

ARMOR HOLDINGS INC  
Form DEFM14A  
June 26, 2007

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No.    )

Filed by Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement  
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
Definitive Proxy Statement  
Definitive Additional Materials  
Soliciting Material Pursuant to §240.14a-12  
ARMOR HOLDINGS, INC.

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Payment of filing fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

Common Stock, par value \$0.01 per share ("Company Common Stock"), of Armor Holdings, Inc. (the "Company")

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2) Aggregate number of securities to which transaction applies:

35,591,765 shares of Company Common Stock, options to purchase 3,645,175 shares of Company Common Stock, 807,390 shares of restricted Company Common Stock and other Company Common Stock awards, and 7,211,766 shares of Company Common Stock issuable upon conversion of all of the Company's 2% Senior Subordinated Convertible Notes due November 1, 2024 (the "Convertible Notes"), all as of May 22, 2007.

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

The filing fee was determined in accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, by multiplying 0.0000307 by the sum of (a) the product of 35,591,765 issued and outstanding shares of Company

Common Stock and the per share merger consideration of \$88.00, plus (b) the product of 3,645,175 (the aggregate number of shares of Company Common Stock that could be issued and outstanding immediately prior to the effective time of the merger as a result of the exercise of options to purchase Company Common Stock that were outstanding as of May 22, 2007) and \$ 55.11 per share (which is the difference between \$88.00 and \$32.89, which is the weighted average exercise price per share of such options), plus (c) the product of 807,390 shares of restricted Company Common Stock and other Company Common Stock awards and the per share merger consideration of \$88.00, plus (d) the product of 7,211,766 shares of Company Common Stock issuable upon conversion of all of the Convertible Notes (assuming the holders thereof elect, at their option, to so convert) and the per share merger consideration of \$88.00.

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4) Proposed maximum aggregate value of transaction:  
\$4,038,646,642

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5) Total fee paid:  
\$123,986

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Fee paid previously with preliminary materials:

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

- 1) Amount Previously Paid:
  - 2) Form, Schedule or Registration Statement No.:
  - 3) Filing Party:
  - 4) Date Filed:
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ARMOR HOLDINGS, INC.  
13386 INTERNATIONAL PARKWAY  
JACKSONVILLE, FLORIDA 32218

PROPOSED CASH MERGER — YOUR VOTE IS VERY IMPORTANT

June 26, 2007

To Our Stockholders:

On behalf of the board of directors of Armor Holdings, Inc., I cordially invite you to attend a special meeting of stockholders of Armor Holdings, Inc., to be held on July 25, 2007 at 9:00 a.m., local time, at One Landmark Square, 22<sup>nd</sup> Floor, Stamford, Connecticut 06901. At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of May 7, 2007, among BAE Systems, Inc., Armor Holdings, Inc. and Jaguar Acquisition Sub Inc. Under the merger agreement, Jaguar Acquisition Sub Inc., a wholly owned subsidiary of BAE Systems, Inc., will be merged with and into Armor Holdings, Inc., with Armor Holdings, Inc. being the surviving corporation.

If the merger is completed, you will be entitled to receive \$88.00 in cash, without interest, for each share of our common stock you own, unless you exercise and perfect your appraisal rights under Delaware law.

Our board of directors has unanimously approved the merger agreement and the merger. Our board of directors has determined that the terms of the merger agreement and the proposed merger are advisable and fair to and in the best interests of our stockholders. Our board of directors recommends that you vote FOR the adoption of the merger agreement. Our board of directors also recommends that you vote FOR the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the adoption of the merger agreement if there are not sufficient votes for adoption of the merger agreement at the special meeting.

The enclosed proxy statement provides information about the merger agreement, the proposed merger and the transactions contemplated thereby and the special meeting. You may obtain additional information about us from documents filed with the Securities and Exchange Commission. We urge you to read the entire proxy statement carefully, including the appendices, as it sets forth the details of the merger agreement and other important information related to the merger.

Your vote is very important. The merger cannot be completed unless the merger agreement is adopted by the affirmative vote of the holders of at least a majority of the outstanding shares of our common stock entitled to vote at the special meeting. Whether or not you plan to attend the special meeting, it is important that your shares are represented at the special meeting. To ensure that your shares will be represented, please complete, sign, date and mail the enclosed proxy at your first opportunity. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for the mailing of your proxy card.

This solicitation for your proxy is being made by us on behalf of our board of directors. If you fail to vote on the proposal to adopt the merger agreement, the effect will be the same as a vote AGAINST the proposal. If you complete, sign and submit your proxy card without indicating how you wish to vote, your shares will be voted in favor of adoption of the merger agreement and any postponement or adjournment of the special meeting referred to above. Returning the proxy card will not deprive you of your right to attend the special meeting and vote your shares in person.

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On behalf of our board of directors, I thank you for your continued support and your consideration of this matter.

Cordially,  
ARMOR HOLDINGS, INC.

/s/ Warren B. Kanders  
Warren B. Kanders  
Chief Executive Officer and Chairman of the  
Board

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated June 26, 2007 and is first being mailed to our stockholders on or about June 26, 2007.

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

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON JULY 25, 2007

To Our Stockholders:

Notice is hereby given that a special meeting of stockholders of Armor Holdings, Inc., a Delaware corporation, will be held on July 25, 2007, at 9:00 a.m., local time, at One Landmark Square, 22<sup>nd</sup> Floor, Stamford, Connecticut 06901 for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of May 7, 2007, among us, BAE Systems, Inc., and Jaguar Acquisition Sub Inc.
2. To approve the postponement or adjournment of the special meeting to a later date to solicit additional proxies in favor of the adoption of the merger agreement, if necessary or appropriate, if there are not sufficient votes for adoption of the merger agreement at the special meeting.
3. To consider and vote upon such other matters as may properly come before the special meeting or any adjournment or postponement of the special meeting.

