plaintiffs filed their opposition to our Motion to Dismiss. We have until December 12, 2011 to reply.

Aaron Sarnacki v. Smith & Wesson Holding Corp., et al., in the United States District Court for the District of Massachusetts. This action was filed on or about October 28, 2010 in the United States District Court for the District of Arizona. It is a purported derivative action brought by the plaintiff on behalf of our company against certain of our officers and directors. The complaint alleges that the officer and director defendants breached their fiduciary duties by providing misleading statements concerning our earnings and business prospects for fiscal 2008. The complaint also asserts that between June 14, 2007 and December 6, 2007, the officer and director defendants provided false statements about our financial results. The putative plaintiffs seek unspecified damages on behalf of our company from the individual defendants and recovery of their attorneys' fees. On January 13, 2011, this action was transferred to the United States District Court for the District of Massachusetts. On July 1, 2011, we moved to dismiss the Verified Shareholder Derivative Complaint. On October 3, 2011, putative plaintiffs filed their opposition to our Motion to Dismiss. We filed our reply brief on October 17, 2011. The hearing on this matter is currently scheduled for January 18, 2012.

Art Bundy v. Smith & Wesson Holding Corp., et al.; and *Dwight Nance v. Smith & Wesson Holding Corp., et al.,* in the United States District Court for the District of Massachusetts. These actions were filed on or about January 24, 2011. These are purported derivative actions brought by two separate plaintiffs on behalf of our company against certain of our officers and directors. The complaints allege that the officer and director defendants have breached their fiduciary duties by providing misleading statements concerning the company's earnings and business prospects for fiscal 2008. The complaints also assert that between June 14, 2007 and December 6, 2007, the officer and director defendants provided false statements about the company's financial results. The putative plaintiffs seek unspecified damages on behalf of our company from the individual defendants, and recovery of their attorneys' fees. On July 22, 2011, we moved to dismiss the Verified Shareholder Derivative Complaint. On August 5, 2011, the putative plaintiffs filed a Cross-Motion to our Motion to Dismiss seeking to stay the proceeding until the outcome of the pending appeal in the securities class action described in *In re Smith & Wesson Holding Corp Securities Litigation, above.* On August 19, 2011, we filed our opposition to the putative plaintiffs' Cross-Motion. The hearing on this matter is currently scheduled for January 12, 2012.

U.S. Department of Justice ("DOJ") Investigation

On January 19, 2010, the DOJ unsealed indictments of 22 individuals from the law enforcement and military equipment industries, one of whom was our former Vice President-Sales, International & U.S. Law Enforcement. We were not charged in the indictment. We also were served with a Grand Jury subpoena for the production of documents. We have always taken, and continue to take seriously, our obligation as an industry leader to foster a responsible and ethical culture, which includes adherence to laws and industry regulations in the United States and abroad. Although we are cooperating fully with the DOJ in this matter and have undertaken a comprehensive review of company policies and procedures, the DOJ may determine that we have violated FCPA laws. We cannot predict when this investigation will be completed or its outcome. There could be additional indictments of our company, our officers, or our employees. If the DOJ determines that we violated FCPA laws, or if our employee is convicted of FCPA violations, we may face sanctions, including significant civil and criminal penalties. In addition, we could be prevented from bidding on domestic military and government contracts and could risk debarment by the U.S. Department of State. We also face increased legal expenses and could see an increase in the cost of doing international business. We could also see private civil litigation arising as a result of the outcome of the investigation. In addition, responding to the investigation may divert the time and attention of our management from normal business operations. Regardless of the outcome of the investigation, the publicity surrounding the investigation and the potential risks associated with the investigation could negatively impact the perception of our company by investors, customers, and others.

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Securities and Exchange Commission ("SEC") Investigation

In fiscal 2011, we received a subpoena from the staff of the SEC giving notice that the SEC is conducting a non-public, fact-finding inquiry to determine whether there have been any violations of the federal securities laws. It appears this civil inquiry was triggered in part by the DOJ investigation into potential FCPA violations. We have always taken, and continue to take seriously, our obligation as an industry leader to foster a responsible and ethical culture, which includes adherence to laws and industry regulations in the United States and abroad. Although we are cooperating fully with the SEC in this matter, the SEC may determine that we have violated federal securities laws. We cannot predict when this inquiry will be completed or its outcome. If the SEC determines that we have violated federal securities laws, we may face injunctive relief, disgorgement of ill-gotten gains, and sanctions, including fines and penalties, or may be forced to take corrective actions that could increase our costs or otherwise adversely affect our business, results of operations, and liquidity. We also face increased legal expenses and could see an increase in the cost of doing business. We could also see private civil litigation arising as a result of the outcome of this inquiry. In addition, responding to the inquiry may divert the time and attention of our management from normal business operations. Regardless of the outcome of the inquiry, the publicity surrounding the inquiry and the potential risks associated with the inquiry could negatively impact the perception of our company by investors, customers, and others.

Environmental Remediation

We are subject to numerous federal, state, and local laws that regulate the discharge of materials into, or otherwise relate to the protection of, 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 ("CERCLA"), and the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act ("RCRA").

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 designated sites in Springfield, Massachusetts and are subject to two release areas, which are the focus of remediation projects as part of the Massachusetts Contingency Plan ("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 one site.

Pursuant to the merger agreement related to our acquisition of Thompson/Center Arms, the former stockholders of Thompson Center Holding Corporation agreed to indemnify us for losses arising from, among other things, environmental conditions related to Thompson/Center Arms' manufacturing activities. Of the purchase price, $8.0 million was placed in an escrow account, a portion of which was to be applied to environmental remediation at the manufacturing site in Rochester, New Hampshire. In November 2008, $2.5 million of the escrow account was released to the former stockholders of Thompson Center Holding Corporation. We and the former stockholders of Thompson Center Holding Corporation recently entered into a settlement agreement under which approximately $1.2 million was released to us from the escrow account for remediation costs and the remainder was released to such former stockholders. Site remediation costs will be paid with monies released from the escrow account. We have estimated the total site remediation costs at $1.5 million and have established an accrual equal to that amount with $77,000 reported in accrued liabilities and the remainder in non-current liabilities. We believe the likelihood of environmental remediation costs exceeding the amount accrued to be remote.

We had reserves of $2.1 million and $633,000 as of October 31, 2011 and 2010, respectively, for remediation of the sites referred to above and believe that the time frame for remediation is currently indeterminable. As of October 31, 2011 and 2010, we had recorded $2.0 million and $577,000, respectively, of environmental reserve in non-current liabilities with the remaining balances recorded in accrued expenses. Based on the indeterminable time frame for remediation, the time frame for payment of such remediation is likewise currently indeterminable, thus making any net present value calculation impracticable. 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.

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 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.

Deferred Compensation

Post-Retirement Pension Plan — We have a senior executive supplemental retirement plan for certain Thompson/Center Arms officers, which covered three former executives at October 31, 2011. Benefits under this plan are paid monthly (currently monthly benefit is $3,000 and is adjusted annually based on the percent change in the CPI for all Urban Consumers) for ten years following the retirement of an officer or director. This is an unfunded, non-qualified, and non-contributory plan under which we pay all future obligations. As of October 31, 2011, $409,000 has been accrued in the financial statements, based upon the present value of the estimated future obligation using a discount rate of 2.17% and the remaining months of commitment. Estimated future benefit payments by fiscal year are as follows: 2012 — $57,000; 2013 — $114,000; 2014 — $95,000; 2015 — $76,000; 2016 — $63,000; and thereafter — $25,000.

Suppliers

The inability to obtain sufficient quantities of raw materials, components, 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 materials 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.

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.

Outstanding Letters of Credit/Restricted Cash — We had open letters of credit aggregating $800,000 as of October 31, 2011. We had restricted cash totaling $5.8 million as of October 31, 2011 of which $5.0 million acts as a compensating balance against our line of credit dated December 7, 2010 and $812,000 is related to the environmental remediation required to be performed in accordance with our credit facility with TD Bank.

(17) Fair Value Measurements:

In accordance with ASC 820-10, the *Fair Value Measurements and Disclosures Topic*, 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).

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).

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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.

The following table presents information about our assets and liabilities that are measured at fair value on a recurring basis as of October 31, 2011 and April 30, 2011, respectively, and indicates the fair value hierarchy of the valuation techniques we utilized to determine such fair value (in thousands):

Description	October 31, 2011	(Level 1)	April 30, 2011	(Level 1)
Assets:				
Cash equivalents and short-term deposits	$ 49,134	$ 49,134	$ 58,283	$ 58,283
Total assets	$ 49,134	$ 49,134	$ 58,283	$ 58,283

We purchase certain finished goods and component parts from a European supplier and pay for them in Euros. We routinely purchase foreign exchange forward contracts to minimize the impact of fluctuations in foreign exchange rates. Forward contracts provide full protection for us against the devaluation of the U.S. dollar to the euro. If the euro strengthens above the average rate, we will not pay more than the average rate. We have not elected to designate our derivative instruments as qualifying for hedge accounting treatment under ASC 815-20-25 and, accordingly, we record any gains and losses from these derivative contracts as an element of other income (expense) at each reporting period, based on the change in the estimated fair value of these contracts. We determine the fair values of the derivative financial instruments based on the exchange rates of the euro quoted in active markets. As of October 31, 2011, we had no forward contracts outstanding.

Other than those acquired in business combinations, long-lived tangible assets are recorded at cost and depreciated over their useful lives. Indefinite-lived intangible assets and goodwill acquired in business combinations are tested for impairment on an annual basis on February 1st and between annual tests if indicators of potential impairment exist. See Note 3 - *Discontinued Operations* for details on impairment of long-lived assets related to our discontinued security solutions division for the three months ended October 31, 2010.

The following table presents information about the effect of derivative instruments on our financial performance for the six months ended October 31, 2011 and 2010 (in thousands):

Derivatives Not Designated as Hedging Instruments	Location of Gain Recognized in Income on Derivative	Amount of Gain Recognized in Income on Derivative: 2011	2010
Foreign Exchange Contracts (unrealized)	Other income/(expense)	$ —	$ 1,117

(18) Recent Accounting Pronouncements:

Recently Issued Accounting Standards

In June 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. The amendments in this ASU require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2011, with early adoption permitted. We are currently evaluating the impact of our pending adoption of ASU 2011-05 on our consolidated financial statements.

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Recently Adopted Accounting Standards

In December 2010, the FASB issued ASU 2010-29, *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations*. This ASU reflects the decision reached in EITF Issue No. 10-G. The amendments in this ASU affect any public entity, as defined by Topic 805 *Business Combinations*, that enters into business combinations that are material on an individual or aggregate basis. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this standard did not have any impact on our consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28, *Intangibles — Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*. This ASU reflects the decision reached in EITF Issue No. 10-A. The amendments in this ASU modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance and examples, which require that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The adoption of this standard did not have any impact on our consolidated financial statements.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview

Please refer to the 2011 Highlights found in the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended April 30, 2011. This section sets forth key objectives and key performance indicators used by us as well as key industry data tracked by us.

The results of SWSS, our security solutions division, which were previously reported as a separate business segment, are being presented as discontinued operations in the consolidated statements of operations and comprehensive loss for all periods presented. See Note 3 - *Discontinued Operations* in the notes to consolidated financial statements and *Discontinued Operations* below on page 30 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.

Second Quarter Fiscal 2012 Highlights

Net sales for the three months ended October 31, 2011 were $92.3 million, an increase of $8.7 million, or 10.5%, over net sales of $83.6 million for the three months ended October 31, 2010. Handgun sales increased as a result of a new revolver product introduction, which began shipping in May 2011, as well as a significant increase in pistol product sales as a result of a ramp up in production capacity to meet large consumer demand in this category. There was significant consumer demand for handguns, including full size and concealed carry products. Walther product sales increased because of the introduction of a new model and higher sales of an existing model. A new modern sporting rifle product hit attractive price points and showed increased sales in that category. Hunting product sales decreased from the prior year quarter, primarily as a result of decreased black powder sales and productivity and efficiency issues as we moved our hunting production to our Springfield, Massachusetts facility.

Gross profit as a percentage of net sales was 26.7% for the three months ended October 31, 2011 compared with 30.4% for the three months ended October 31, 2010. The decrease in gross profit margin was attributable to $2.1 million in warranty costs associated with the recall of all Thompson/Center Arms Venture Rifles manufactured since the product's introduction in mid 2009; changes in our product sales mix, which reduced the average selling price of our products; and $787,000 in costs associated with the relocation of our hunting production from Rochester, New Hampshire to our Springfield, Massachusetts facility.

Income from continuing operations for the three months ended October 31, 2011 was $948,000, or $0.01 per fully diluted share, compared with income from continuing operations of $2.6 million, or $0.04 per fully diluted share, for the three months ended October 31, 2010. Income was impacted primarily by additional expenses noted above and interest on our Senior Notes.

Net sales for the six months ended October 31, 2011 were $184.0 million, an increase of $22.7 million, or 14.1%, over net sales of $161.3 million for the six months ended October 31, 2010. The increase in handgun and modern sporting rifle product sales resulted from the same factors noted above for the three months ended October 31, 2011. Walther product sales for the six months ended October 31, 2011 declined because of increased competition in our .380 caliber products, partially offset by the introduction of a new model pistol. The decline in hunting product sales from the prior year comparable period resulted from decreased black powder sales and the productivity and efficiency issues arising from the move of our hunting production. Gross profit as a percentage of net sales was 27.8% for the six months ended October 31, 2011 compared with 33.5% for the six months ended October 31, 2010. The decrease in gross profit margin was attributable to $2.1 million in warranty costs associated with the recall of all Thompson/Center Arms Venture Rifles manufactured since the product's introduction in mid 2009; changes in our product sales mix, which reduced the average selling price of our products; and $2.0 million in costs associated with the relocated hunting production from Rochester, New Hampshire to our Springfield, Massachusetts facility.

Income from continuing operations for the six months ended October 31, 2011 was $3.2 million, or $0.05 per fully diluted share, compared with income from continuing operations of $6.4 million, or $0.10 per fully diluted share, for the six months ended October 31, 2010. This decline resulted primarily from increased warranty costs, an increase in employee-related costs described below, and increased costs associated with the relocation of our hunting production.

Results of Operations

Net Sales

The following table sets forth certain information relating to net sales for the three months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Handguns	$ 53,374	$ 45,634	$ 7,740	17.0%
Walther	6,818	5,392	1,426	26.4%
Modern Sporting Rifles	14,325	9,098	5,227	57.5%
Hunting Firearms	7,971	14,502	(6,531)	-45.0%
Parts & Accessories	5,127	5,398	(271)	-5.0%
Total Firearms	87,615	80,024	7,591	9.5%
Other Non-Firearms	4,684	3,541	1,143	32.3%
Total Net Sales	$ 92,299	$ 83,565	$ 8,734	10.5%

Net sales for the three-month period ended October 31, 2011 increased over the comparable quarter last year because of increased consumer demand combined with ongoing increases in production capacity, particularly for handgun products, which saw sales increase 17.0% over the comparable quarter last year on pistol product sales. Significant market demand for handguns continued for most of our pistol products as well as a new model revolver, which began shipping in May 2011. Walther product sales increased 26.4% over the comparable prior year quarter, primarily as a result of the introduction of a new model and higher sales of a .380 caliber pistol. Sales of modern sporting rifles increased 57.5% over the comparable quarter last year because of strong demand for a new model that hits attractive price points. Hunting product sales were down from the comparable quarter last year primarily due to a decline in black powder sales and productivity and efficiency issues as we moved our hunting production to our Springfield, Massachusetts facility.

The order backlog as of October 31, 2011 was $149.9 million, or $117.5 million higher than at the end of the comparable quarter last year and $1.1 million higher than at the end of the most recent sequential quarter, primarily as a result of backlog generated by increased orders for handguns.

Sales into our sporting goods distribution channel were approximately $81.2 million for the three months ended October 31, 2011, an increase of 15.2% over the comparable quarter last year, which was primarily a result of increased handgun and modern sporting rifle sales; and sales into our professional channels were $10.6 million, a decrease of 17.5% from the comparable quarter last year. Law enforcement channel sales were lower, in part, because of the limited availability of our polymer pistol products, and international sales declined as a result of our self-imposed restrictions limiting the countries to which we will ship products. We had large shipments in the comparable quarter last year to Korea, Europe, and Canada that were not repeated in the current year period.