Our board of directors has unanimously approved the merger agreement and the proposed merger. Our board of directors has determined that the terms of the merger agreement and the proposed merger are advisable and fair to and in the best interests of our stockholders. Our board of directors recommends that you vote FOR the adoption of the merger agreement. Our board of directors also recommends that you vote FOR the approval of any postponement or adjournment of the special meeting referred to above.

Only holders of record of our common stock at the close of business on June 26, 2007, the record date, are entitled to notice of, and to vote at, the special meeting or any adjournments or postponements thereof.

Under the General Corporation Law of the State of Delaware, or the DGCL, holders of our common stock who do not vote in favor of the adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery if the merger is completed, but only if they submit a written demand for an appraisal prior to the vote on the merger agreement and if they comply with the procedures under the DGCL explained in the accompanying proxy statement.

Your vote is very important, regardless of the number of shares you own. The merger cannot be completed unless the merger agreement is adopted by the affirmative vote of the holders of at least a majority of the outstanding shares of our common stock entitled to vote at the special meeting. Failure to vote on the proposal to adopt the merger agreement has the same effect as a vote AGAINST the proposal. Whether or not you plan to attend the special meeting, it is important that your shares are represented at the special meeting. To ensure that your shares will be represented, please complete, sign, date and mail the enclosed proxy card at your first opportunity. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for the mailing of your proxy card.

This solicitation for your proxy is being made by us on behalf of our board of directors. If you do attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person. Please note, however, that if

your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain from the record holder a proxy issued in your name.

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If you have any questions or need assistance in voting your shares, please call D.F. King & Co., Inc. which is assisting us, toll-free at (800) 769-4414.

The merger agreement and the merger are described in the accompanying proxy statement, which we urge you to read carefully. A copy of the merger agreement is included as Appendix A to the accompanying proxy statement.

By Order of the Board of Directors,  
/s/ Ian T. Graham  
Ian T. Graham  
Secretary  
June 26, 2007

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Appendix B	Opinion of Goldman, Sachs & Co. dated May 7, 2007
Appendix C	Section 262 of the General Corporation Law of the State of Delaware

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#### QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following section provides brief answers to some commonly asked questions regarding the merger agreement, the special meeting and the merger. This section is not intended to contain all of the information that is important to you. You are urged to read the entire proxy statement carefully, including the information in the Appendices.

In this proxy statement, the terms “we,” “us,” “our” and “Armor Holdings” refer to Armor Holdings, Inc. The term “BAE Systems” refers to BAE Systems, Inc.

Q: What am I being asked to vote on?

A: You are being asked to adopt the merger agreement, which provides for the acquisition of us by BAE Systems, and to vote on a proposal to approve the adjournment of the special meeting to a later date to solicit additional proxies in favor of the adoption of the merger agreement if there are not sufficient votes for adoption of the merger agreement at the special meeting. After the merger, our common stock will cease to be listed on the New York Stock Exchange, we will no longer be a publicly traded company and will be a wholly owned direct subsidiary of BAE Systems and a wholly owned indirect subsidiary of BAE Systems’ parent, BAE Systems plc, a public limited company incorporated in England and Wales.

The merger agreement is attached as Appendix A to this proxy statement. We urge you to read it carefully.

Q: Does our Board recommend that I vote in favor of the Merger?

A: Yes. Our board of directors has unanimously approved the merger agreement and the proposed merger. Our board of directors has determined that the terms of the merger agreement and the proposed merger are advisable and fair to and in the best interests of our stockholders. Our board of

directors recommends that you vote FOR the adoption of the merger agreement. Our board of directors also recommends that you vote FOR the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the adoption of the merger agreement if there are not sufficient votes for adoption of the merger agreement at the special meeting.

Q: When and where will the special meeting of stockholders be held?

A: The special meeting of our stockholders will be held at 9:00 a.m., local time, on July 25, 2007 at One Landmark Square, 22nd Floor, Stamford, Connecticut 06901.

Q: Who is eligible to vote?

A: Holders of our common stock at the close of business on June 26, 2007, the record date for the special meeting, are eligible to vote.

Q: How many votes do I have?

A: You have one vote for each share of our common stock that you owned at the close of business on June 26, 2007, the record date for the special meeting.

Q: As a stockholder, what will I receive upon completion of the merger?

A: As a result of the merger, our stockholders, other than those stockholders who properly exercise and perfect dissenters' rights of appraisal as discussed in this proxy statement, will receive \$88.00 in cash, without interest, in exchange for each share of our common stock owned.

Q: What will holders of outstanding stock options and other stock awards under our stock incentive plans receive upon completion of the merger?

Each holder of a stock award that is issued and outstanding under our stock incentive plans will receive, in exchange for the cancellation of such award, an amount in cash, if any, equal to (A) in

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the case of options to purchase our common stock, (1) the excess, if any, of \$88.00 over the exercise price per share of our common stock subject to the option, multiplied by (2) the number of shares of our common stock subject to the option, and (B) with respect to awards of restricted stock, (1) \$88.00 multiplied by (2) the number of shares of common stock subject to the restricted stock award, in each case without interest and less any applicable withholding taxes.

Q: Will the consideration I receive in the merger change for any reason?

A: No. The value of the merger consideration you will receive if the merger is completed is fixed. The merger agreement does not contain any provision that would adjust the merger consideration based on fluctuations in the price of our common stock, the amount of working capital we hold at the consummation of the merger or changes in our results of operations prior to the consummation of the merger.

Q: What are the U.S. federal income tax consequences of the merger to me?

A: The receipt of cash by a United States holder in exchange for our common stock will be a taxable transaction for U.S. federal income tax purposes. In general, United States holders of our common stock who receive cash in exchange for their shares pursuant to the merger should recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount of cash received and their adjusted tax basis in their shares of our common stock. If a stockholder holds our shares as a capital asset, such gain or loss should generally be a capital gain or loss. If the stockholder has held the shares for more than one year, the gain or loss should generally be a



long-term capital gain or loss. The deductibility of capital losses is subject to limitations. Tax matters are very complex and the tax consequences of the merger to you will depend on the facts of your own situation. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you, including the federal, state, local and foreign tax consequences of the merger. See “The Merger — Material U.S. Federal Income Tax Consequences” beginning on page 40.

Q: What is the vote required to adopt the merger agreement?

A: The affirmative vote of the holders of at least a majority of the outstanding shares of our common stock entitled to vote is required to adopt the merger agreement.

Q: When do you expect to consummate the merger?

A: We expect that the proposed merger will be completed in the third quarter of 2007 after all conditions to the proposed merger have been satisfied or waived by BAE Systems and Armor Holdings, including the affirmative vote of holders of at least a majority of all outstanding shares of our common stock entitled to vote in favor of adoption of the merger agreement and receipt of required approvals from government authorities. However, we cannot assure you that all conditions to the merger, as set forth in the merger agreement, will be satisfied or, if satisfied, the date by which they will be satisfied.

Q: What happens if a third party makes an offer to acquire us before the merger is completed?

A: Prior to the adoption of the merger agreement by our stockholders, our board of directors may, subject to certain requirements and rights of BAE Systems under the merger agreement, terminate the merger agreement in order to accept a superior acquisition proposal from a third party contemplating the acquisition of Armor Holdings, if our board of directors determines in good faith after consultation with our financial and legal advisors that the consideration payable to our stockholders under that superior acquisition proposal has a higher value than the consideration to be received by our stockholders in the merger and that the transaction contemplated by the superior acquisition proposal is reasonably capable of being completed. We must provide BAE Systems with notice of the receipt of any alternative acquisition proposal and give BAE Systems the opportunity to negotiate with us in good faith to adjust the terms and conditions of the merger agreement such that the alternative acquisition proposal is no longer

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superior to the merger agreement. See “The Merger Agreement — Termination” beginning on page 58. In the event that our board of directors terminates the merger agreement in response to a superior acquisition proposal, as well as in certain other circumstances, we would be obligated to pay BAE Systems a termination fee of \$140 million. See “The Merger Agreement — Termination Fee” beginning on page 59.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully in its entirety, including its appendices, consider how the merger would affect you as a stockholder, and then submit your proxy. After you read this proxy statement, if you choose to submit your proxy, you should complete, sign and date your proxy card and mail it in the enclosed return envelope as soon as possible, even if you plan to attend the special meeting in person, so that your shares may be represented at the special meeting of our stockholders. Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote for the adoption of the merger agreement in accordance with the recommendation of our board of directors. With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by our board of directors or, if no

recommendation is given, in their own discretion.

Q: If my broker holds my shares in “street name,” will my broker vote my shares for me?

A: Your broker cannot vote your shares without instructions from you. You should instruct your broker to vote your shares, following the procedures provided by your broker.

Q: What happens if I do not send in my proxy, if I do not instruct my broker to vote my shares or I abstain from voting?

A: If you do not send in your proxy, do not instruct your broker to vote your shares or if you abstain from voting, it will have the same effect as a vote AGAINST adoption of the merger agreement.

Q: May I vote in person?

A: Yes. You may attend the special meeting of our stockholders and vote your shares in person, regardless of whether you sign and return your proxy card prior to the special meeting. If your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy from the record holder.

Q: May I vote by Internet or the telephone?

A: The Company encourages you to use the electronic means available to you to vote your shares. How you vote will depend on how you hold your shares of Armor Holdings stock.

#### Stockholder of Record

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, you are considered the stockholder of record with respect to those shares, and these proxy materials are being sent directly to you. As the stockholder of record, you have the right to vote by proxy. In addition to returning the enclosed proxy card or voting in person, as described above, you may also:

- Vote by Internet – [www.voteproxy.com](http://www.voteproxy.com)

Use the Internet to transmit your voting instructions and for electronic delivery of information. Have your proxy card in hand when you access the website.

- Vote by phone – Call toll-free 1-800-PROXIES (1-800-776-9437)

Use any touch-tone telephone to transmit your voting instructions. Have your proxy card in hand when you call.

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Voting by any of these methods will not affect your right to attend the Annual Meeting and vote in person. However, for those who will not be voting at the Annual Meeting, your final voting instructions must be received by no later than 11:59 p.m. on July 24, 2007.

#### Beneficial Owner

Most stockholders of Armor Holdings hold their shares through a stockbroker, bank or other nominee, rather than directly in their own name. If you hold your shares in one of these ways, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker on how to vote. Your broker or nominee has enclosed a voting instruction form for you to use in directing the broker or nominee on how to vote your shares. Depending on your bank, broker or other nominee, you may be able to vote over the Internet or by telephone depending on its voting procedures. Please follow the directions

that your bank, broker or other nominee provides.