The following table sets forth certain information relating to net sales for the six months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Handguns	$ 107,139	$ 88,116	$ 19,023	21.6%
Walther	13,502	15,587	(2,085)	-13.4%
Modern Sporting Rifles	29,254	16,062	13,192	82.1%
Hunting Firearms	14,646	23,224	(8,578)	-36.9%
Parts & Accessories	10,475	9,698	777	8.0%
Total Firearms	175,016	152,687	22,329	14.6%
Other Non-Firearms	9,013	8,641	372	4.3%
Total Net Sales	$ 184,029	$ 161,328	$ 22,701	14.1%

Net sales for the six-month period ended October 31, 2011 increased over the comparable period last year because of the strength of orders in the handgun and modern sporting rifle products as noted above. Walther product sales were down 13.4% as a result of increased competition in small frame and concealed carry products and a large order fulfillment in the comparable period last year, offset by increased sales related to the introduction of a new model. Sales of hunting products were lower than in the prior year comparable period as a result of lower orders for black powder products and move-related productivity and efficiency issues in the Rochester, New Hampshire facility.

Sales into our sporting goods distribution channel were approximately $159.5 million for the six months ended October 31, 2011, an increase of 17.0% over the comparable period last year, which was primarily the result of increased polymer pistol and modern sporting rifle sales. Sales into our professional channels were $23.7 million, which were down 1.3% from the comparable period last year. Law enforcement and international channel sales were slightly below the prior year period, and federal government sales were slightly above the prior year period.

Cost of Sales and Gross Profit

The following table sets forth certain information regarding cost of sales and gross profit for the three months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Cost of sales	$ 67,693	$ 58,138	$ 9,555	16.4%
% of net sales	73.3%	69.6%		
Gross profit	$ 24,606	$ 25,427	$ (821)	-3.2%
% of net sales	26.7%	30.4%		

Gross profit for the three months ended October 31, 2011 decreased from the comparable quarter last year, primarily as a result of $2.1 million of warranty costs associated with the recall of all Thompson/Center Arms Venture Rifles manufactured since the product's introduction in mid 2009; $787,000 of costs and reduced productivity and efficiency in our hunting products as we moved production to our Springfield, Massachusetts facility; and $475,000 of increased consulting services for purchasing cost savings initiatives during the quarter. We also experienced $505,000 of increased depreciation expense from higher capital spending in fiscal 2011 as well as increased employee and maintenance costs because of the move.

The following table sets forth certain information regarding cost of sales and gross profit for the six months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Cost of sales	$ 132,907	$ 107,271	$ 25,636	23.9%
% of net sales	72.2%	66.5%		
Gross profit	$ 51,122	$ 54,057	$ (2,935)	-5.4%
% of net sales	27.8%	33.5%		

Gross profit for the six months ended October 31, 2011 decreased from the comparable period last year, primarily as a result of $2.1 million of warranty costs associated with the recall of all Thompson/Center Arms Venture Rifles manufactured since the product's introduction in mid 2009; $2.0 million of costs and reduced productivity and efficiency in our hunting products as we moved production to our Springfield, Massachusetts facility; and $600,000 of increased consulting services for purchasing cost savings initiatives during the period. We also experienced $1.2 million of increased depreciation expense from higher capital spending in fiscal 2011 as well as increased employee and maintenance costs due to the move.

Operating Expenses

The following table sets forth certain information regarding operating expenses for the three months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Research and development	$ 1,241	$ 913	$ 328	35.9%
Selling and marketing	8,636	8,898	(262)	-2.9%
General and administrative	11,295	10,804	491	4.5%
Total operating expenses	$ 21,172	$ 20,615	$ 557	2.7%
% of net sales	22.9%	24.7%		

Operating expenses increased $557,000 because of a $2.6 million of increase in employee-related costs resulting from $988,000 of severance benefits for our former President and Chief Executive Officer, $1.2 million associated with increased incentive accruals, and $143,000 of expenses related to the closure and consolidation of the Thompson/Center Arms facility in New Hampshire. Research and development costs increased $328,000 over the prior year comparable quarter because of additional costs during the hunting production transition to our Springfield facility as well as certain employee costs previously recorded in cost of sales that were re-evaluated as research and development costs related to our hunting products. Offsetting these increases, total net spending on our DOJ and SEC investigation costs was $1.1 million for the quarter, which was $1.7 million lower than for the prior year comparable quarter. In addition, profit sharing expense declined by $206,000. In spite of numerous one-time costs, operating expenses as a percentage of net sales for the three months ended October 31, 2011 decreased from the prior year comparable quarter as a result of our cost-cutting initiatives during the quarter.

The following table sets forth certain information regarding operating expenses for the six months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Research and development	$ 2,579	$ 1,892	$ 687	36.3%
Selling and marketing	16,761	17,285	(524)	-3.0%
General and administrative	22,817	23,141	(324)	-1.4%
Total operating expenses	$ 42,157	$ 42,318	$ (161)	-0.4%
% of net sales	22.9%	26.2%		

Operating expenses for the six months ended October 31, 2011 were flat with the prior year comparable period, but down as a percentage of net sales as a result of our cost-cutting initiatives noted above. Research and development costs increased $687,000 over the prior year comparable period because of additional costs during the hunting product transition to our Springfield facility as well as certain employee costs previously recorded in cost of sales that were re-evaluated as research and development costs related to our hunting products. Total net spending on our DOJ and SEC investigation costs was $2.4 million for the period, which was $1.9 million lower than for the prior year comparable six-month period. Bad debt recoveries on previously reserved for accounts contributed to an $810,000 reduction in bad debt expense. Trade show and travel expense declined because of multiple international shows in the comparable period last year. In addition, profit sharing was reduced by $400,000 compared with the prior year comparable period. As noted above, employee-related costs were $2.9 million above the prior year comparable six-month period because of the severance benefits for our former President and Chief Executive Officer; $1.3 million in increased incentive accruals; and $305,000 related to the closure and consolidation of the Thompson/Center Arms facility in New Hampshire.

Operating Income from Continuing Operations

The following table sets forth certain information regarding operating income from continuing operations for the three months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Operating income from continuing operations	$ 3,434	$ 4,812	$ (1,378)	-28.6%
% of net sales	3.7%	5.8%		

The reduction in operating income from continuing operations for the three months ended October 31, 2011 compared with the prior year comparable quarter resulted primarily from increased warranty costs of $2.1 million for the recall of all Thompson/Center Arms Venture Rifles manufactured since the product’s introduction in mid 2009; increased employee-related costs; and the impact of moving the production of our hunting products from New Hampshire to Massachusetts, including increased spending-related depreciation, severance and relocation, asset write-offs, and reduced efficiencies.

The following table sets forth certain information regarding operating income from continuing operations for the six months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Operating income from continuing operations	$ 8,965	$ 11,739	$ (2,774)	-23.6%
% of net sales	4.9%	7.3%		

The reduction in operating income from continuing operations for the six months ended October 31, 2011 compared with the prior year comparable period resulted primarily from increased warranty costs, employee related costs, and manufacturing costs associated with the product recall and hunting production move mentioned above. These increased expenses were offset by reduced professional fees related to our DOJ and SEC investigations.

Other Income

The following table sets forth certain information regarding other income for the three months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Other income	$ 20	$ 672	$ (652)	-97.0%

Other income for the three-month period ended October 31, 2010 included a $618,000 unrealized gain on foreign currency hedges. No such adjustments or gains occurred during the current three-month period.

The following table sets forth certain information regarding other income for the six months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Other income	$ 54	$ 1,155	$ (1,101)	-95.3%

Other income for the six-month period ended October 31, 2010 included $1.1 million of unrealized gains on foreign currency hedges. No such adjustments or gains occurred during the current six-month period.

Interest Expense

The following table sets forth certain information regarding interest expense for the three months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Interest expense	$ 2,477	$ 1,109	$ 1,368	123.4%

Interest expense increased for the three months ended October 31, 2011 from the comparable quarter last year because of increased interest expense related to the Senior Notes, which bear interest at a rate of 9.5% per annum compared to our exchanged Convertible Notes, which bear interest at a rate of 4% per annum. We also experienced additional amortization expense because $563,000 of debt issuance costs we wrote off in connection with reducing our line of credit during the quarter.

The following table sets forth certain information regarding interest expense for the six months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Interest expense	$ 4,416	$ 2,206	$ 2,210	100.2%

Interest expense increased for the six months ended October 31, 2011 from the comparable period last year because of increased interest expense related to the Senior Notes and increased amortization in connection with the write off of debt issuance costs as a result of the reduction of our line of credit during the period.

Income Taxes

The following table sets forth certain information regarding income tax expense for the three months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Income tax expense	$ 428	$ 2,095	$ (1,667)	-79.6%

Income tax expense decreased as a result of the decrease in operating profit.

The following table sets forth certain information regarding income tax expense for the six months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Income tax expense	$ 2,182	$ 4,847	$ (2,665)	-55.0%

Income tax expense decreased as a result of the decrease in operating profit. The effective tax rates for the six months ended October 31, 2011 and 2010 were 40.4% and 38.1%, respectively. The effective tax rate for the six-month period ended October 31, 2010 excluded the adjustment related to impairment of long-lived assets and $3.1 million valuation adjustment related to the contingent consideration recorded in connection with our acquisition of SWSS as a discrete item. See *Discontinued Operations* below for more details. We expect that the effective tax rate will remain stable throughout the rest of the fiscal year.

Net Income from Continuing Operations

The following table sets forth certain information regarding net income from continuing operations and the related per share data for the three months ended October 31, 2011 and 2010 (dollars in thousands, except per share data):

	2011	2010	$ Change	% Change
Net income from continuing operations	$ 948	$ 2,572	$ (1,624)	-63.1%
Net income per share from continuing operations				
Basic	$ 0.01	$ 0.04	$ (0.03)	-75.0%
Diluted	0.01	0.04	(0.03)	-75.0%

Net income from continuing operations for the three months ended October 31, 2011 was negatively impacted by $2.1 million of costs associated with the recall of the Venture Rifles; $988,000 of severance benefit costs for our former President and Chief Executive Officer; costs associated with the relocation of our hunting production and related inefficiencies; our price repositioning strategy in the prior year, which resulted in a short-term reduction in margin from price protection agreements; a change in product mix toward lower average selling priced products with lower gross margins; and increased interest expense.

The following table sets forth certain information regarding net income from continuing operations and the related per share data for the six months ended October 31, 2011 and 2010 (dollars in thousands, except per share data):

	2011	2010	$ Change	% Change
Net income from continuing operations	$ 3,223	$ 6,401	$ (3,178)	-49.6%
Net income per share from continuing operations				
Basic	$ 0.05	$ 0.11	$ (0.06)	-54.5%
Diluted	0.05	0.10	(0.05)	-50.0%

Net income from continuing operations for the six months ended October 31, 2011 was negatively impacted by the same items noted above during the three month period.

Discontinued Operations

The following is a summary of the operating results of discontinued operations of our security solutions division (dollars in thousands, except per share data):

	For the Three Months Ended:		For the Six Months Ended:	
	October 31, 2011	October 31, 2010	October 31, 2011	October 31, 2010
Net sales from discontinued operations	$ 5,987	$ 12,756	$ 13,448	$ 29,877
Loss before income taxes	(4,004)	(41,248)	(6,706)	(39,235)
Net loss from discontinued operations	(2,539)	(39,857)	(4,025)	(37,474)
Basic — discontinued operations	$ (0.04)	$ (0.66)	$ (0.06)	$ (0.62)
Diluted — discontinued operations	(0.04)	(0.62)	(0.06)	(0.60)

Net sales from discontinued operations for the three and six months ended October 31, 2011 decreased 55.4% and 57.3%, respectively, from the three and six months ended October 31, 2010, respectively. The reduction in security solutions net sales resulted primarily from reduced or delayed demand because of federal budget constraints. The net loss from discontinued operations was significantly lower for the three and six months ended October 31, 2011 due to the inclusion of a $39.5 million impairment charge related to goodwill and intangible assets that was recorded during the three and six months ended October 31, 2010. In addition, the three and six months ended October 31, 2010 included $530,000 and $3.1 million, respectively, of income associated with a reduction in contingent consideration for shares held for issuance to former shareholders in connection with our acquisition of SWSS. Excluding the impairment charge and the income from the valuation of contingent consideration, the adjusted loss for the three and six months ended October 31, 2010 would have been $1.2 million and $1.4 million, respectively. The loss from discontinued operations was $1.3 million and $2.6 million, respectively, higher for the three and six months ended October 31, 2011 than the adjusted loss in the prior comparable periods due to the significant reduction in sales and the related impact on gross margin partially offset by reduced operating expenses due to cost-cutting initiatives and a reduction in payroll and benefit costs resulting from lower headcount.

Liquidity and Capital Resources

Our principal cash requirements are to finance the growth of our operations, including acquisitions, and to service our existing debt. Capital expenditures for new products, capacity expansion, and process improvements represent important operational cash needs. Cash flows from discontinued operations are reported within the consolidated statements of cash flow in the respective cash flow captions.

The following table sets forth certain information relative to cash flow for the six months ended October 31, 2011 and 2010 (dollars in thousands):

	2011	2010	$ Change	% Change
Operating activities	$ (2,063)	$ 7,279	$ (9,342)	-128.3%
Investing activities	(6,623)	(4,842)	(1,781)	36.8%
Financing activities	(416)	1,307	(1,723)	-131.8%
Total	$ (9,102)	$ 3,744	$ (12,846)	-343.1%

Operating Activities

On an annual basis, operating activities represent the principal source of our cash flow although seasonal factors sometimes require us to incur short-term borrowings for operating and investing activities. Due to the cyclical nature of the hunting business, we typically expect to use cash resources in operations during our first fiscal quarter with future quarters typically covering this early cash usage.

In the six months ended October 31, 2011, we used $2.2 million in cash from operating activities, a decrease of $9.5 million from the amount used in the first six months of fiscal 2011. Included in cash from operating activities was $976,000 and $2.8 million of cash used by discontinued operations during the six months ended October 31, 2011 and 2010, respectively. The $8.1 million reduction in accounts payable during the six months ended October 31, 2011 was significantly larger than the $2.4 million reduction in the prior year comparable period because of the high level of capital spending present in the end of fiscal year 2011 payables balances. In addition, due to the timing of federal excise tax return due dates, which included three payments during the six months ended October 31, 2011 versus two payments during the six months ended October 31, 2010, the change in cash related to accrued taxes other than income declined by $11.4 million for the current period. Offsetting these reductions, during the six months ended October 31, 2011, accounts receivable declined $12.5 million versus a $6.1 million decline in the prior comparable period driven by a reduction in security solutions sales and increased collection efforts. Discontinued operations had a $4.2 million impact on the reduction in accounts receivable.

Investing Activities

Cash used for investing activities increased by $1.7 million for the six months ended October 31, 2011 over the comparable period in fiscal 2011 and was entirely attributed to increased capital spending during the period. Cash used for investing activities by discontinued operations was $469,000 and $445,000 for the six months ended October 31, 2011 and 2010, respectively. We currently expect to spend $21.0 million to $23.0 on capital expenditures in fiscal 2012, an increase of $5.0 million to $7.0 million, respectively, over the $16.0 million spent in fiscal 2011, which is net of the $4.4 million economic incentive tax credit (“ITC”), as discussed below. Major capital expenditures in fiscal 2012 relate to increasing capacity for existing products; moving equipment and processes from Rochester, New Hampshire to Springfield, Massachusetts; improving production efficiencies; tooling for new product offerings; and various projects designed to upgrade manufacturing technology.

On October 28, 2011, we entered into a non-cash capital lease agreement totaling $3.5 million. The proceeds from the lease were used to finance the acquisition of machinery and equipment to increase production capacity. Borrowings under the lease have an effective interest rate of 5.76% and are payable in 60 monthly installments through fiscal 2017. As of October 31, 2011, no payments have been made on the capital lease obligation.

The following sets forth the future minimum lease payments as of October 31, 2011 (in thousands):

	Capital Lease Obligation (Unaudited)
2012	$ 297
2013	596
2014	596
2015	596
2016	596
Thereafter	1,500
Total future minimum lease payments	4,181
Less amounts representing interest	(696)
Present value of minimum lease payments	3,485
Less current maturities of capital lease	(406)
Long-term maturities of capital lease	$ 3,079

On December 21, 2010, in accordance with the Economic Development Incentive Program of the Commonwealth of Massachusetts, we were awarded a refundable economic ITC by the Economic Assistance Coordinating Council in conjunction with our plan to move production of our hunting products. The ITC is calculated as 40% of qualified capital expenditures placed in service and allows for a refundable tax credit from the Commonwealth of Massachusetts of up to $4.4 million during the fiscal year ending April 30, 2011, the majority of which will be received after filing our fiscal 2011 tax return in fiscal 2012.

Financing Activities

Cash used by financing activities was $416,000 for the six months ended October 31, 2011. This usage was primarily related to the debt issue costs paid in the period relating to the debt exchanges transacted in late fiscal 2011. We had no short-term bank borrowings at October 31, 2011 or 2010.

On December 15, 2006, we issued an aggregate of $80.0 million of Convertible Notes maturing on December 15, 2026 to qualified institutional buyers pursuant to the terms and conditions of a securities purchase agreement and indenture. We used the net proceeds from the Convertible Notes, together with $28.0 million from our acquisition line of credit, to fund our acquisition of Thompson/Center Arms.

The Convertible Notes bear interest at a rate of 4% per annum payable on June 15 and December 15 of each year. Holders of the Convertible Notes may require us to repurchase all or part of their Convertible Notes on December 15, 2011, December 15, 2016, or December 15, 2021 and in the event of a fundamental change in our company, as defined in the indenture governing the Convertible Notes. The Convertible Notes were convertible into shares of our common stock, initially at a conversion rate of 81.0636 shares per $1,000 principal amount, or a total of 6,485,084 shares, which was equivalent to an initial conversion price of $12.336 per share. As of October 31, 2011, taking into account the exchange agreements discussed below, the remaining outstanding Convertible Notes are convertible into a total of 2,341,906 shares. The Convertible Notes may be converted at any time. Until December 15, 2011, we may redeem all or a portion of the Convertible Notes at the redemption price of 100% of the principal amount of the Convertible Notes plus accrued and unpaid interest only if the closing price of our common stock exceeds 150% of the then applicable conversion price of the Convertible Notes for no fewer than 20 trading days in any period of 30 consecutive trading days. After December 15, 2011, we may redeem all or a portion of the Convertible Notes. As noted below, we have exchanged a total of $50.0 million of the Convertible Notes for $50.0 million of the Senior Notes.

We anticipate that the holders of the entire $30.0 million in principal amount of the outstanding Convertible Notes will require us to repurchase those Convertible Notes for cash on December 15, 2011. We intend to utilize cash on hand or borrowings under our credit agreement to make these payments.

The Convertible Notes are our general unsecured obligations, ranking senior in right of payment to our subordinated indebtedness and ranking pari passu with all other unsecured and unsubordinated indebtedness. Until such time that the closing price of our common stock exceeds 200% of the then applicable conversion price of the Convertible Notes for at least 30 trading days in any period of 40 consecutive trading days, we agreed not to incur any additional indebtedness in excess of the greater of (1) $60.0 million available under our credit facility, and (2) three times LTM EBITDA (as defined in the indenture governing the Convertible Notes) at the time such additional debt is incurred and including any amounts outstanding under our credit facility.

On January 14, 2011, we issued an aggregate of $23.1 million of Senior Notes to two investors in exchange for $23.1 million of the Convertible Notes pursuant to the terms and conditions of an exchange agreement and the Senior Notes Indenture. On February 10, 2011 and March 3, 2011, we issued an aggregate of $16.8 million and $10.1 million, respectively, of Senior Notes to additional investors in exchange for $16.8 million and $10.1 million, respectively, of the Convertible Notes pursuant to the terms and conditions of additional exchange agreements and the Senior Notes Indenture. As a result, we exchanged a total of $50.0 million of the Convertible Notes for $50.0 million of Senior Notes.

The Senior Notes bear interest at a rate of 9.5% per annum payable on June 15 and December 15 of each year.

At any time prior to January 14, 2014, we may, at our option, (a) redeem all or a portion of the Senior Notes at a redemption price of 100% of the principal amount of the 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 Senior Notes with the net cash proceeds of one or more equity offerings at a redemption price of 104.75% of the principal amount of the Senior Notes, plus accrued and unpaid interest as of the redemption date; provided that in the case of clause (b) above, at least 65% of the aggregate original principal amount of the Senior Notes remains outstanding and the redemption occurs within 60 days after the closing of the equity offering. On and after January 14, 2014, we may, at our option, redeem all or a portion of the Senior Notes at a redemption price of (1) 104.75% of the principal amount of the Senior Notes to be redeemed, if redeemed during the 12-month period beginning on January 14, 2014; or (2) 100% of the principal amount of the Senior Notes to be redeemed, if redeemed during the 12-month period beginning on January 14, 2015, plus, in either case, accrued and unpaid interest on the 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 Senior Notes from the holders of the 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 Senior Notes mature on January 14, 2016.

The Senior Notes are general unsecured obligations of our company. The Senior Notes Indenture contains certain affirmative and negative covenants, including limitations on restricted payments, limitations on indebtedness, limitations on the sale of assets, and limitations on liens.

The limitation on indebtedness in the Senior Notes Indenture is only applicable at such time that the consolidated coverage ratio (as set forth in the Senior Notes Indenture) for us and our restricted subsidiaries is less than 2.00 to 1.00. In general, as set forth in the 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.

Our future capital requirements will depend on many factors, including our rate of growth, the timing and extent of new product introductions, the expansion of sales and marketing activities, and the amount and timing of acquisitions of other companies. We cannot assure you that further equity or debt financing will be available to us on acceptable terms or at all.

Summary

As of October 31, 2011, we had $49.2 million in cash and cash equivalents on hand, including restricted cash of $5.8 million. We had a $60.0 million revolving line of credit with TD Bank, upon which we had no borrowings as of October 31, 2011. Our credit agreement with TD Bank contains financial covenants relating to maintaining maximum leverage and minimum debt service coverage. The indenture governing the Convertible Notes contains a financial covenant relating to maximum additional indebtedness. The Senior Notes Indenture contains a financial covenant relating to times interest earned. We were in compliance with all debt covenants as of October 31, 2011. Based upon our current working capital position, current operating plans, 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, such as the put of the Convertible Notes in December, for the next 12 months.

Other Matters

Critical Accounting Policies

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Significant accounting policies are disclosed in Note 3 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended April 30, 2011. The most significant areas involving our judgments and estimates are described in the Management's Discussion and Analysis of Financial Conditions and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended April 30, 2011, to which there have been no material changes. Actual results could differ from estimates made.

Recent Accounting Pronouncements

The nature and impact of recent accounting pronouncements is discussed in Note 18 to our consolidated financial statements commencing on page 23 of this report, which is incorporated herein by reference.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

During the period ending October 31, 2011, we did not enter into or transact any forward option contracts related to fluctuations in exchange rates when purchasing finished goods and components from a European supplier. We continue to review the dollar/euro relationship and have purchased euros at the spot rate and will continue to do so until such time that we determine that our foreign exchange risk will be best mitigated by entering into one or more forward contracts. During the three months ended October 31, 2010, we experienced a net gain of $156,000 on hedging transactions that were executed during the period. During the six months ended October 31, 2010, we experienced a net loss of $214,000 on hedging transactions that were executed during the period. As of October 31, 2011, we had no forward contracts outstanding.

Item 4. ***Controls and Procedures***

We have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, 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, disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act 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. We formed a disclosure committee in the fall of 2002 that includes senior financial, operational, and legal personnel charged with assisting the Chief Executive Officer and Chief Financial Officer in overseeing the accuracy and timeliness of the periodic reports filed under the Exchange Act and in evaluating regularly our disclosure controls and procedures.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of October 31, 2011, our disclosure controls and procedures are effective at a reasonable assurance level in that they were reasonably designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act (i) is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and (ii) is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. ***Legal Proceedings***

The nature of legal proceedings against us is discussed in Note 16 to our consolidated financial statements commencing on page 17 of this report, which is incorporated herein by reference.

Item 5. ***Other***

We entered into an Amended and Restated Employment Agreement with P. James Debney executed December 7, 2011 as of September 26, 2011 to address the treatment of unvested stock-based compensation in the event of termination upon a change in control and to make non-material technical changes related to Mr. Debney's employment agreement. The Amended and Restated Employment Agreement is referred to as the employment agreement.

Under the terms of the employment agreement, Mr. Debney is entitled to an annual base salary of $450,000 (subject to annual review and increases by our Board of Directors); is eligible to participate in our executive compensation programs, to receive a discretionary annual bonus as determined by our Board of Directors or committee thereof, and to receive annual stock-based awards as determined by our Board of Directors or committee thereof; and is entitled to receive other standard benefits, including a car allowance, participation in any group insurance, pension, retirement, vacation, expense reimbursement, and other plans, programs, or benefits as may from time to time be provided to other executive employees of our company, and certain insurance benefits (including the reimbursement of reasonable insurance premiums for disability insurance, medical and hospitalization insurance, and a life insurance policy).

If we unilaterally terminate Mr. Debney's employment without cause, Mr. Debney will receive (i) his base salary for a period of 18 months after such termination; (ii) an amount equal to the average of his cash bonus paid for each of the two fiscal years immediately preceding his termination, which will be paid over the 18-month period after such termination; (iii) his car allowance and coverage under our medical plan to the extent provided for him at the date of termination for a period equal to 18 months after such termination; and (iv) for a period of 36 months following the termination, a cash payment in the amount of $10,000 per 12-month period for post-termination secretarial support.

If Mr. Debney's employment is terminated by reason of his death or disability, if we unilaterally terminate Mr. Debney's employment without cause, or if Mr. Debney voluntarily terminates his employment following a qualifying change in control event as described below, the employment agreement provides that he will receive, for the fiscal year of the notice of termination, any earned bonus, on a pro-rated basis, based on the performance goals actually achieved for the fiscal year of the notice of termination, as determined by our Board of Directors in its sole discretion, at the time such bonuses are paid to our other employees. If we unilaterally terminate Mr. Debney's employment without cause, or if Mr. Debney voluntarily terminates his employment following a qualifying change in control event as described below, the stock options granted pursuant to any employment agreement with us that are vested as of the date of such termination will have a nine-month post-termination exercise period, but not beyond their original term. If we unilaterally terminate Mr. Debney's employment without cause or by reason of Mr. Debney's disability, or if Mr. Debney voluntarily terminates his employment with at least six months advance notice to us or following a qualifying change in control event as described below, we will continue to pay the life insurance premiums on any then existing life insurance policy provided by our company, up to an annual premium of $20,000, until 36 months following the termination of Mr. Debney's employment.

The employment agreement provides that, in the event of a change in control of our company (as defined in the employment agreement), Mr. Debney may, at his option and upon written notice to us, terminate his employment, unless (i) the provisions of the employment agreement remain in full force and effect and (ii) Mr. Debney suffers no reduction in his status, duties, authority, or compensation following the change in control, provided that Mr. Debney will be considered to suffer a reduction in his status, duties, or authority if, after the change in control, (a) he is not the chief executive officer of the company that succeeds to our business; (b) such company's stock is not listed on a national stock exchange; or (c) such company terminates Mr. Debney's employment or reduces his status, duties, authority, or compensation within one year of the change in control. If Mr. Debney terminates his employment due to a change in control following which the employment agreement does not remain in full force and effect or his status, duties, authority, or compensation have been reduced, he will receive (A) his base salary for a period of 24 months after such termination; (B) an amount equal to the average of his cash bonus paid for each of the two fiscal years immediately preceding his termination, which will be paid over the 18-month period after such termination; (C) his car allowance for a period equal to 24 months after such termination; and (D) at our option, either receive (x) coverage under our medical plan to the extent provided for him at the date of termination for a period equal to 24 months after such termination or (y) reimbursement for the COBRA premium for such coverage through the earlier of such 24-month period or the COBRA eligibility period. In addition, all unvested stock-based compensation held by Mr. Debney in his capacity as an employee on the effective date of the termination will vest as of the effective date of such termination.

The employment agreement further prohibits Mr. Debney from competing with our company for a period equal to the longer of 12 months following the termination of his employment with our company, regardless of the reason therefor, or any period during which Mr. Debney receives cash severance pursuant to the terms of the employment agreement. The employment agreement also prohibits Mr. Debney from soliciting or hiring our personnel or employees for a period of 24 months following the termination of his employment with our company.

The foregoing is a summary only and does not purport to be a complete description of all of the terms, provisions, covenants, and agreements contained in the employment agreement, and is subject to and qualified in its entirety by reference to the full text of the employment agreement, which is attached hereto as Exhibit 10.91(a).

Table of Contents

Item 6. ***Exhibits***

10.24(a)*	Amended and Restated 2004 Incentive Stock Plan(1)
10.78(a)	Amendment No. 1 to Amended and Restated Credit Agreement, dated as of October 28, 2011, among Smith & Wesson Holding Corporation, Smith & Wesson Corp., Thompson/Center Arms Company, Inc., Smith & Wesson Security Solutions, Inc., Fox Ridge Outfitters, Inc., Bear Lake Holdings, Inc., K.W. Thompson Tool Company, Inc., O.L. Development, Inc., Thompson Center Holding Corporation, and Smith & Wesson Distributing, Inc., as Borrowers, the Lender Parties named therein, TD Bank, N.A., as Administrative Agent, and Sovereign Bank, as Syndication Agent(2)
10.83(a)*	Amended and Restated Severance and Change in Control Agreement, executed December 8, 2011 as of January 3, 2011, by and between Smith & Wesson Holding Corporation and Jeffrey D. Buchanan
10.90(a)*	Amended and Restated Severance and Change in Control Agreement, executed December 8, 2011 as of March 9, 2011, by and between Smith & Wesson Holding Corporation and Barry Willingham
10.91*	Employment Agreement, dated as of September 26, 2011, between P. James Debney and Smith & Wesson Holding Corporation(1)
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
10.92*	Separation Agreement and Release, dated September 26, 2011, between Michael F. Golden and Smith & Wesson Holding Corporation(1)
10.93*	2011 Employee Stock Purchase Plan(1)
10.94*	Letter of Amendment, dated September 9, 2011, between Michael Golden and Smith & Wesson Holding Corporation
10.95*	Letter of Amendment, dated September 9, 2011, between Jeffrey D. Buchanan and Smith & Wesson Holding Corporation
10.96*	Letter of Amendment, dated September 9, 2011, between P. James Debney and Smith & Wesson Holding Corporation
10.97*	Letter of Amendment, dated September 9, 2011, between Barry Willingham and Smith & Wesson Holding Corporation
10.98*	Form of Non-Qualified Stock Option Award Grant Notice and Agreement to the 2004 Incentive Stock Plan
10.99*	Form of Restricted Stock Unit Award Grant Notice and Agreement to the 2004 Incentive Stock Plan
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
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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

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* Management contract or compensatory arrangement.

† Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

(1) Incorporated by reference to the Registrant's Form 8-K filed with the SEC on September 28, 2011.

(2) Incorporated by reference to the Registrant's Form 8-K filed with the SEC on November 2, 2011.

SIGNATURES

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

SMITH & WESSON HOLDING CORPORATION,
a Nevada corporation

By: */s/ P. JAMES DEBNEY*
P. James Debney
President and Chief Executive Officer

By: */s/ JEFFREY D. BUCHANAN*
Jeffrey D. Buchanan
Chief Financial Officer

Dated: December 8, 2011

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* Management contract or compensatory arrangement.