Q: Can I change my vote?

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting. If you are a registered stockholder, you may revoke your proxy by notifying our Secretary at our executive offices located at 13386 International Parkway, Jacksonville, Florida 32218, Attention: Ian T. Graham, in writing or by submitting by mail a new proxy dated after the date of the proxy being revoked. In addition, your proxy may be revoked by attending the special meeting and voting in person (you must vote in person, as simply attending the special meeting will not, by itself, cause your proxy to be revoked).

Please note that if you hold your shares in “street name” and you have instructed your broker to vote your shares, the above-described options for changing your vote do not apply, and instead you must follow the directions received from your broker to change your vote.

Q: Should I send in my stock certificates now?

A: No. After the merger is completed, the paying agent for the merger will send a letter of transmittal and written instructions for exchanging your shares of our common stock for the merger consideration, without interest. You should not send in your stock certificates until you receive the letter of transmittal. See “The Merger Agreement — Exchange Procedures” beginning on page 46.

Q: Am I entitled to appraisal rights?

A: Yes. You are entitled to appraisal rights under the General Corporation Law of the State of Delaware, which we refer to as the DGCL, in connection with the merger. See “The Merger — Appraisal Rights” beginning on page 42 and also see Appendix C of this proxy statement.

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Q: Who can help answer my questions?

A: The information provided above in the question-and-answer format is for your convenience only and is merely a summary of some of the information contained in this proxy statement. You should carefully read the entire proxy statement, including the information incorporated by reference and the information in the Appendices. See “Where You Can Find More Information” beginning on page 66. If you would like additional copies of this proxy statement, without charge, or if you have questions about the merger, including the procedures for voting your shares, you should contact:

D.F. King & Co., Inc.  
48 Wall Street – 22<sup>nd</sup> Floor  
New York, NY 10005  
E-mail: AHinfo@dfking.com  
(800) 769-4414  
Banks and brokerage firms  
please call (212) 269-5550

You may also wish to consult your own legal, tax and/or financial advisors with respect to any aspect of the merger, the merger agreement or other matters discussed in this proxy statement.

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SUMMARY

This summary, together with the preceding question and answer section, highlights the material information discussed in more detail elsewhere in this proxy statement. This summary may not contain all of the information you should consider before voting on the adoption of the merger agreement. To understand the merger more fully, you are urged to read carefully this entire proxy statement and all of its appendices, including the merger agreement, a copy of which is attached as Appendix A to this proxy statement, and all information incorporated by reference before voting on whether to adopt the merger agreement. We have included page references in parentheses to direct you to a more complete description of the topics presented in this summary.

The Parties to the Merger (see page 15)

Armor Holdings, Inc.

13386 International Parkway  
Jacksonville, Florida 32218  
Phone: (904) 741-5400

Armor Holdings is a Delaware corporation that is headquartered in Jacksonville, Florida. Armor Holdings is a leading manufacturer and distributor of military tactical wheeled vehicles, including the Family of Medium Tactical Vehicles (FMTV), the U.S. Army's primary transport platform, security products and vehicle armor systems serving military, law enforcement, homeland security and commercial markets.

BAE Systems, Inc.

1601 Research Boulevard  
Rockville, Maryland 20850  
Phone: (301) 838-6000

BAE Systems is a leading electronics, information systems, and technology services company, and one of the largest providers of systems and services for the U.S. Department of Defense. BAE Systems currently manages approximately 45,000 people across some 30 states, generating annual sales of more than \$11 billion. BAE Systems designs, develops, manufactures, and supports a wide range of advanced aerospace products, electronic systems, and information technology for the U.S. government and commercial customers.

Jaguar Acquisition Sub Inc.

1601 Research Boulevard  
Rockville, Maryland 20850  
Phone: (301) 838-6000

Jaguar Acquisition Sub is a Delaware corporation that is a wholly owned subsidiary of BAE Systems. BAE Systems formed Jaguar Acquisition Sub in connection with the merger, and to date, Jaguar Acquisition Sub has engaged in no activities other than those incidental to its formation and the consummation of the merger.

The Merger (see page 16)

In the merger, Jaguar Acquisition Sub will merge with and into us, and we will no longer be a publicly traded company. Upon completion of the merger, Jaguar Acquisition Sub will cease to exist and we will continue as the surviving corporation and as a wholly owned subsidiary of BAE Systems. See “The Merger” beginning on page 16 and “The Merger Agreement” beginning on page 45. Following the merger, our stockholders will cease to have ownership interests in us or rights as stockholders of our common stock.

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### The Special Meeting (see page 12)

- Date, Time and Place of the Special Meeting (see page 12)

The special meeting will be held on July 25, 2007 at 9:00 a.m., local time, at One Landmark Square, 22<sup>nd</sup> Floor, Stamford, Connecticut 06901.

- Record Date, Quorum and Voting Information (see page 12)

Only holders of record of our common stock at the close of business on June 26, 2007, the record date, are entitled to notice of, and to vote at, the special meeting or any adjournments or postponements thereof. As of the close of business on June 26, 2007, there were outstanding and entitled to vote 35,591,765 shares of our common stock outstanding.

Each share of our outstanding common stock is entitled to one vote at the special meeting. You may vote by completing, signing and mailing your proxy card in the postage-paid envelope, or by attending the meeting and voting in person. Whether or not you intend to attend the special meeting, please grant your proxy to ensure that your shares are represented at the special meeting and your vote is counted.

### Stockholder Vote Required to Adopt the Merger Agreement (see page 12)

You are being asked to consider and vote upon a proposal to adopt the merger agreement. Adoption of the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of our common stock entitled to vote. Abstentions and broker non-votes will have the effect of a vote AGAINST the merger. On the record date, there were 35,591,765 shares of our common stock outstanding and entitled to be voted at the special meeting. See “The Special Meeting” beginning on page 12.

### Recommendation of Our Board of Directors (see page 20)

Our board of directors has determined that the terms of the merger agreement and the proposed merger are advisable and fair to and in the best interests of our stockholders. For information as to the reasons for our board of directors reaching such conclusion, see “The Merger — Recommendation of the Board of Directors and Reasons for the Merger” beginning on page 20. Our board of directors has unanimously approved the merger agreement and the proposed merger and recommends that you vote FOR the adoption of the merger agreement and FOR the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the adoption of the merger agreement if there are not sufficient votes for adoption of the merger agreement at the special meeting.

### Opinion of Our Board’s Financial Advisor (see page 22)

Our board of directors engaged Goldman, Sachs & Co. (referred to in this proxy statement as “Goldman Sachs”) to assist it in connection with its evaluation of the proposed merger and to render an opinion as to whether the consideration to be received by the holders of our common stock pursuant to the merger was fair from a financial point of view to such holders. Goldman Sachs delivered its opinion to our board of directors that, as of May 7, 2007 and based upon and subject to the factors and assumptions set forth therein, the \$88.00 per share in cash to be received by the holders of our common stock pursuant to the merger agreement is fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated May 7, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Appendix B. You are encouraged to read the opinion carefully in its entirety. Goldman Sachs provided its opinion for the information and assistance of our board of directors in connection with its consideration of the merger. The Goldman Sachs opinion is

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not a recommendation as to how any holder of our common stock should vote with respect to the merger agreement. Pursuant to an engagement letter between us and Goldman Sachs, we have agreed to pay Goldman Sachs a transaction fee of approximately \$30.6 million, the principal portion of which is payable upon consummation of the merger. See “The Merger — Opinion of Our Board’s Financial Advisor” beginning on page 22.

Consideration; Effect of the Merger on Our Stockholders (see page 32)

Upon completion of the merger, each share of our common stock will be converted automatically into the right to receive \$88.00 in cash, without interest, except for:

- shares of our common stock owned or held by us or our subsidiaries, or BAE Systems, Jaguar Acquisition Sub and/or any of their respective subsidiaries, all of which will be canceled without any payment; and
- shares of our common stock that are outstanding immediately prior to the effective time of the merger and that are held by a holder that has, with respect to such share, perfected and not withdrawn or lost the right to appraisal under Section 262 of the DGCL. See “The Merger — Appraisal Rights” beginning on page 42 and Appendix C.

Upon completion of the merger, our stockholders will cease to have ownership interests in us or rights as our stockholders, and BAE Systems will own all of the surviving corporation’s outstanding capital stock. Therefore, our stockholders will not participate in any of our future earnings or growth and will not benefit from any of our appreciation in value, nor will our stockholders be subject to any future risks related to our business. See “The Merger — Effects of the Merger” beginning on page 32.

Treatment of Stock Awards (see page 47)

At the effective time of the merger, each outstanding stock award under our incentive plans will be fully vested, exercisable and free of restrictions and will be canceled in exchange for (A) in the case of options to purchase our common stock, an amount in cash, if any, determined by multiplying (1) the excess, if any, of \$88.00 over the per share exercise price of the option and (2) the number of shares of our common stock subject to the option, and (B)

with respect to awards of restricted stock, an amount in cash determined by multiplying (1) \$88.00 and (2) the number of shares of common stock subject to the restricted stock award, in each case net of any applicable withholding taxes and without interest. The merger agreement requires our board of directors or any committee administering stock option plans to take all actions necessary to cause all outstanding stock options granted under stock option plans to become vested and exercisable at the effective time of the merger. See “The Merger Agreement — Treatment of Stock Awards” beginning on page 47.

#### Interests of Our Officers and Directors (see page 34)

Some of our executive officers and directors have interests in the merger that are different from, or in addition to, the interests of our stockholders generally including:

- vesting of options and restricted stock awards;
- payment of severance and other benefits under certain circumstances; and
- provision under the merger agreement of certain indemnification and insurance arrangements by BAE Systems for our current and former directors and present officers;

in each case following completion of the merger.

These interests may create potential conflicts of interest and cause some of these persons to view the proposed transaction differently than our stockholders. Our board of directors was aware of these interests and took them into account in its decision to approve the merger agreement. For information concerning these interests, see “The Merger — Interests of Our Officers and Directors in the Merger” beginning on page 34.

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#### Conditions to the Merger (see page 56)

The merger agreement contains conditions to each party’s obligation to consummate the merger, including the following:

- adoption of the merger agreement by the holders of at least a majority of the outstanding shares of our common stock entitled to vote;
- expiration or termination of any waiting period applicable to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, referred to in this proxy statement as the “HSR Act” and the rules and regulations thereunder;
- the period of time for any applicable review process under the Exon-Florio Statute, Sec. 721 of Title VII of the Defense Production Act of 1950, as amended, referred to in this proxy statement as “Exon-Florio”, shall have expired and the President of the United States shall not have taken action to prevent the consummation of the merger or the transactions contemplated by the merger agreement;
- absence of any injunction, order or other legal restraint or law in each case that has the effect of making the consummation of the merger illegal or otherwise preventing or prohibiting consummation of the merger;
- material accuracy, as of the closing of the merger, of each party’s representations and warranties in the merger agreement; and

- material compliance by each party with its covenants in the merger agreement.