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Exhibit 10.83(a)

AMENDED AND RESTATED
SEVERANCE AND CHANGE IN CONTROL AGREEMENT

AMENDED AND RESTATED SEVERANCE AND CHANGE IN CONTROL AGREEMENT executed December 8, 2011 as of January 3, 2011, by and between **SMITH & WESSON HOLDING CORPORATION**, a Nevada corporation ("Employer"), and **JEFFREY D. BUCHANAN** ("Employee").

WHEREAS, Employer desires Employee to continue Employee's services to Employer as Executive Vice President, Chief Financial Officer, Secretary, and Treasurer of Employer.

WHEREAS, Employer and Employee desire to agree to the results of any termination of Employee's employment under certain circumstances.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants set forth in this Agreement, the parties hereto agree as follows:

1. **Definitions.**

(a) "**Cause**" shall mean any termination of Employee's employment by Employer as a result of Employee engaging in an act or acts involving a crime, moral turpitude, fraud, or dishonesty; Employee taking any action that may be injurious to the business or reputation of Employer; or Employee willfully violating in a material respect Employer's Corporate Governance Guidelines, Code of Conduct, or any applicable Code of Ethics, including, without limitation, the provisions thereof relating to conflicts of interest or related party transactions.

(b) "**Change in Control**" of Employer shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 as in effect on the date of this Agreement or, if Item 6(e) is no longer in effect, any regulations issued by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 that serve similar purposes; provided that, without limitation, such a Change in Control shall be deemed to have occurred if and when (i) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) directly or indirectly of equity securities of Employer representing 20 percent or more of the combined voting power of Employer's then-outstanding equity securities, except that this provision shall not apply to any person currently owning at least five percent or more of the combined voting power of Employer's currently outstanding equity securities or to an acquisition of up to 20 percent of the then-outstanding voting securities that has been approved by at least 75 percent of the members of the Board of Directors who are not affiliates or associates of such person; (ii) during the period of this Agreement, individuals who, at the beginning of such period, constituted the Board of Directors of Employer (the "Original Directors"), cease for any reason to constitute at least a majority thereof unless the election or nomination for election of each new director was approved (an "Approved Director") by the vote of a Board of Directors constituted entirely of Original Directors and/or Approved Directors; (iii) a tender offer or exchange offer is made whereby the effect of such offer is to take over and control Employer, and such offer is consummated for the equity securities of Employer representing 20 percent or more of the combined voting power of Employer's then-outstanding voting securities; (iv) Employer is merged, consolidated, or enters into a reorganization transaction with another person and, as the result of such merger, consolidation, or reorganization, less than 75 percent of the outstanding equity securities of the surviving or resulting person shall then be owned in the aggregate by the former stockholders of Employer; or (v) Employer transfers substantially all of its assets to another person or entity that is not a wholly owned subsidiary of Employer. Sales of Employer's Common Stock beneficially owned or controlled by Employee shall not be considered in determining whether a Change in Control has occurred.

2. **Result of Termination Other than for Cause.** In the event that Employer terminates Employee's employment with Employer other than for Cause, (a) Employer shall pay Employee's base salary for a period of 12 months following the effective date of such termination; and (b) Employer shall pay to Employee, at the same time as cash incentive bonuses are paid to Employer's other executives, a portion of the cash incentive bonus deemed by Employer's Compensation Committee in the exercise of its sole discretion to be earned by Employee pro rata for the period commencing on the first day of the fiscal year for which the cash incentive bonus is calculated and ending on the effective date of termination. The amounts payable under (a) above shall be paid on Employer's regular payroll schedule commencing on the first such payment date coincident with or following Employee's "separation from service" from Employer within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and shall be treated as a series of separate payments under Treasury Regulations Section 1.409A-2(b)(2)(iii). The amounts payable under (b) above, if any, shall be made by March 15 of the year following the year to which the bonus applies and would otherwise be earned.

3. **Result of Termination Following Change in Control.** In the event of a "Change in Control" of Employer, Employee, at Employee's option and upon written notice to Employer, may terminate Employee's employment effective on the date of the notice unless (a) the provisions of this Agreement remain in full force and effect as to Employee and (b) Employee suffers no reduction in Employee's status, duties, authority, or compensation following such Change in Control, provided that Employee will be considered to suffer a reduction in Employee's status, duties, authority, or compensation, only if, after the Change in Control, (i) Employee is not the Chief Financial Officer of the company that succeeds to the business conducted by Employer and its subsidiaries immediately prior to the Change in Control, (ii) such company's common stock is not listed on a national stock exchange (such as the New York Stock Exchange, the Nasdaq National Market, or the American Stock Exchange), (iii) such company terminates Employee or in any material respect reduces Employee's status, duties, authority, or base compensation within one year of the Change in Control, or (iv) as a result of such Change in Control, Employee is required to relocate out of Springfield, Massachusetts (or surrounding areas). In the event of a termination following a Change in Control as provided in this Section 3, (A) Employer shall pay Employee's base salary for a period of 18 months following the effective date of such termination; (B) Employer shall pay to Employee an amount equal to the average of Employee's cash bonus paid for each of the two fiscal years immediately preceding Employee's termination, such amount to be paid and received upon the effective date of the termination (provided such termination constitutes a "separation from service" from Employer within the meaning of Section 409A of the Code); and (C) all unvested stock-based compensation held by Employee in his capacity as Employee on the effective date of the termination shall vest as of the effective date of termination. The amounts payable under Section 3(A) shall be paid on Employer's regular payroll schedule commencing on the first such payment date coincident with or following Employee's "separation from service" from Employer within the meaning of Section 409A of the Code and shall be treated as a series of separate payments under Treasury Regulations Section 1.409A-2(b)(2)(iii).

4. **Competition and Confidential Information.**

(a) **Interests to be Protected.** The parties acknowledge that Employee will perform essential services for Employer, its employees, and its stockholders during the term of Employee's employment with Employer. Employee will be exposed to, have access to, and work with, a considerable amount of Confidential Information (as defined below). The parties also expressly recognize and acknowledge that the personnel of Employer have been trained by, and are valuable to, Employer and that Employer will incur substantial recruiting and training expenses if Employer must hire new personnel or retrain existing personnel to fill vacancies. The parties expressly recognize that it could seriously impair the goodwill and diminish the value of Employer's business should Employee compete with Employer in any manner whatsoever. The parties acknowledge that this covenant has an extended duration; however, they agree that this covenant is reasonable and it is necessary for the protection of Employer, its stockholders, and employees. For these and other reasons, and the fact that there are many other employment opportunities available to Employee if his employment is terminated, the parties are in full and complete agreement that the following restrictive covenants are fair and reasonable and are entered into freely, voluntarily, and knowingly. Furthermore, each party was given the opportunity to consult with independent legal counsel before entering into this Agreement.

(b) **Non-Competition.** For the period equal to 12 months after the termination of Employee's employment with Employer for any reason, Employee shall not (whether directly or indirectly, as owner, principal, agent, stockholder, director, officer, manager, employee, partner, participant, or in any other capacity) engage or become financially interested in any competitive business conducted within the Restricted Territory (as defined below). As used herein, the term "competitive business" shall mean any business that sells or provides or attempts to sell or provide products or services the same as or substantially similar to the products or services sold or provided by Employer during Employee's employment, and the term "Restricted Territory" shall mean any state or other geographical area in which Employer sells products or provides services during Employee's employment.

(c) **Non-Solicitation of Employees.** For a period of 24 months after the termination of Employee's employment with Employer for any reason, Employee shall not directly or indirectly, for Employee, or on behalf of, or in conjunction with, any other person, company, partnership, corporation, or governmental entity, solicit for employment, seek to hire, or hire any person or persons who is employed by or was employed by Employer within 12 months of the termination of Employee's employment for the purpose of having any such employee engage in services that are the same as or similar or related to the services that such employee provided for Employer.

(d) **Confidential Information.** Employee shall maintain in strict secrecy all confidential or trade secret information relating to the business of Employer (the “Confidential Information”) obtained by Employee in the course of Employee’s employment, and Employee shall not, unless first authorized in writing by Employer, disclose to, or use for Employee’s benefit or for the benefit of, any person, firm, or entity at any time either during or subsequent to the term of Employee’s employment, any Confidential Information, except as required in the performance of Employee’s duties on behalf of Employer. For purposes hereof, Confidential Information shall include without limitation any materials, trade secrets, knowledge, or information with respect to management, operational, or investment policies and practices of Employer; any business methods or forms; any names or addresses of customers or data on customers or suppliers; and any business policies or other information relating to or dealing with the management, operational, or investment policies or practices of Employer.

(e) **Return of Books, Records, Papers, and Equipment.** Upon the termination of Employee’s employment with Employer for any reason, Employee shall deliver promptly to Employer all files, lists, books, records, manuals, memoranda, drawings, and specifications; all cost, pricing, and other financial data; all other written or printed materials and computers, cell phones, PDAs, and other equipment that are the property of Employer (and any copies of them); and all other materials that may contain Confidential Information relating to the business of Employer, which Employee may then have in Employee’s possession or control whether prepared by Employee or not.

(f) **Disclosure of Information.** Employee shall disclose promptly to Employer, or its nominee, any and all ideas, designs, processes, and improvements of any kind relating to the business of Employer, whether patentable or not, conceived or made by Employee, either alone or jointly with others, during working hours or otherwise, during the entire period of Employee’s employment with Employer or within six months thereafter.

(g) **Assignment.** Employee hereby assigns to Employer or its nominee, the entire right, title, and interest in and to all inventions, discoveries, and improvements, whether patentable or not, that Employee may conceive or make during Employee’s employment with Employer, or within six months thereafter, and which relate to the business of Employer.

(h) **Equitable Relief.** In the event a violation of any of the restrictions contained in this Section occurs, Employer shall be entitled to preliminary and permanent injunctive relief as well as damages and an equitable accounting of all earnings, profits, and other benefits arising from such violation, which right shall be cumulative and in addition to any other rights or remedies to which Employer may be entitled. In the event of a violation of any provision of subsection (b), (c), (f), or (g) of this Section, the period for which those provisions would remain in effect shall be extended for a period of time equal to that period beginning when such violation commenced and ending when the activities constituting such violation shall have been finally terminated in good faith.

(i) **Restrictions Separable.** If the scope of any provision of this Agreement (whether in this Section 4 or otherwise) is found by a Court to be too broad to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law. The parties agree that the scope of any provision of this Agreement may be modified by a judge in any proceeding to enforce this Agreement, so that such provision can be enforced to the maximum extent permitted by law. Each and every restriction set forth in this Section 4 is independent and severable from the others, and no such restriction shall be rendered unenforceable by virtue of the fact that, for any reason, any other or others of them may be unenforceable in whole or in part.

5. **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto; provided that because the obligations of Employee hereunder involve the performance of personal services, such obligations shall not be delegated by Employee. For purposes of this Agreement successors and assigns shall include, but not be limited to, any individual, corporation, trust, partnership, or other entity that acquires a majority of the stock or assets of Employer by sale, merger, consolidation, liquidation, or other form of transfer. Employer will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of Employer to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Employer would be required to perform it if no such succession had taken place. Without limiting the foregoing, unless the context otherwise requires, the term "Employer" includes all subsidiaries of Employer.

6. **Release of Claims and Non-Disparagement.** Employer's obligations under this Agreement are contingent upon Employee executing (and not revoking during any applicable revocation period) a valid and enforceable full and unconditional release of any claims Employee may have against Employer (whether known or unknown) as of the termination of Employee's employment. Employer shall present the release to Employee within 10 days of termination, and Employee shall have up to 45 days to consider whether to execute the release; in the event Employee executes the release, Employee shall have an additional eight calendar days in which to expressly revoke his execution of the release in writing. In the event that Employee fails to execute the release within the 45 day period, or in the event Employee formally revokes his execution of the release within eight calendar days of his execution of the release, then this Agreement shall be null and void. Employee shall not be entitled to any payments or benefits under this Agreement after termination of his employment if he does not execute the release or if he revokes the release during any statutory revocation period, and to the extent that Employer has made any payments to Employee prior to Employee's failure to execute the release within the 45 day period or prior to his revocation, then Employee shall immediately reimburse Employer for any and all such payments. Employer's obligations and all payments under this Agreement shall cease if Employee makes any written or oral statement or takes any action that Employee knows or reasonably should know constitutes an untrue, disparaging, or negative comment concerning Employer.

7. **Miscellaneous.**

(a) **Notices.** All notices, requests, demands, and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made, and received (i) if personally delivered, on the date of delivery, (ii) if by facsimile or e-mail transmission, upon receipt, (iii) if mailed, three days after deposit in the United States mail, registered or certified, return receipt requested, postage prepaid, and addressed as provided below, or (iv) if by a courier delivery service providing overnight or “next-day” delivery, on the next business day after deposit with such service addressed as follows:

(1) If to Employer:

2100 Roosevelt Avenue
Springfield, Massachusetts 01104
Attention: Chief Executive Officer
Phone: (413) 747-3302
Facsimile: (413) 739-8528
E-Mail: jdebney@smith-wesson.com

(2) If to Employee:
2100 Roosevelt Avenue
Springfield, Massachusetts 01104
Phone: (413) 747-3341
E-Mail: jbuchanan@smith-wesson.com

Either party may alter the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this Section 7 for the giving of notice.

(b) **Indulgences; Waivers.** Neither any failure nor any delay on the part of either party to exercise any right, remedy, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power, or privilege preclude any other or further exercise of the same or of any other right, remedy, power, or privilege, nor shall any waiver of any right, remedy, power, or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power, or privilege with respect to any other occurrence. No waiver shall be binding unless executed in writing by the party making the waiver.

(c) **Controlling Law.** This Agreement and all questions relating to its validity, interpretation, performance and enforcement, shall be governed by and construed in accordance with the laws of the state of Massachusetts, notwithstanding any Massachusetts or other conflict-of-interest provisions to the contrary. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the state of Massachusetts located in Hampden County and the United States District Court for the District of Massachusetts for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action, or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action, or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. **EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.**

(d) **Binding Nature of Agreement.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors, and assigns, except that no party may assign or transfer such party's rights or obligations under this Agreement without the prior written consent of the other party.

(e) **Execution in Counterpart.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of the parties reflected hereon as the signatories.

(f) **Provisions Separable.** The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.

(g) **Entire Agreement.** This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings, inducements, and conditions, express or implied, oral or written, except as herein contained. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing.

(h) **No Participation in Severance Plans.** Except as contemplated by this Agreement, Employee acknowledges and agrees that the compensation and other benefits set forth in this Agreement are and shall be in lieu of any compensation or other benefits that may otherwise be payable to or on behalf of Employee pursuant to the terms of any severance pay arrangement of Employer or any affiliate thereof, or any other similar arrangement of Employer or any affiliates thereof providing for benefits upon involuntary termination of employment.

(i) **Paragraph Headings.** The paragraph headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

(j) **Gender.** Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context requires.

(k) **Number of Days.** In computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays, and holidays; provided, however, that if the final day of any time period falls on a Saturday, Sunday, or holiday, then the final day shall be deemed to be the next day that is not a Saturday, Sunday, or holiday.

(l) **Specified Employee**. Notwithstanding any provision of this Agreement to the contrary, if Employee is a "specified employee" as defined in Section 409A of the Code, Employee shall not be entitled to any payments or benefits the right to which provides for a "deferral of compensation" within the meaning of Section 409A, and whose payment or provision is triggered by Employee's termination of employment (whether such payments or benefits are provided to Employee under this Agreement or under any other plan, program or arrangement of the Employer), until (and any payments or benefits suspended hereby shall be paid in a lump sum on) the earlier of (i) the date which is the first business day following the six-month anniversary of Employee's "separation from service" (within the meaning of Section 409A of the Code) for any reason other than death or (ii) Employee's date of death, and such payments or benefits that, if not for the six-month delay described herein, would be due and payable prior to such date shall be made or provided to Employee on such date. Employer shall make the determination as to whether Employee is a "specified employee" in good faith in accordance with its general procedures adopted in accordance with Section 409A of the Code and, at the time of the Employee's "separation of service" will notify the Employee whether or not he is a "specified employee."