In addition, the merger agreement contains conditions to BAE Systems' obligation to consummate the merger, including the following:

- absence of a material adverse effect (as defined in the merger agreement) having occurred since the date of the merger agreement; and
- no pending or threatened litigation brought by a governmental authority challenging the merger or seeking, among other things, to impose restrictions on any of us, BAE Systems or Jaguar Acquisition Sub.

See "The Merger Agreement — Conditions to the Merger" on page 56 and "The Merger — Regulatory Approvals Required for the Merger" on page 39.

#### Restrictions Regarding Alternative Acquisition Proposals (see page 52)

We have agreed in the merger agreement that we will not, and will not authorize or permit any of our representatives to, directly or indirectly (i) solicit, initiate, or facilitate (including by way of disclosing nonpublic information) any alternative acquisition proposal or (ii) participate in any discussions or negotiations regarding any alternative acquisition proposal. Notwithstanding these limitations, prior to the adoption of the merger agreement by our stockholders, we may furnish information in response to and enter into discussions and negotiations with respect to an unsolicited alternative acquisition proposal that our board of directors determines in good faith after consultation with its outside legal counsel and financial advisor constitutes or is reasonably likely to lead to a superior acquisition proposal.

Prior to adoption of the merger agreement by our stockholders, our board of directors remains free to withdraw or modify its recommendation to our stockholders in a manner adverse to BAE Systems if our board of directors determines in good faith, after consulting with our legal counsel, that the failure to do so could reasonably be expected to result in a breach of our board of director's fiduciary duties under applicable law. We must provide BAE Systems with advance notice of a potential withdrawal or modification of our board of directors' recommendation and give BAE Systems the opportunity to respond. Such withdrawal or modification of our board of directors'

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recommendation could result in the termination of the merger agreement by BAE Systems and the payment of a termination fee. See "The Merger Agreement — No Solicitation" on page 52.

#### Termination of the Merger Agreement (see page 58)

Under certain circumstances specified in the merger agreement either BAE Systems or we may terminate the merger agreement. These circumstances generally include:

- if the merger has not been consummated by September 4, 2007 (subject to a 90-day extension under certain circumstances in order to obtain certain pending required approvals from governmental authorities), except that a party who has willfully and materially breached the merger agreement, which breach is a principal cause of the failure to consummate the merger, cannot terminate on this basis;



- if a governmental entity enjoins the consummation of the merger after the terminating party has used its reasonable best efforts to remove or lift such injunction and such action has become final and nonappealable;
- if our stockholders do not adopt the merger agreement; or
- if, either party materially breaches any of the covenants or agreements or any of the representations or warranties set forth in the merger agreement on the part of BAE Systems or Jaguar Acquisition Sub, on the one hand, or us, on the other hand (provided that the terminating party (and, if BAE Systems is the terminating party, Jaguar Acquisition Sub) is not then in material breach of any representation, warranty, covenant or other agreement contained herein), and such breach has not been cured within 30 days of notice.

BAE Systems may terminate the merger agreement:

- if our board of directors changes in any manner adverse to BAE Systems or withdraws its recommendation that our stockholders adopt the merger agreement, approves or recommends a takeover proposal from a third party, or determines that the merger agreement or the merger is no longer advisable or recommends that our stockholders reject the merger agreement, the merger, or the related transactions; or
- our board of directors fails to reaffirm its recommendation in favor of the merger within ten business days of BAE Systems' request at any time when an acquisition proposal from a third party is outstanding.

We may terminate the merger agreement in order to enter into a definitive agreement for a superior acquisition proposal and pay the termination fee to BAE Systems.

Additionally, the merger agreement may be terminated upon the mutual consent of BAE Systems, Jaguar Acquisition Sub and us.

Termination Fee (see page 59)

If the merger agreement is terminated under specified circumstances, including termination by us in order to enter into a superior acquisition proposal or by BAE Systems if our board of directors changes its recommendation in favor of adoption of the merger agreement, we are obligated to pay to BAE Systems a termination fee of \$140 million. See “The Merger Agreement — Termination Fee” beginning on page 59.

Tax Consequences (see page 40)

The receipt of cash by a United States holder in exchange for our common stock will be a taxable transaction for U.S. federal income tax purposes. In general, United States holders of our common stock who receive cash in exchange for their shares pursuant to the merger should recognize gain or

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loss for U.S. federal income tax purposes equal to the difference, if any, between the amount of cash received and their adjusted tax basis in their shares of our common stock. If a stockholder holds our shares as a capital asset, such gain or loss should generally be a capital gain or loss. If the stockholder has held the shares for more than one year, the gain or loss should generally be a long-term capital gain or loss. The deductibility of capital losses is subject to

limitations. Tax matters are very complex and the tax consequences of the merger to you will depend on the facts of your own situation. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you, including the federal, state, local and foreign tax consequences of the merger. See “The Merger — Material U.S. Federal Income Tax Consequences” beginning on page 40.

#### Appraisal Rights (see page 42)

Record holders of our common stock have the right under the DGCL to exercise appraisal rights to receive payment in cash for the fair value of their shares of our common stock determined in accordance with the DGCL, if such rights are properly perfected. The fair value of shares of our common stock, exclusive of any element of value arising from the accomplishment or expectation of the merger, as determined in accordance with the DGCL may be more or less than the merger consideration to be paid to holders of our common stock who choose not to exercise their appraisal rights. To preserve their rights, record holders of our common stock who wish to exercise appraisal rights must precisely follow specific procedures set forth in the DGCL. These procedures are described in this proxy statement, and the provisions of the DGCL that grant appraisal rights and govern such procedures are attached as Appendix C of this proxy statement. See the section entitled “The Merger — Appraisal Rights” on page 42.