(m) **Savings Clause**. This Agreement is intended to satisfy the requirements of Section 409A of the Code with respect to amounts subject thereto, and shall be interpreted and construed consistent with such intent; provided that, notwithstanding the other provisions of this subsection and the paragraph above entitled, "Specified Employee", with respect to any right to a payment or benefit hereunder (or portion thereof) that does not otherwise provide for a "deferral of compensation" within the meaning of Section 409A of the Code, it is the intent of the parties that such payment or benefit will not so provide. Furthermore, if either party notifies the other in writing that, based on the advice of legal counsel, one or more of the provisions of this Agreement contravenes any regulations or Treasury guidance promulgated under Section 409A of the Code or causes any amounts to be subject to interest or penalties under Section 409A of the Code, the parties shall promptly and reasonably consult with each other (and with their legal counsel), and shall use their reasonable best efforts, to reform the provisions hereof to (a) maintain to the maximum extent practicable the original intent of the applicable provisions without violating the provisions of Section 409A of the Code or increasing the costs to the Employer of providing the applicable benefit or payment and (b) to the extent practicable, to avoid the imposition of any tax, interest or other penalties under Section 409A of the Code upon Employee or the Employer.

(n) **Reimbursements**. Except as expressly provided otherwise herein, no reimbursement payable to Employee pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of Employer shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, and no such reimbursement during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A.

[Remainder of this page intentionally left blank]

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

SMITH & WESSON HOLDING CORPORATION

By: */s/ P. James Debney*
P. James Debney
President and Chief Executive Officer

/s/ Jeffrey D. Buchanan
Jeffrey D. Buchanan

[Signature Page to Amended and Restated Severance and Change in Control Agreement]

Exhibit 10.90(a)

AMENDED AND RESTATED
SEVERANCE AND CHANGE IN CONTROL AGREEMENT

AMENDED AND RESTATED SEVERANCE AND CHANGE IN CONTROL AGREEMENT executed December 8, 2011 as of March 9, 2011, by and between **SMITH & WESSON HOLDING CORPORATION**, a Nevada corporation ("Employer"), and **BARRY WILLINGHAM** ("Employee").

WHEREAS, Employee is an executive officer and valued employee of Employer.

WHEREAS, Employer and Employee desire to agree to the results of any termination of Employee's employment under certain circumstances.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants set forth in this Agreement, the parties hereto agree as follows:

1. **Definitions.**

(a) "**Cause**" shall mean any termination of Employee's employment by Employer as a result of Employee engaging in an act or acts involving a crime, moral turpitude, fraud, or dishonesty; Employee taking any action that may be injurious to the business or reputation of Employer; or Employee willfully violating in a material respect Employer's Corporate Governance Guidelines, Code of Conduct, or any applicable Code of Ethics, including, without limitation, the provisions thereof relating to conflicts of interest or related party transactions.

(b) "**Change in Control**" of Employer shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 as in effect on the date of this Agreement or, if Item 6(e) is no longer in effect, any regulations issued by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 that serve similar purposes; provided that, without limitation, such a Change in Control shall be deemed to have occurred if and when (i) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) directly or indirectly of equity securities of Employer representing 20 percent or more of the combined voting power of Employer's then-outstanding equity securities, except that this provision shall not apply to any person currently owning at least five percent or more of the combined voting power of Employer's currently outstanding equity securities or to an acquisition of up to 20 percent of the then-outstanding voting securities that has been approved by at least 75 percent of the members of the Board of Directors who are not affiliates or associates of such person; (ii) during the period of this Agreement, individuals who, at the beginning of such period, constituted the Board of Directors of Employer (the "Original Directors"), cease for any reason to constitute at least a majority thereof unless the election or nomination for election of each new director was approved (an "Approved Director") by the vote of a Board of Directors constituted entirely of Original Directors and/or Approved Directors; (iii) a tender offer or exchange offer is made whereby the effect of such offer is to take over and control Employer, and such offer is consummated for the equity securities of Employer representing 20 percent or more of the combined voting power of Employer's then-outstanding voting securities; (iv) Employer is merged, consolidated, or enters into a reorganization transaction with another person and, as the result of such merger, consolidation, or reorganization, less than 75 percent of the outstanding equity securities of the surviving or resulting person shall then be owned in the aggregate by the former stockholders of Employer; or (v) Employer transfers substantially all of its assets to another person or entity that is not a wholly owned subsidiary of Employer. Sales of Employer's Common Stock beneficially owned or controlled by Employee shall not be considered in determining whether a Change in Control has occurred.

2. **Result of Termination Other than for Cause.** In the event that Employer terminates Employee's employment with Employer other than for Cause, (a) Employer shall pay Employee's base salary for a period of 12 months following the effective date of such termination, and (b) Employer shall pay to Employee, at the same time as cash incentive bonuses are paid to Employer's other executives, a portion of the cash incentive bonus deemed by Employer's Compensation Committee in the exercise of its sole discretion to be earned by Employee pro rata for the period commencing on the first day of the fiscal year for which the cash incentive bonus is calculated and ending on the effective date of termination. The amounts payable under (a) above shall be paid on Employer's regular payroll schedule commencing on the first such payment date coincident with or following your "separation from service" from Employer within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and shall be treated as a series of separate payments under Treasury Regulations Section 1.409A-2(b)(2)(iii). The amounts payable under (b) above shall be made by March 15 of the year following the year to which the bonus applies and would otherwise be earned.

3. **Result of Termination Following Change in Control.** In the event of a "Change in Control" of Employer, Employee, at Employee's option and upon written notice to Employer, may terminate Employee's employment effective on the date of the notice with the same force and effect as if such termination were other than for Cause as provided in Section 2 above, unless (A) the provisions of this Agreement remain in full force and effect as to Employee and (B) Employee suffers no reduction in Employee's status, duties, authority, or compensation following such Change in Control, provided that Employee will be considered to suffer a reduction in Employee's status, duties, authority or compensation, only if, after the Change in Control, (i) Employee is not the president of the perimeter security business conducted by Employer and its subsidiaries immediately prior to the Change in Control, (ii) such company terminates Employee or in any material respect reduces Employee's status, duties, authority, or base compensation within one year of the Change in Control, or (iii) as a result of such Change in Control Employee is required to relocate out of Nashville, Tennessee (or surrounding areas).

4. **Competition and Confidential Information.**

(a) **Interests to be Protected.** The parties acknowledge that Employee will perform essential services for Employer, its subsidiaries, its employees, and its stockholders during the term of Employee's employment with Employer. Employee will be exposed to, have access to, and work with, a considerable amount of Confidential Information (as defined below). The parties also expressly recognize and acknowledge that the personnel of Employer and its subsidiaries have been trained by, and are valuable to, Employer and its subsidiaries and that Employer and its subsidiaries will incur substantial recruiting and training expenses if Employer or its subsidiaries must hire new personnel or retrain existing personnel to fill vacancies. The parties expressly recognize that it could seriously impair the goodwill and diminish the value of the business of Employer and its subsidiaries should Employee compete with Employer or any of its subsidiaries in any manner whatsoever. The parties acknowledge that this covenant has an extended duration; however, they agree that this covenant is reasonable and it is necessary for the protection of Employer, its subsidiaries, its stockholders, and employees. For these and other reasons, and the fact that there are many other employment opportunities available to Employee if his employment is terminated, the parties are in full and complete agreement that the following restrictive covenants are fair and reasonable and are entered into freely, voluntarily, and knowingly. Furthermore, each party was given the opportunity to consult with independent legal counsel before entering into this Agreement.

(b) **Non-Competition.** For the period equal to 12 months after the termination of Employee's employment with Employer for any reason, Employee shall not (whether directly or indirectly, as owner, principal, agent, stockholder, director, officer, manager, employee, partner, participant, or in any other capacity) engage or become financially interested in any competitive business conducted within the Restricted Territory (as defined below). As used herein, the term "competitive business" shall mean any business that sells or provides or attempts to sell or provide products or services the same as or substantially similar to the products or services sold or provided by Employer or its subsidiaries during Employee's employment, and the term "Restricted Territory" shall mean any state or other geographical area in which Employer or its subsidiaries sells products or provides services during Employee's employment.

(c) **Non-Solicitation of Employees.** For a period of 24 months after the termination of Employee's employment with Employer for any reason, Employee shall not directly or indirectly, for Employee, or on behalf of, or in conjunction with, any other person, company, partnership, corporation, or governmental entity, solicit for employment, seek to hire, or hire any person or persons who is employed by or was employed by Employer or its subsidiaries within 12 months of the termination of Employee's employment for the purpose of having any such employee engage in services that are the same as or similar or related to the services that such employee provided for Employer or any of its subsidiaries.

(d) **Confidential Information.** Employee shall maintain in strict secrecy all confidential or trade secret information relating to the business of Employer or its subsidiaries (the "Confidential Information") obtained by Employee in the course of Employee's employment, and Employee shall not, unless first authorized in writing by Employer, disclose to, or use for Employee's benefit or for the benefit of, any person, firm, or entity at any time either during or subsequent to the term of Employee's employment, any Confidential Information, except as required in the performance of Employee's duties on behalf of Employer. For purposes hereof, Confidential Information shall include without limitation any materials, trade secrets, knowledge, or information with respect to management, operational, or investment policies and practices of Employer or its subsidiaries; any business methods or forms; any names or addresses of customers or data on customers or suppliers; and any business policies or other information relating to or dealing with the management, operational, or investment policies or practices of Employer or its subsidiaries.

(e) **Return of Books, Records, Papers, and Equipment.** Upon the termination of Employee’s employment with Employer for any reason, Employee shall deliver promptly to Employer all files, lists, books, records, manuals, memoranda, drawings, and specifications; all cost, pricing, and other financial data; all other written or printed materials and computers, cell phones, PDAs, and other equipment that are the property of Employer or any of its subsidiaries (and any copies of them); and all other materials that may contain Confidential Information relating to the business of Employer or any of its subsidiaries, which Employee may then have in Employee’s possession or control whether prepared by Employee or not.

(f) **Disclosure of Information.** Employee shall disclose promptly to Employer, or its nominee, any and all ideas, designs, processes, and improvements of any kind relating to the business of Employer or any of its subsidiaries, whether patentable or not, conceived or made by Employee, either alone or jointly with others, during working hours or otherwise, during the entire period of Employee’s employment with Employer or within six months thereafter.

(g) **Assignment.** Employee hereby assigns to Employer or its nominee, the entire right, title, and interest in and to all inventions, discoveries, and improvements, whether patentable or not, that Employee may conceive or make during Employee’s employment with Employer, or within six months thereafter, and which relate to the business of Employer or any of its subsidiaries.

(h) **Equitable Relief.** In the event a violation of any of the restrictions contained in this Section occurs, Employer shall be entitled to preliminary and permanent injunctive relief as well as damages and an equitable accounting of all earnings, profits, and other benefits arising from such violation, which right shall be cumulative and in addition to any other rights or remedies to which Employer may be entitled. In the event of a violation of any provision of subsection (b), (c), (f), or (g) of this Section, the period for which those provisions would remain in effect shall be extended for a period of time equal to that period beginning when such violation commenced and ending when the activities constituting such violation shall have been finally terminated in good faith.

(i) **Restrictions Separable.** If the scope of any provision of this Agreement (whether in this Section 4 or otherwise) is found by a Court to be too broad to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law. The parties agree that the scope of any provision of this Agreement may be modified by a judge in any proceeding to enforce this Agreement, so that such provision can be enforced to the maximum extent permitted by law. Each and every restriction set forth in this Section 4 is independent and severable from the others, and no such restriction shall be rendered unenforceable by virtue of the fact that, for any reason, any other or others of them may be unenforceable in whole or in part.

5. **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto; provided that because the obligations of Employee hereunder involve the performance of personal services, such obligations shall not be delegated by Employee. For purposes of this Agreement successors and assigns shall include, but not be limited to, any individual, corporation, trust, partnership, or other entity that acquires a majority of the stock or assets of Employer by sale, merger, consolidation, liquidation, or other form of transfer. Employer will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of Employer to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Employer would be required to perform it if no such succession had taken place. Without limiting the foregoing, unless the context otherwise requires, the term "Employer" includes all subsidiaries of Employer.

6. **Release of Claims and Non-Disparagement.** Employer's obligations under this Agreement are contingent upon Employee executing (and not revoking during any applicable revocation period) a valid and enforceable full and unconditional release of any claims Employee may have against Employer (whether known or unknown) as of the termination of Employee's employment. Employer shall present the release to Employee within ten days of termination, and Employee shall have up to 45 days to consider whether to execute the release; in the event Employee executes the release, Employee shall have an additional eight calendar days in which to expressly revoke his execution of the release in writing. In the event that Employee fails to execute the release within the 45 day-period, or in the event Employee formally revokes his execution of the release within eight calendar days of his execution of the release, then this Agreement shall be null and void. Employee shall not be entitled to any payments or benefits under this Agreement after termination of his employment if he does not execute the release or if he revokes the release during any statutory revocation period, and to the extent that Employer has made any payments to Employee prior to Employee's failure to execute the release within the 45 day-period or prior to his revocation, then Employee shall immediately reimburse Employer for any and all such payments. Employer's obligations and all payments under this Agreement shall cease if Employee makes any written or oral statement or takes any action that Employee knows or reasonably should know constitutes an untrue, disparaging, or negative comment concerning Employer.

7. **Miscellaneous.**

(a) **Notices.** All notices, requests, demands, and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made, and received (i) if personally delivered, on the date of delivery, (ii) if by facsimile or e-mail transmission, upon receipt, (iii) if mailed, three days after deposit in the United States mail, registered or certified, return receipt requested, postage prepaid, and addressed as provided below, or (iv) if by a courier delivery service providing overnight or “next-day” delivery, on the next business day after deposit with such service addressed as follows:

(1) If to Employer:

2100 Roosevelt Avenue
Springfield, Massachusetts 01104
Attention: Chief Executive Officer
Phone: (413) 747-3302
Facsimile: (413) 739-8528
E-Mail: JDebney@smith-wesson.com

(2) If to Employee:
Barry Willingham
277 Mallory Station Road
Suite 112
Franklin, Tennessee 37067
Phone: (615) 224-0400
E-Mail: BWillingham@smith-wesson.com

Either party may alter the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this Section 7 for the giving of notice.

(b) **Indulgences; Waivers.** Neither any failure nor any delay on the part of either party to exercise any right, remedy, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power, or privilege preclude any other or further exercise of the same or of any other right, remedy, power, or privilege, nor shall any waiver of any right, remedy, power, or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power, or privilege with respect to any other occurrence. No waiver shall be binding unless executed in writing by the party making the waiver.

(c) **Controlling Law.** This Agreement and all questions relating to its validity, interpretation, performance and enforcement, shall be governed by and construed in accordance with the laws of the state of Massachusetts, notwithstanding any Massachusetts or other conflict-of-interest provisions to the contrary. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the state of Massachusetts located in Hampden County and the United States District Court for the District of Massachusetts for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action, or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action, or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. **EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.**

(d) **Binding Nature of Agreement.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors, and assigns, except that no party may assign or transfer such party's rights or obligations under this Agreement without the prior written consent of the other party.

(e) **Execution in Counterpart.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of the parties reflected hereon as the signatories.

(f) **Provisions Separable.** The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.

(g) **Entire Agreement.** This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings, inducements, and conditions, express or implied, oral or written, except as herein contained. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing.

(h) **No Participation in Severance Plans.** Except as contemplated by this Agreement, Employee acknowledges and agrees that the compensation and other benefits set forth in this Agreement are and shall be in lieu of any compensation or other benefits that may otherwise be payable to or on behalf of Employee pursuant to the terms of any severance pay arrangement of Employer or any affiliate thereof, or any other similar arrangement of Employer or any affiliates thereof providing for benefits upon involuntary termination of employment.

(i) **Paragraph Headings.** The paragraph headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

(j) **Gender.** Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context requires.

(k) **Number of Days.** In computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays, and holidays; provided, however, that if the final day of any time period falls on a Saturday, Sunday, or holiday, then the final day shall be deemed to be the next day that is not a Saturday, Sunday, or holiday.

(l) **Specified Employee**. Notwithstanding any provision of this Agreement to the contrary, if Employee is a "specified employee" as defined in Section 409A of the Code, Employee shall not be entitled to any payments or benefits the right to which provides for a "deferral of compensation" within the meaning of Section 409A, and whose payment or provision is triggered by Employee's termination of employment (whether such payments or benefits are provided to Employee under this Agreement or under any other plan, program or arrangement of Employer), until (and any payments or benefits suspended hereby shall be paid in a lump sum on) the earlier of (i) the date which is the first business day following the six-month anniversary of Employee's "separation from service" (within the meaning of Section 409A of the Code) for any reason other than death or (ii) Employee's date of death, and such payments or benefits that, if not for the six-month delay described herein, would be due and payable prior to such date shall be made or provided to Employee on such date. Employer shall make the determination as to whether Employee is a "specified employee" in good faith in accordance with its general procedures adopted in accordance with Section 409A of the Code and, at the time of Employee's "separation of service" will notify Employee whether or not he is a "specified employee."

(m) **Savings Clause**. This Agreement is intended to satisfy the requirements of Section 409A of the Code with respect to amounts subject thereto, and shall be interpreted and construed consistent with such intent; provided that, notwithstanding the other provisions of this subsection and the paragraph above entitled, "Specified Employee", with respect to any right to a payment or benefit hereunder (or portion thereof) that does not otherwise provide for a "deferral of compensation" within the meaning of Section 409A of the Code, it is the intent of the parties that such payment or benefit will not so provide. Furthermore, if either party notifies the other in writing that, based on the advice of legal counsel, one or more of the provisions of this Agreement contravenes any regulations or Treasury guidance promulgated under Section 409A of the Code or causes any amounts to be subject to interest or penalties under Section 409A of the Code, the parties shall promptly and reasonably consult with each other (and with their legal counsel), and shall use their reasonable best efforts, to reform the provisions hereof to (a) maintain to the maximum extent practicable the original intent of the applicable provisions without violating the provisions of Section 409A of the Code or increasing the costs to Employer of providing the applicable benefit or payment and (b) to the extent practicable, to avoid the imposition of any tax, interest or other penalties under Section 409A of the Code upon Employee or Employer.

(n) **Reimbursements**. Except as expressly provided otherwise herein, no reimbursement payable to Employee pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of Employer shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, and no such reimbursement during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A.

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

SMITH & WESSON HOLDING CORPORATION

By: */s/ P. James Debney*
P. James Debney
President and Chief Executive Officer

/s/ Barry Willingham
Barry Willingham

EMPLOYMENT AGREEMENT

AMENDED AND RESTATED EMPLOYMENT AGREEMENT executed December 8, 2011 as of the 26th day of September, 2011, by and between **SMITH & WESSON HOLDING CORPORATION**, a Nevada corporation ("Employer"), and **P. JAMES DEBNEY** ("Employee").

WHEREAS, Employer desires Employee to continue Employee's services to Employer as President and Chief Executive Officer, and Employee desires to do so, upon the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants set forth in this Agreement, the parties hereto agree as follows:

1. **Employment**.

Employer hereby continues Employee's employment, and Employee hereby accepts such continuation of employment, as President and Chief Executive Officer of Employer and of such subsidiaries of Employer as Employer shall designate and in such other capacities and for such other duties and services as shall from time to time be mutually agreed upon by Employer and Employee. Employee shall report to the Board of Directors of Employer.

2. **Full Time Occupation and Other Activities**.

Employee shall devote Employee's entire business time, attention, and efforts to the performance of Employee's duties under this Agreement; shall serve Employer faithfully and diligently; and shall not engage in any other employment or other business activities while employed by Employer. The foregoing limitations shall not be construed as prohibiting Employee from serving as a director of one or more companies provided that (a) such company does not compete, directly or indirectly, with Employer; (b) participation on the board of such company does not significantly interfere with the performance of Employee's responsibilities under this Agreement; (c) participation on the board of such company will not adversely affect the reputation of Employer; (d) such company shall maintain a policy of directors' and officers' liability insurance covering Employee on such terms and conditions and at a level of coverage that the Board of Directors of Employer determines to be reasonable for a company of such size; and (e) such company shall enter into an agreement to indemnify Employee, to the fullest extent permissible under applicable law, for expenses and damages in connection with claims against Employee in connection with service as a director of such company.

3. **Compensation and other Benefits During Term of Employment**.

(a) **Base Salary**. Employer shall pay to Employee a base salary of $450,000 per annum to be paid in equal monthly installments, or in such other periodic installments upon which Employer and Employee shall mutually agree. By action and in the sole discretion of the Board of Directors of Employer, the base salary will be subject to annual review and may be increased based on performance of Employer and Employee.

(b) **Bonus**. Employee shall be eligible to participate in executive compensation programs maintained by Employer for its executive personnel. Employee also shall be eligible to receive an annual bonus in such an amount, if any, determined by the Board of Directors of Employer or such committee of the Board of Directors as may be designated by the Board of Directors based upon achievement of performance goals and any other such factors as may be deemed relevant by the Board of Directors or committee thereof, which bonus opportunity shall not be less than 100% of base salary at target.

(c) **Stock-Based Compensation and Awards**. Employee may receive annual stock-based compensation awards, with the amount of such awards granted and the terms and conditions thereof to be determined from time to time by and in the sole discretion of the Board of Directors of Employer or a committee thereof.

(d) **Fringe Benefits**. Employee shall receive a car allowance of $1,000 per month. Employee also shall be entitled to participate in any group insurance, pension, retirement, vacation, expense reimbursement, and other plans, programs, and benefits approved by the Board of Directors or a duly constituted committee of the Board of Directors and made available from time to time to executive employees of Employer generally during the term of Employee’s employment hereunder. The foregoing shall not obligate Employer to adopt or maintain any particular plan, program, or benefit.

(e) **Vacation**. Employee shall be entitled to a paid vacation in accordance with the applicable policies of Employer in effect from time to time, but not less than four weeks of paid vacation per annum.

(f) **Reimbursement for Business Expenses**. Employer shall reimburse Employee for all travel, entertainment, and other ordinary and necessary business expenses incurred by Employee in connection with the business of Employer and Employee’s duties under this Agreement. The term “business expenses” shall not include any item not deductible in whole or in part by Employer for federal income tax purposes. To obtain reimbursement, Employee shall submit to Employer receipts, bills, or sales slips for the expenses incurred. Reimbursements shall be made by Employer monthly within 10 days of presentation by Employee of evidence of the expenses incurred.

(g) **Reimbursement for Insurance Premiums**. Employer shall reimburse Employee for the reasonable insurance premiums (and any taxes incident thereto) for disability insurance covering up to 75% of Employee’s base salary and for medical and hospitalization insurance for Employee, Employee’s wife, and Employee’s children under the age of 25 for whom Employee provides a majority of their financial support.

(h) **Key Person Insurance**. Employer shall reimburse Employee for the reasonable premiums (and taxes incident thereto) for a key person term-insurance policy of $5.0 million on the life of Employee with such beneficiaries as Employee shall select.

4. **Term of Employment**.

(a) **Employment Term**. The term of this Agreement shall be for a period commencing as of September 26, 2011 and continuing until terminated pursuant to Section 4(b) below.

(b) **Termination Under Certain Circumstances**. Notwithstanding anything to the contrary herein contained:

(i) **Death**. Employee's employment shall be automatically terminated, without notice, effective upon the date of Employee's death.

(ii) **Disability**. If Employee shall fail, for a period of more than 60 consecutive days, or for 90 days within any 180-day period, to perform any of Employee's duties under this Agreement as the result of illness or other incapacity, Employer, at its option and upon written notice to Employee, may terminate Employee's employment effective on the date of that notice.

(iii) **Unilateral Decision of Employer**. Employer, at its option, upon written notice to Employee, may terminate Employee's employment effective on the date of that notice.

(iv) **Unilateral Decision by Employee**. Employee, at Employee's option and upon written notice to Employer, may terminate Employee's employment effective on the date of that notice.

(v) **Certain Acts**. If Employee engages in an act or acts involving a crime, moral turpitude, fraud, or dishonesty, or if Employee willfully violates in a material respect Employer's Corporate Governance Guidelines, Code of Conduct, or Code of Ethics for the CEO and Senior Financial Officers, including, without limitation, the provisions thereof relating to conflicts of interest or related party transactions, Employer, at its option and upon written notice to Employee, may terminate Employee's employment effective on the date of that notice.

(vi) **Change in Control**. In the event of a "Change in Control" of Employer (as defined below), Employee, at Employee's option and upon written notice to Employer, may terminate Employee's employment effective on the date of the notice (which shall not constitute a unilateral decision by Employee under Section 4(b)(iv) above) unless (A) the provisions of this Agreement remain in full force and effect as to Employee and (B) Employee suffers no reduction in Employee's status, duties, authority, or compensation following such Change in Control, provided that Employee will be considered to suffer a reduction in Employee's status, duties, authority, if, after the Change in Control, (1) Employee is not the chief executive officer of the company that succeeds to the business of Employer, (2) such company's common stock is not listed on a national stock exchange (such as the New York Stock Exchange, the Nasdaq National Market, or the American Stock Exchange), or (3) such company terminates Employee or reduces Employee's status, duties, authority, or compensation within one year of the Change in Control.

(c) **Result of Termination**.

(i) Except as otherwise set forth in this Agreement, in the event of the termination of Employee’s employment pursuant to Sections 4(b)(i) (“Death”), 4(b)(ii) (“Disability”), 4(b)(iv) (“Unilateral Decision by Employee”), or 4(b)(v) (“Certain Acts”) above, Employee shall receive no further compensation under this Agreement.

(ii) In the event of the termination of Employee’s employment pursuant to Section 4(b)(iii) (“Unilateral Decision of Employer”) above, Employee shall (A) for a period of 18 months after the effective date of the termination, continue to receive Employee’s base salary as provided in Section 3(a) above; (B) receive an amount equal to the average of Employee’s cash bonus paid for each of the two fiscal years immediately preceding Employee’s termination, such amount to be paid over the period of 18 months after the effective date of the termination; and (C) receive the car allowance and coverage under Employer’s medical plan to the extent provided for Employee pursuant to Section 3(d) above at the effective date of the termination, such benefits to be received over the period of 18 months after the effective date of the termination.

(iii) In the event of the termination of Employee’s employment pursuant to Section 4(b)(vi) (“Change in Control”) above, Employee shall (A) for a period of 24 months after the effective date of the termination, continue to receive Employee’s base salary as provided in Section 3(a) above; (B) receive an amount equal to the average of Employee’s cash bonus paid for each of the two fiscal years immediately preceding Employee’s termination, such amount to be paid and received over a period of 18 months after the effective date of the termination; (C) receive the car allowance for a period of 24 months after the effective date of the termination; and (D), at Employer’s option, either (x) receive coverage under Employer’s medical plan to the extent provided for Employee pursuant to Section 3(d) above at the effective date of the termination, such benefits to be received over a period of 24 months after the effective date of the termination, or, (y) receive reimbursement for the COBRA premium for such coverage through the earlier of such 24-month period or the COBRA eligibility period. In addition, all unvested stock-based compensation held by Employee in his capacity as Employee on the effective date of the termination shall vest as of the effective date of such termination.

(iv) In the event of the termination of Employee’s employment pursuant to Section 4(b)(iii) (“Unilateral Decision of Employer”) above, Employee shall receive for a period of 36 months following such termination a cash payment in the amount of $10,000 per 12-month period for post-termination secretarial support.

(v) In the event of the termination of Employee’s employment hereunder pursuant to Sections 4(b)(iii) (“Unilateral Decision of Employer”) or 4(b)(vi) (“Change in Control”) above, the options granted under any employment agreement between Employer and Employee that are vested as of the effective date of the termination, will have a nine-month post-termination exercise period, but not beyond their original term.

(vi) In the event of the termination of Employee’s employment pursuant to Sections 4(b)(ii) (“Disability”), 4(b)(iii) (“Unilateral Decision of Employer”), or 4(b)(vi) (“Change in Control”) above, or in the event Employee voluntarily terminates his employment with at least six months advance notice to Employer, Employer shall, for a period of 36 months following the effective date of such termination, continue to pay the life insurance premiums on any then existing life insurance policy provided by Employer to Employee, up to an annual premium of $20,000 pro-rated on a monthly basis.

(vii) In the event of the termination of Employee's employment pursuant to Sections 4(b)(i) ("Death"), 4(b)(ii) ("Disability"), 4(b)(iii) ("Unilateral Decision of Employer"), or 4(b)(vi) ("Change in Control") above, Employee shall receive, for the fiscal year of the notice of termination, any earned bonus, on a pro-rated basis, based on the performance goals actually achieved for the fiscal year of the notice of termination, as determined in the sole discretion of the Board of Directors of Employer, at the time such bonuses are paid to other employees.

Any payments made by Employer pursuant to this Section 4(c) (other than the payment, if any, described in Section 4(c)(vii)) shall be paid on a monthly basis beginning on the first payroll date following Employee's Separation from Service within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), and not in a lump sum and shall be treated as a series of separate payments for purposes of Section 409A. Employee shall receive no additional compensation following any termination except as provided herein. In the event of any termination, Employee shall resign all positions (including positions on the Board of Directors) with Employer and its subsidiaries. If Employee is a "specified employee" within the meaning of Section 409A, then payments shall not commence until six months following Employee's separation from service to the extent necessary to avoid the imposition of the additional 20% tax under Section 409A (and in the case of installment payments, the first payment shall include all installment payments required by this subsection that otherwise would have been made during such six-month period). If the payment described in Section 4(c)(vi) must be delayed for six months pursuant to the preceding sentence, Employee shall bear the full cost of such payment during such delay period. Upon the date such payment would otherwise commence, Employer shall reimburse Employee for such payments, to the extent that such payments otherwise would have been paid by Employer had such payments commenced upon Employee's termination of employment. Any remaining payments shall be provided by Employer in accordance with the schedule and procedures specified herein. This Agreement is intended to satisfy the requirements of Section 409A with respect to amounts subject thereto, and shall be interpreted and construed consistent with such intent. Except as provided otherwise herein, no reimbursement payable to Employee pursuant to any provisions of this Agreement or pursuant to any plan or arrangement of Employer shall be paid later than the last day of the calendar year following the calendar year in which the related expense was incurred, and no such reimbursement during any calendar year shall affect the amounts eligible for reimbursement in any other calendar year, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Section 409A.

(d) **Change in Control**. The term “Change in Control” of Employer shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 as in effect on the date of this Agreement or, if Item 6(e) is no longer in effect, any regulations issued by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 that serve similar purposes; provided that, without limitation, such a Change in Control shall be deemed to have occurred if and when (i) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) directly or indirectly of equity securities of Employer representing 20 percent or more of the combined voting power of Employer’s then-outstanding equity securities, except that this provision shall not apply to any person currently owning at least five percent or more of the combined voting power of Employer’s currently outstanding equity securities or to an acquisition of up to 20 percent of the then-outstanding voting securities that has been approved by at least 75 percent of the members of the Board of Directors who are not affiliates or associates of such person; (ii) during the period of this Agreement, individuals who, at the beginning of such period, constituted the Board of Directors of Employer (the “Original Directors”), cease for any reason to constitute at least a majority thereof unless the election or nomination for election of each new director was approved (an “Approved Director”) by the vote of a Board of Directors constituted entirely of Original Directors and/or Approved Directors; (iii) a tender offer or exchange offer is made whereby the effect of such offer is to take over and control Employer, and such offer is consummated for the equity securities of Employer representing 20 percent or more of the combined voting power of Employer’s then-outstanding voting securities; (iv) Employer is merged, consolidated, or enters into a reorganization transaction with another person and, as the result of such merger, consolidation, or reorganization, less than 75 percent of the outstanding equity securities of the surviving or resulting person shall then be owned in the aggregate by the former stockholders of Employer; or (v) Employer transfers substantially all of its assets to another person or entity that is not a wholly owned subsidiary of Employer. Sales of Employer’s Common Stock beneficially owned or controlled by Employee shall not be considered in determining whether a Change in Control has occurred.

5. **Competition and Confidential Information**.