#### Regulatory Approvals Required for the Merger (see page 39)

The HSR Act, and the rules and regulations promulgated thereunder require that each of us and BAE Systems file Notification and Report Forms with respect to the merger and related transactions with the Antitrust Division of the Department of Justice and the Federal Trade Commission and to observe a waiting period after these filings before completing the merger and the transactions contemplated by the merger agreement. On May 17, 2007, we and BAE Systems each filed a Notification and Report Form with the Antitrust Division and the Federal Trade Commission and requested an early termination of the waiting period. If early termination is not granted, the waiting period will expire at 11:59 p.m. on June 18, 2007 unless a request for additional information is made, or unless we and BAE Systems decide to withdraw our filings and refile at a later date, in which case the waiting period will recommence. On June 18, 2007, with our consent, BAE Systems voluntarily withdrew its HSR filing and refiled in order to extend the initial HSR review period.

The merger is subject to review under Exon-Florio by the Committee on Foreign Investment in the United States (which we refer to as CFIUS) because BAE Systems is a wholly owned subsidiary of a foreign corporation. Under Exon-Florio, the President of the United States is authorized to prohibit or suspend acquisitions, mergers or takeovers by foreign persons of persons engaged in interstate commerce in the United States if the President determines, after investigation, that such foreign persons in exercising control of such acquired persons might take action that threatens to impair the national security of the United States and that other provisions of existing law do not provide adequate authority to protect national security. On June 21, 2007, the United States Department of the Treasury notified us that CFIUS had completed its review of the merger. CFIUS determined that there were no issues of national security to warrant an investigation under Exon-Florio. Therefore, CFIUS concluded action under Exon-Florio with respect to the merger.

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#### THE SPECIAL MEETING

Date, Time and Place of the Special Meeting

The enclosed proxy is solicited by us on behalf of our board of directors for use at a special meeting of stockholders to be held on July 25, 2007 at 9:00 a.m., local time, at One Landmark Square, 22<sup>nd</sup> Floor, Stamford, Connecticut 06901 or at any adjournments or postponements thereof, for the purposes set forth in this proxy statement and in the accompanying notice of special meeting. We intend to first mail this proxy statement, the attached notice of special meeting and accompanying proxy card on or about June 26, 2007 to all stockholders entitled to vote at the special meeting.

#### Purposes of the Special Meeting

At the special meeting, our stockholders are being asked to consider and vote upon a proposal to adopt the merger agreement. You are also being asked to vote on any proposal to approve the adjournment or postponement of the special meeting to a later date to solicit additional proxies in favor of adoption of the merger agreement, if necessary or appropriate, if there are not sufficient votes for the adoption of the merger agreement at the special meeting. Under the merger agreement, Jaguar Acquisition Sub will be merged with and into us and each issued and outstanding share of our common stock that you own will be converted into the right to receive \$88.00 in cash, without interest.

Our board of directors has unanimously approved the merger agreement and the proposed merger. Our board of directors recommends that you vote FOR the adoption of the merger agreement and FOR the approval of any postponement or adjournment of the special meeting referred to above.

#### Record Date, Quorum and Voting Information

Only holders of record of our common stock at the close of business on June 26, 2007, the record date for the special meeting, will be entitled to notice of and to vote at the special meeting. At the close of business on June 26, 2007, there were outstanding and entitled to vote 35,591,765 shares of our common stock, all of which were held by stockholders other than BAE Systems, Jaguar Acquisition Sub, us and/or our respective subsidiaries. A list of our stockholders entitled to vote at the special meeting will be available for review at our executive offices during regular business hours for a period of 10 days prior to the special meeting. Each holder of record of our common stock on the record date will be entitled to one vote for each share held. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting is necessary to constitute a quorum for the transaction of business at the special meeting.

All votes will be tabulated by the inspector of election appointed for the special meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Brokers who hold shares in street name for clients typically have the authority to vote on "routine" proposals when they have not received instructions from beneficial owners. However, absent specific instructions from the beneficial owner of the shares, brokers are not allowed to exercise their voting discretion with respect to the adoption of non-routine matters, such as the merger agreement. Proxies submitted without a vote by the brokers on these matters are referred to as broker non-votes. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the special meeting and will have the same effect as votes AGAINST adoption of the merger agreement.

The affirmative vote of the holders of at least a majority of the outstanding shares of common stock entitled to vote is required to adopt the merger agreement. Accordingly, proxies that reflect abstentions and broker non-votes, as well as proxies that are not returned, will have the same effect as a vote AGAINST adoption of the merger agreement. Accordingly, our board of directors urges you to complete, sign, date and return the enclosed proxy card in the accompanying self-addressed postage prepaid envelope as soon as possible.

#### Appraisal Rights

If you do not vote in favor of adoption of the merger agreement, and you otherwise comply with the applicable statutory procedures and requirements of the DGCL summarized elsewhere in this

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proxy statement, you will be entitled to exercise your appraisal rights and receive payments in cash for the fair value of the shares of our common stock, exclusive of any element of value arising from the accomplishment or expectation of the merger, in accordance with the DGCL, if such rights are properly perfected. The fair value of shares of our common stock as determined in accordance with the DGCL may be more or less than the merger consideration to be paid to the holders of our common stock who choose not to exercise their appraisal rights. You must precisely follow these specific procedures to exercise and perfect your rights of appraisal, or you may lose your appraisal rights. See “The Merger — Appraisal Rights” beginning on page 42 and see Appendix C.