(a) **Interests to be Protected**. The parties acknowledge that Employee will perform essential services for Employer, its employees, and its stockholders during the term of Employee’s employment with Employer. Employee will be exposed to, have access to, and work with, a considerable amount of Confidential Information (as defined below). The parties also expressly recognize and acknowledge that the personnel of Employer have been trained by, and are valuable to, Employer and that Employer will incur substantial recruiting and training expenses if Employer must hire new personnel or retrain existing personnel to fill vacancies. The parties expressly recognize that it could seriously impair the goodwill and diminish the value of Employer’s business should Employee compete with Employer in any manner whatsoever. The parties acknowledge that this covenant has an extended duration; however, they agree that this covenant is reasonable and it is necessary for the protection of Employer, its stockholders, and employees. For these and other reasons, and the fact that there are many other employment opportunities available to Employee if his employment is terminated, the parties are in full and complete agreement that the following restrictive covenants are fair and reasonable and are entered into freely, voluntarily, and knowingly. Furthermore, each party was given the opportunity to consult with independent legal counsel before entering into this Agreement.

(b) **Non-Competition**. During the term of Employee's employment with Employer and for the period equal to the longer of 12 months after the termination of Employee's employment with Employer, regardless of the reason therefor, and the period during which Employee receives cash severance pursuant to Section 4(c) Employee shall not (whether directly or indirectly, as owner, principal, agent, stockholder, director, officer, manager, employee, partner, participant, or in any other capacity) engage or become financially interested in any competitive business conducted within the Restricted Territory (as defined below). As used herein, the term "competitive business" shall mean any business that sells or provides or attempts to sell or provide products or services the same as or substantially similar to the products or services sold or provided by Employer during Employee's employment hereunder, and the term "Restricted Territory" shall mean any state or other geographical area in which Employer sells products or provides services during Employee's employment hereunder.

(c) **Non-Solicitation of Employees**. During the term of Employee's employment and for a period of 24 months after the termination of Employee's employment with Employer, regardless of the reason therefor, Employee shall not directly or indirectly, for Employee, or on behalf of, or in conjunction with, any other person, company, partnership, corporation, or governmental entity, solicit for employment, seek to hire, or hire any person or persons who is employed by or was employed by Employer within 12 months of the termination of Employee's employment for the purpose of having any such employee engage in services that are the same as or similar or related to the services that such employee provided for Employer.

(d) **Confidential Information**. Employee shall maintain in strict secrecy all confidential or trade secret information relating to the business of Employer (the "Confidential Information") obtained by Employee in the course of Employee's employment, and Employee shall not, unless first authorized in writing by Employer, disclose to, or use for Employee's benefit or for the benefit of, any person, firm, or entity at any time either during or subsequent to the term of Employee's employment, any Confidential Information, except as required in the performance of Employee's duties on behalf of Employer. For purposes hereof, Confidential Information shall include without limitation any materials, trade secrets, knowledge, or information with respect to management, operational, or investment policies and practices of Employer; any business methods or forms; any names or addresses of customers or data on customers or suppliers; and any business policies or other information relating to or dealing with the management, operational, or investment policies or practices of Employer.

(e) **Return of Books, Records, Papers, and Equipment**. Upon the termination of Employee's employment with Employer for any reason, Employee shall deliver promptly to Employer all files, lists, books, records, manuals, memoranda, drawings, and specifications; all cost, pricing, and other financial data; all other written or printed materials and computers, cell phones, PDAs, and other equipment that are the property of Employer (and any copies of them); and all other materials that may contain Confidential Information relating to the business of Employer, which Employee may then have in Employee's possession or control, whether prepared by Employee or not.

(f) **Disclosure of Information**. Employee shall disclose promptly to Employer, or its nominee, any and all ideas, designs, processes, and improvements of any kind relating to the business of Employer, whether patentable or not, conceived or made by Employee, either alone or jointly with others, during working hours or otherwise, during the entire period of Employee's employment with Employer or within six months thereafter.

(g) **Assignment**. Employee hereby assigns to Employer or its nominee, the entire right, title, and interest in and to all inventions, discoveries, and improvements, whether patentable or not, that Employee may conceive or make during Employee's employment with Employer, or within six months thereafter, and which relate to the business of Employer.

(h) **Equitable Relief**. In the event a violation of any of the restrictions contained in this Section is established, Employer shall be entitled to preliminary and permanent injunctive relief as well as damages and an equitable accounting of all earnings, profits, and other benefits arising from such violation, which right shall be cumulative and in addition to any other rights or remedies to which Employer may be entitled. In the event of a violation of any provision of subsection (b), (c), (f), or (g) of this Section, the period for which those provisions would remain in effect shall be extended for a period of time equal to that period beginning when such violation commenced and ending when the activities constituting such violation shall have been finally terminated in good faith.

(i) **Restrictions Separable**. If the scope of any provision of this Agreement (whether in this Section 5 or otherwise) is found by a Court to be too broad to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law. The parties agree that the scope of any provision of this Agreement may be modified by a judge in any proceeding to enforce this Agreement, so that such provision can be enforced to the maximum extent permitted by law. Each and every restriction set forth in this Section 5 is independent and severable from the others, and no such restriction shall be rendered unenforceable by virtue of the fact that, for any reason, any other or others of them may be unenforceable in whole or in part.

6. **Miscellaneous**.

(a) **Notices**. All notices, requests, demands, and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made, and received (i) if personally delivered, on the date of delivery, (ii) if by facsimile or e-mail transmission, upon receipt, (iii) if mailed, three days after deposit in the United States mail, registered or certified, return receipt requested, postage prepaid, and addressed as provided below, or (iv) if by a courier delivery service providing overnight or "next-day" delivery, on the next business day after deposit with such service addressed as follows:

(1) If to Employer:

2100 Roosevelt Avenue
Springfield, Massachusetts 01104
Attention: Chairman of the Board

with a copy given in the manner
prescribed above, to:

Greenberg Traurig, LLP
2375 East Camelback Road — Suite 700
Phoenix, Arizona 85016
Attention: Robert S. Kant, Esq.
Phone: (602) 445-8302
Facsimile: (602) 445-8100
E-Mail: KantR@gtlaw.com

(2) If to Employee:

2100 Roosevelt Avenue
Springfield, Massachusetts 01104
Phone: (413) 747-3302
Facsimile: (413) 739-8528
E-Mail: JDebney@smith-wesson.com

Either party may alter the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this Section 6 for the giving of notice.

(b) **Indulgences; Waivers**. Neither any failure nor any delay on the part of either party to exercise any right, remedy, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power, or privilege preclude any other or further exercise of the same or of any other right, remedy, power, or privilege, nor shall any waiver of any right, remedy, power, or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power, or privilege with respect to any other occurrence. No waiver shall be binding unless executed in writing by the party making the waiver.

(c) **Controlling Law**. This Agreement and all questions relating to its validity, interpretation, performance and enforcement, shall be governed by and construed in accordance with the laws of the state of Massachusetts, notwithstanding any Massachusetts or other conflict-of-interest provisions to the contrary.

(d) **Binding Nature of Agreement**. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors, and assigns, except that no party may assign or transfer such party's rights or obligations under this Agreement without the prior written consent of the other party.

(e) **Execution in Counterpart**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of the parties reflected hereon as the signatories.

(f) **Provisions Separable**. The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be invalid or unenforceable in whole or in part.

(g) **Entire Agreement**. This Agreement amends and restates in its entirety the provisions of the Employment Agreement dated September 26, 2011. Except as herein contained, this Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings, inducements, and conditions, express or implied, oral or written, including the Severance and Change in Control Agreement dated October 22, 2010 between Employer and Employee. The express terms hereof control and supersede any course of performance and/or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing.

(h) **Paragraph Headings**. The paragraph headings in this Agreement are for convenience only; they form no part of this Agreement and shall not affect its interpretation.

(i) **Gender**. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context requires.

(j) **Number of Days**. In computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays, and holidays; provided, however, that if the final day of any time period falls on a Saturday, Sunday, or holiday, then the final day shall be deemed to be the next day that is not a Saturday, Sunday, or holiday.

7. **Successors and Assigns.**

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto; provided that because the obligations of Employee hereunder involve the performance of personal services, such obligations shall not be delegated by Employee. For purposes of this Agreement successors and assigns shall include, but not be limited to, any individual, corporation, trust, partnership, or other entity that acquires a majority of the stock or assets of Employer by sale, merger, consolidation, liquidation, or other form of transfer. Employer will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of Employer to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Employer would be required to perform it if no such succession had taken place. Without limiting the foregoing, unless the context otherwise requires, the term “Employer” includes all subsidiaries of Employer.

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

SMITH & WESSON HOLDING CORPORATION

By: */s/ John B. Furman*
Chairman Compensation Committee

/s/ P. James Debney
P. James Debney

[Signature Page to Amended and Restated Employment Agreement]

Exhibit 10.94

September 9, 2011

Mr. Michael Golden
Smith & Wesson Holding
2100 Roosevelt Avenue
Springfield, MA 01104

Re: Letter of Amendment

Dear Mr. Golden:

We are parties to a Severance and Change in Control Agreement dated as of March 9, 2011 (the "Agreement"). This will confirm the amendment to the Agreement to delete Clause (a) of Section 3 of the Agreement effective on the execution of this Letter of Amendment. Except for this change, the Agreement shall remain in full force and effect.

Sincerely,

Smith & Wesson Holding Corporation

By: */s/ Jeffrey D. Buchanan*

Agreed and Accepted:

/s/ Michael F. Golden
Michael Golden

Smith&Wesson

September 9, 2011

Mr. Jeffrey D. Buchanan
Smith & Wesson Holding
2100 Roosevelt Avenue
Springfield, MA 01104

Re: Letter of Amendment

Dear Mr. Buchanan:

We are parties to a Severance and Change in Control Agreement dated as of January 3, 2011 (the "Agreement"). This will confirm the amendment to the Agreement to delete Clause (a) of Section 3 of the Agreement effective on the execution of this Letter of Amendment. Except for this change, the Agreement shall remain in full force and effect.

Sincerely,

Smith & Wesson Holding Corporation

By: */s/ P. James Debney*

Agreed and Accepted:

/s/ Jeffrey D. Buchanan
Jeffrey D. Buchanan

2100 Roosevelt Avenue • PO Box 2208 • Springfield, MA 01102-2208 • 1-800-331-0852 • www.smith-wesson.com

Exhibit 10.96

September 9, 2011

Mr. P. James Debney
Smith & Wesson Holding
2100 Roosevelt Avenue
Springfield, MA 01104

Re: Letter of Amendment

Dear Mr. Debney:

We are parties to a Severance and Change in Control Agreement dated as of October 22, 2010 (the "Agreement"). This will confirm the amendment to the Agreement to delete Clause (a) of Section 3 of the Agreement effective on the execution of this Letter of Amendment. Except for this change, the Agreement shall remain in full force and effect.

Sincerely,

Smith & Wesson Holding Corporation

By: */s/ Jeffrey D. Buchanan*

Agreed and Accepted:

/s/ P. James Debney
P. James Debney

September 9, 2011

Mr. Barry Willingham
Smith & Wesson Holding
2100 Roosevelt Avenue
Springfield, MA 01104

Re: Letter of Amendment

Dear Mr. Willingham:

We are parties to a Severance and Change in Control Agreement dated as of March 9, 2011 (the "Agreement"). This will confirm the amendment to the Agreement to delete Clause (a) of Section 3 of the Agreement effective on the execution of this Letter of Amendment. Except for this change, the Agreement shall remain in full force and effect.

Sincerely,

Smith & Wesson Holding Corporation

By: *\/s/ Jeffrey D. Buchanan*

Agreed and Accepted:

\/s/ Barry Willingham
Barry Willingham

Exhibit 10.98

FORM OF
SMITH & WESSON HOLDING CORPORATION
2004 INCENTIVE STOCK PLAN
NON-QUALIFIED STOCK OPTION AWARD GRANT NOTICE AND AGREEMENT

I. NON-QUALIFIED STOCK OPTION AWARD GRANT NOTICE

Smith & Wesson Holding Corporation (the "Company"), pursuant to its 2004 Incentive Stock Plan (as amended, the "Plan"), hereby grants to the Optionee named below an option to purchase a number of shares of the Company's Common Stock set forth below. This Non-Qualified Stock Option Award Grant Notice and Agreement (the "Agreement") is subject to all of the terms and conditions as set forth herein and in the Plan, which are agreed to by the Optionee and incorporated herein in their entirety. All capitalized terms in this Agreement shall have the meaning assigned to them 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.

Optionee: ______________________________
Address: ______________________________
Date of Grant: ______________________________
Total Number of Shares Granted: ______________________________
Exercise Price per Share: $______________________________

The Optionee has received a copy of the Company's most recent prospectus describing the Plan and a complete copy of the Plan document. The Optionee has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement, and fully understands all provisions of the Option granted by this Agreement.

SMITH & WESSON HOLDING CORPORATION

By: ______________________________
Name: ______________________________
Title: ______________________________
Effective as of: ______________________________

OPTIONEE:

____
____
Effective as of: ______________________________

II. Non-Qualified Stock Option Agreement

1. Grant of Option. The Company hereby grants, as of the Date of Grant set forth in the above Non-Qualified Stock Option Award Grant Notice (the "Notice of Grant"), to the Optionee named in the Notice of Grant, an option (the "Option") to purchase up to the number of shares of the Company's Common Stock, $.001 par value per share, set forth in the Notice of Grant (the "Shares"), at the exercise price per share set forth in the Notice of Grant. The Option shall be subject to the terms and conditions set forth herein and in the Plan, under which this Option was granted. The Option is a nonqualified stock option, and not an Incentive Stock Option. The Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all of the terms and conditions hereof and thereof and all applicable laws and regulations.

2. Definitions. Unless otherwise provided herein, terms used herein that are defined in the Plan and not defined herein shall have the meanings attributed to them under the Plan.

3. Vesting Schedule. Except as otherwise provided in Sections 6 or 9 of this Agreement, or in the Plan, the Option shall vest in the installments as provided below, which shall be cumulative. To the extent that the Option has become vested with respect to a percentage of Shares as provided below, the Option may thereafter be exercised by the Optionee, in whole or in part, at any time or from time to time prior to the expiration of the Option as provided herein for such vested Shares. The following table indicates each date (the "Vesting Date") upon which the Optionee shall be vested and thereby entitled to exercise the Option with respect to the percentage of Shares granted as indicated beside the date, provided that the Continuous Service of the Optionee continues through and on the applicable Vesting Date:

Percentage of Shares	**Vesting Date**
_____ of the total number of options granted.	The ___________ anniversary of the Date of Grant, such that the Option shall be fully vested, with respect to all Shares subject to this grant, on the ___________ anniversary of the Date of Grant.

Except as otherwise specifically provided herein, there shall be no proportionate or partial vesting in the periods prior to each Vesting Date, and all vesting shall occur only on the appropriate Vesting Date. Upon the termination of the Optionee's Continuous Service with the Company and its Related Entities, any unvested portion of the Option shall terminate and be null and void.

4. Method of Exercise. The vested portion of this Option shall be exercisable in whole or in part in accordance with the vesting schedule set forth in Section 3 hereof by written notice which shall state the election to exercise the Option, the number of vested Shares in respect of which the Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such Shares as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the exercise price. This Option shall be deemed to be exercised after both (a) receipt by the Company of such written notice accompanied by the exercise price and (b) arrangements that are satisfactory to the Committee or the Board in its sole discretion have been made for the Optionee's payment to the Company of the amount that is necessary to be withheld in accordance with applicable federal or state withholding requirements. No Shares will be issued pursuant to the Option unless and until such issuance and such exercise shall comply with all relevant provisions of applicable law, including the requirements of any stock exchange upon which the Shares then may be traded.

5. Method of Payment. Payment of the exercise price is due in full upon exercise of all or any part of the Option. The Optionee may elect to make payment of the exercise price in one or more of the following ways:

(i) Cash or by check.

(ii) In the Company's sole discretion at the time the Option is exercised and provided that at the time of exercise the Common Stock is publicly traded, pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of Common Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds.

(iii) In the Company's sole discretion at the time the Option is exercised, delivery by Optionee of a promissory note in a form satisfactory to the Company, in the amount of the aggregate exercise price of the exercised Shares together with the execution and delivery by the Optionee of a security agreement in a form satisfactory to the Company. The promissory note shall bear interest at a rate at least equal to the "applicable federal rate" prescribed under the Code and its regulations at time of purchase, and shall be secured by a pledge of the Shares purchased by the promissory note pursuant to the security agreement. At any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall be made in cash and not by deferred payment. Notwithstanding the foregoing, payment by promissory note shall not be permitted to the extent such payment would violate the Sarbanes-Oxley Act of 2002.

(iv) Provided that at the time of exercise the Common Stock is publicly traded, by delivery of already-owned shares of Common Stock either that Optionee has held for the period required to avoid a charge to the Company's reported earnings (generally six (6) months) or that Optionee did not acquire, directly or indirectly from the Company, that are owned free and clear of any liens, claims, encumbrances or security interests, and that are valued at Fair Market Value on the date of exercise. "Delivery" for these purposes, in the sole discretion of the Company at the time the Optionee exercises the Option, shall include delivery to the Company of Optionee's attestation of ownership of such shares of Common Stock in a form approved by the Company. Notwithstanding the foregoing, Optionee may not exercise the Option by tender to the Company of Common Stock to the extent such tender would violate the provisions of any law, regulation or agreement restricting the redemption of the Company's stock.

6. Termination of Option.

(a) Any unexercised portion of the Option shall automatically and without notice terminate and become null and void at the time of the earliest to occur of:

(i) three (3) months after the date on which the Optionee's Continuous Service is terminated other than by reason of (A) Cause, which, solely for purposes of this Agreement, shall mean the termination of the Optionee's Continuous Service by reason of the Optionee's willful misconduct or gross negligence, (B) a mental or physical disability (within the meaning of Internal Revenue Code Section 22(e)) of the Optionee as determined by a medical doctor satisfactory to the Committee or the Board, or (C) the death of the Optionee;

(ii) immediately upon the termination of the Optionee's Continuous Service for Cause;

(iii) twelve (12) months after the date on which the Optionee's Continuous Service is terminated by reason of a mental or physical disability (within the meaning of Section 22(e) of the Code) as determined by a medical doctor satisfactory to the Committee or the Board;

(iv) twelve (12) months after the date of termination of the Optionee's Continuous Service by reason of the death of the Optionee; or

(v) the tenth (10th) anniversary of the Date of Grant.

(b) To the extent not previously exercised, (i) the Option shall terminate immediately in the event of (1) the liquidation or dissolution of the Company, or (2) any reorganization, merger, consolidation or other form of corporate transaction in which the Company does not survive or the Shares are converted into or exchanged for securities issued by another entity, unless the successor or acquiring entity, or an affiliate of such successor or acquiring entity, assumes the Option or substitutes an equivalent option or right pursuant to Section 9(c) of the Plan, and (ii) the Committee or the Board in its sole discretion may by written notice ("cancellation notice") cancel, effective upon the consummation of any corporate transaction described in Subsection 7(b)(i) of the Plan in which the Company does survive, the Option (or portion thereof) that remains unexercised on such date. The Committee or the Board shall give written notice of any proposed transaction referred to in this Section 6(b) a reasonable period of time prior to the closing date for such transaction (which notice may be given either before or after approval of such transaction), in order that the Optionee may have a reasonable period of time prior to the closing date of such transaction within which to exercise the Option if and to the extent that it then is exercisable (including any portion of the Option that may become exercisable upon the closing date of such transaction). The Optionee may condition his exercise of the Option upon the consummation of a transaction referred to in this Section 6(b).

7. Transferability. The Option granted hereby is not transferable otherwise than by will or under the applicable laws of descent and distribution, and during the lifetime of the Optionee the Option shall be exercisable only by the Optionee, or the Optionee's guardian or legal representative. In addition, the Option shall not be assigned, negotiated, pledged or hypothecated in any way (whether by operation of law or otherwise), and the Option shall not be subject to execution, attachment or similar process. Upon any attempt to transfer, assign, negotiate, pledge or hypothecate the Option, or in the event of any levy upon the Option by reason of any execution, attachment or similar process contrary to the provisions hereof, the Option shall immediately become null and void.

8. No Rights of Stockholders. Neither the Optionee nor any personal representative (or beneficiary) shall be, or shall have any of the rights and privileges of, a stockholder of the Company with respect to any Shares of Common Stock purchasable or issuable upon the exercise of the Option, in whole or in part, prior to the date of exercise of the Option.

9. Acceleration of Exercisability of Option. This Option shall become immediately fully vested and exercisable in the event that, prior to the termination of the Option pursuant to Section 6 hereof, there is a "Change in Control", as defined in Section 7(b) of the Plan, that occurs during the Optionee's Continuous Service and such "Change in Control" was not approved by the Board of Directors of the Company.

10. No Right to Continuous Service. Neither the Option nor this Agreement shall confer upon the Optionee any right to Continuous Service with the Company.

11. Law Governing. This Agreement shall be governed in accordance with and governed by the internal laws of the State of Nevada.

12. Interpretation / Provisions of Plan Control / Entire Agreement. This Agreement is subject to all the terms, conditions, and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations, and interpretations relating to the Plan adopted by the Committee or the Board as may be in effect from time to time. If and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions, and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. The Optionee accepts the Option subject to all the terms and provisions of the Plan and this Agreement. The Optionee hereby accepts as binding, conclusive, and final all decisions or interpretations of the Committee or the Board upon any questions arising under the Plan and this Agreement. Except as may be modified by any other agreement between the Company and the Optionee, whether executed before or after the Date of Grant, the Company and the Optionee acknowledge and agree that this Agreement and the Plan set forth the entire understanding between the Optionee and the Company regarding the Option granted hereby and supersede all prior oral and written agreements on that subject.

13. 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 Optionee, to the Optionee'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 in a notice satisfying the requirements of this Section.

Exhibit 10.99

FORM OF
SMITH & WESSON HOLDING CORPORATION
2004 INCENTIVE STOCK PLAN
Restricted Stock Unit Award Grant Notice and Agreement

I. RESTRICTED STOCK UNIT AWARD GRANT NOTICE

Smith & Wesson Holding Corporation (the "**Company**"), pursuant to its 2004 Incentive Stock Plan (as amended, the "**Plan**"), hereby grants to the Participant named below a right to receive the number of shares of the Company's Common Stock 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, which are attached hereto, agreed to by the Participant, and incorporated herein in their entirety. All capitalized terms in this Agreement shall have the meaning assigned to them 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:	See vesting schedule
Number of Restricted Stock Units:	_____ (Target Award) _____ (Maximum Award)

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

Vesting Schedule: Up to _____ Restricted Stock Units ("**RSUs**") will vest on _____________, 20_____, following the written certification by the Compensation Committee of the Company's Board of Directors (the "**Compensation Committee**"), of the extent, if any, to which the following performance metric has been achieved. The performance metric is the relative performance of Company's stock against the NASDAQ Composite Index (IXIC) over an approximately three-year period. To determine relative performance, the baseline metrics are the 90 calendar day average closing price of the Company's Common Stock and the NASDAQ Composite Index (IXIC), as reported in The Wall Street Journal, with the first trading day commencing on ____________. This 90 calendar day average establishes both the Company baseline stock price (the "**Company Baseline Stock Price**") and the NASDAQ Composite Index baseline (the "**NASDAQ Baseline**") against which future Company stock and NASDAQ Composite Index performance will be compared.

Next, the Compensation Committee will measure the 90 calendar day average closing price of the Company's Common Stock and the NASDAQ Composite Index (IXIC), as reported in The Wall Street Journal, with the last trading day of such 90 calendar day period ending on ___________ (the "**Ending Date**," which establishes both the "**Company Closing Price**" and the "**NASDAQ Composite Index Closing Price**").

The Compensation Committee will then measure Company performance by dividing the Company Closing Price by the Company Baseline Stock Price, with the quotient expressed as a percentage of the Company Baseline Stock Price (the "**Company Percentage Performance**"). The Compensation Committee will then measure NASDAQ Composite Index performance over the same period by dividing the NASDAQ Composite Index Closing Price by the NASDAQ Baseline with the quotient expressed as a percentage of the NASDAQ Baseline (the "**NASDAQ Composite Index Percentage Performance**").

The Compensation Committee will then subtract the NASDAQ Composite Index Percentage Performance from the Company Percentage Performance, with the final result constituting the relative Company performance as a percentage (the "**Relative Performance Percentage**").

If the Relative Performance Percentage is equal to or less than _____%, no RSUs subject to this award shall vest. If the Relative Performance Percentage is greater than _____% and less than _____%, then the number of RSUs subject to this award that vest shall equal the Relative Performance Percentage multiplied by _____ multiplied by _____. If the Relative Performance Percentage is equal to or greater than _____%, then _____ RSUs subject to this award shall vest.

For example, (a) if the Relative Performance Percentage equals _____%, then _____ RSUs subject to this award shall vest (._____ x _____ x _____); (b) if the Relative Performance Percentage equals _____%, then _____ RSUs subject to this award shall vest (._____ x _____ x _____); and (c) if the Relative Performance Percentage equals _____%, then _____ RSUs subject to this award shall vest (._____ x _____ x _____).

All vesting is subject to the Participant's Continuous Service with the Company at the Ending Date.

Delivery Schedule: For each vested RSU you will receive one share of the Company's Common Stock, with these shares of Common Stock for each vested RSU being delivered to you 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.

Additional Terms/Acknowledgements; Amendment, Modification, and Entire Agreement: The undersigned Participant acknowledges receipt of, and understands and agrees to, this Agreement and the Plan. 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 Plan Administrator. This Agreement constitutes the entire contract between the parties hereto with regard to the subject matter hereof. 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 the Company's Common Stock 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:____

[Optional] [Without limiting the generality of the foregoing, Participant acknowledges and agrees that no provision of that certain ____________ Agreement, dated ____________, between the Company and Participant, as may be amended or modified from time to time, shall apply to or in any way modify or amend this Award and the Terms and Conditions, including, without limitation, Section _____ thereof.**]** 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.

Smith & Wesson Holding Corporation	**Participant:**
By: ______________________	______________________
Name: ______________________	[Name of Participant]
Title: ______________________	
Effective as of: ______________________	Effective as of: ______________________

Attachment: The Plan.

[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 the above Restricted Stock Unit Award Grant Notice (the "**Notice of Grant**") a restricted stock unit award (the "**Award**") pursuant to the provisions of the Plan. The Award will entitle the Participant to shares of Stock from the Company, if the Participant meets the vesting requirements described herein. Therefore, pursuant to the terms and conditions contained herein, the Company grants the Participant the number of Restricted Stock Units listed in the Notice of Grant.

1. Grant Pursuant to Plan. This Award is granted pursuant to the Plan, which is incorporated herein for all purposes. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all of the terms and conditions of this Agreement and of the Plan. All capitalized terms in this Agreement shall have the meaning assigned to them 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 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 9(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 in the Notice of Grant.

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

(c) Vesting upon a Change in Control. In the event of a Change in Control of the Company prior to the Ending Date, the Participant shall become vested in the Restricted Stock Units in accordance with the vesting schedule in the Notice of Grant, provided that for the purpose of this Section 3(c) only, the definition of Ending Date shall be modified to mean the date of the consummation of the Change in Control and the Company Closing Price shall equal the value of the consideration offered for a share of Company Common Stock in the Change in Control. In the event of a Change in Control, any Restricted Stock Units that are not vested pursuant to this Section shall terminate and the Company shall have no further obligation to deliver shares of Stock or any other property for such unvested Restricted Stock Units upon the consummation of the Change in Control.

4. Settlement of Restricted Stock Unit Award.

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

(b) Delivery of Stock. Shares of Stock shall be delivered on the Delivery Date. Once a share of Stock 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 of Stock or any other property for such vested Restricted Stock Unit.

(c) Deferral of Delivery. Notwithstanding the foregoing, the Participant may elect, in a writing received by the Plan Administrator at least twelve (12) months prior to the Delivery Date, to defer that date until any later date (which such date is at least five (5) years after the original Delivery Date).

(d) Delivery upon a Change of Control. In the event of a Change in Control, the full amount of the Stock corresponding to the Participant's vested Restricted Stock Units shall be distributed to the Participant as soon as administratively practicable following the Change in Control (or, if appropriate, in lieu of such Stock, 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 amount of the Stock corresponding to the Participant's vested Restricted Stock Units immediately prior thereto).

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

6. Adjustments in Case of Certain Corporate Transactions. In the event of a proposed sale of all or substantially all of the Company's assets or any reorganization, merger, consolidation, or other form of corporate transaction in which the Company does not survive, or in which the shares of Stock are exchanged for or converted into securities issued by another entity, where such transaction is not a Change in Control, then the successor or acquiring entity or an affiliate thereof may, with the consent of the Committee or the Board, assume this Award or substitute an equivalent award. If the successor or acquiring entity or an affiliate thereof does not cause such an assumption or substitution, then this Award shall terminate upon the consummation of such sale, merger, consolidation, or other corporate transaction. Immediately prior to and contingent on the consummation of a corporate transaction as described in this Section 6 where the Award is not assumed or substituted for, the Company shall deliver shares of Stock to the extent of the vested Restricted Stock Units as of the date of the consummation of such corporate transaction.

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 the 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, including the shares of Stock 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 the Award.

The Company, in its sole discretion, and in compliance with any applicable legal conditions or restrictions, may withhold from fully vested shares of Stock otherwise deliverable to the Participant pursuant to the Award a number of whole shares of Stock having a Fair Market Value, as determined by the Company as of the date the Participant recognizes income with respect to those shares of Stock, 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 Stock 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 of Stock from the 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 of Stock.

(c) Section 409A Amendments. The Company agrees to cooperate with the Participant to amend this Agreement to the extent either the Company or the Participant deems necessary to avoid imposition of any additional tax or income recognition prior to actual payment to the Participant under Code Section 409A and any temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, but only to the extent such amendment would not have an adverse effect on the Company and would not provide the Participant with any additional rights, in each case as determined by the Company in its sole discretion.

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

9. 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, the Restricted Stock Units shall not be assigned, negotiated, pledged, or hypothecated in any way (whether by operation of law or otherwise), and the Restricted Stock Units shall not be subject to execution, attachment, or similar process.

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 required to be given under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, registered or certified, postage prepaid and properly addressed to the party entitled to such notice at the address indicated below such party's signature line on this Agreement or at such other address as such party may designate by ten (10) days' advance written notice under this paragraph 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 the 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 the Award, that provision shall be stricken as to that jurisdiction and the remainder of this Agreement and the Award shall remain in full force and effect).

(e) No Trust or Fund Created. Neither this Agreement nor the grant of the 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 Stock 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 of Stock. 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 of Stock 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) 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 Plan Administrator upon any questions arising under this Agreement.

(j) 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.

(k) 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.

(l) Headings. Headings are given to the Paragraphs and Subparagraphs 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. Representations. The Participant acknowledges and agrees that the Participant has reviewed the Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing and accepting the Award and fully understands all provisions of the Award.

Exhibit 31.1

CERTIFICATION

I, P. James Debney, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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.

By: */s/ P. JAMES DEBNEY*
P. James Debney
President and Chief Executive Officer

Date: December 8, 2011

Exhibit 31.2

CERTIFICATION

I, Jeffrey D. Buchanan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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.

By: */s/ JEFFREY D. BUCHANAN*
Jeffrey D. Buchanan
Chief Financial Officer

Date: December 8, 2011

Exhibit 32.1

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 Quarterly Report on Form 10-Q of Smith & Wesson Holding Corporation (the “Company”) for the quarterly period ended October 31, 2011 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 the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(i) 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

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: *__/s/ P. JAMES DEBNEY__*
P. James Debney
President and Chief Executive Officer

Dated: December 8, 2011

Exhibit 32.2

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 Quarterly Report on Form 10-Q of Smith & Wesson Holding Corporation (the "Company") for the quarterly period ended October 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey D. Buchanan, Chief Financial Officer of the Company, certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(i) 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

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: *<u>/s/ JEFFREY D. BUCHANAN</u>*
Jeffrey D. Buchanan
Chief Financial Officer

Dated: December 8, 2011