### Proxies; Revocation

Any person giving a proxy pursuant to this solicitation has the power to revoke the proxy at any time before it is voted at the special meeting. A proxy may be revoked by sending to our Secretary at our executive offices located at 13386 International Parkway, Jacksonville, Florida 32218, a written notice of revocation or a duly executed proxy bearing a later date. In addition, a proxy may be revoked by attending the special meeting and voting in person. Attendance at the special meeting will not, by itself, revoke a proxy. If a stockholder’s shares are held of record by a broker, bank or other nominee and the stockholder wishes to vote at the meeting, the stockholder must obtain from the record holder a proxy issued in the stockholder’s name. If a stockholder has instructed a broker to vote the stockholder’s shares, the stockholder must follow such broker’s directions to change such instructions.

If the special meeting is postponed or adjourned, at any subsequent reconvening of the special meeting, all proxies will be voted in the same manner as these proxies would have been voted at the original convening of the special meeting (except for any proxies that previously have been effectively revoked or withdrawn), notwithstanding that they may have been effectively voted on the same or any other matter at a previous meeting.

### Expenses of Proxy Solicitation

Except as provided below, we will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders. We have retained D.F. King & Co., Inc. to assist in the solicitation of proxies for a fee of \$20,000, plus reimbursement of expenses. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of common stock beneficially owned by others to forward to the beneficial owners. We may reimburse persons representing beneficial owners of our common stock for their costs of forwarding solicitation materials to the beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram or other electronic means, or by personal solicitation by our directors, officers or other regular employees or by representatives of D.F. King & Co., Inc. No additional compensation will be paid to our directors, officers or other regular employees for their services in connection with the solicitation of proxies.

### Adjournments and Postponements

If the requisite stockholder vote adopting the merger agreement has not been received at the time of the special meeting, holders of our common stock may be asked to vote on a proposal to adjourn or postpone the special meeting to solicit additional proxies in favor of the adoption of merger agreement. The affirmative vote of the holders of a majority of the outstanding shares of common stock present in person or by proxy at the special meeting is required to approve the adjournment proposal. Our board of directors recommends that you vote FOR the approval of any such

adjournment or postponement of the meeting, if necessary.

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Stock Certificates

Please do not send in your stock certificates representing shares of our common stock at this time. In the event the merger is completed, the paying agent for the merger will distribute instructions regarding the procedures for exchanging your existing stock certificates representing shares of our common stock for the merger consideration. See “The Merger Agreement — Exchange Procedures” beginning on page 46.

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THE PARTIES TO THE MERGER

Armor Holdings, Inc.

We are a leading manufacturer of military tactical wheeled vehicles, including the Family of Medium Tactical Vehicles (FMTV), the U.S. Army’s primary transport platform. Armor Holdings is also a leading manufacturer and distributor of security products and vehicle armor systems serving military, law enforcement, homeland security and commercial markets. Armor Holdings is incorporated under the laws of the State of Delaware. Its principal executive office is at 13386 International Parkway, Jacksonville, Florida 32218, and its telephone number is (904) 741-5400. Armor Holdings’ common stock is traded on The New York Stock Exchange under the symbol “AH.”

BAE Systems, Inc.

BAE Systems is a leading electronics, information systems, and technology services company, and one of the largest providers of systems and services for the U.S. Department of Defense. BAE Systems currently manages approximately 45,000 people across some 30 states, generating annual sales of more than \$11 billion. BAE Systems designs, develops, manufactures, and supports a wide range of advanced aerospace products, electronic systems, and information technology for the U.S. government and commercial customers. BAE Systems is headquartered in Rockville, Maryland. BAE Systems is a wholly owned subsidiary of BAE Systems plc, a public limited company incorporated in England and Wales. BAE Systems’ principal executive offices are located at 1601 Research Boulevard, Rockville, Maryland 20850, and its telephone number is (301) 838-6000.

Jaguar Acquisition Sub Inc.

BAE Systems formed Jaguar Acquisition Sub as a Delaware corporation for the purpose of entering into the merger agreement and completing the merger. Jaguar Acquisition Sub is a wholly-owned subsidiary of BAE Systems and has not engaged in any business activity other than in connection with the proposed merger and related transactions. The

mailing address of Jaguar Acquisition Sub's principal executive office is c/o BAE Systems, 1601 Research Boulevard, Rockville, Maryland 20850, and its telephone number is (301) 838-6000.

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THE MERGER

General

At the special meeting we will ask our stockholders to vote on a proposal to adopt the merger agreement. We have attached a copy of the merger agreement as Appendix A to this proxy statement. We urge you to read the merger agreement in its entirety because it is the legal document governing the merger.

Background of the Merger

Our board has, from time to time, reviewed our long-term strategies and objectives. As part of this process and with a view toward increasing shareholder value, our management has engaged, from time to time, in discussions with financial advisors regarding the possibility of exploring various strategic alternatives, including potential business combinations with other companies.

In January 2007, our senior management conducted an internal review of our strategic alternatives. This review included, among other things, a discussion of our markets, customer relationships and ability to compete with industry participants with greater scale and financial resources. At the conclusion of this review, our senior management determined that it should dedicate more time to reviewing potential alternative business strategies, including continuing to operate the business on a stand-alone basis, pursuing acquisitions, and a potential sale of our company.

On February 12, 2007, Warren B. Kanders, our Chairman and Chief Executive Officer, met with representatives of Rothschild Inc. Rothschild was acting on behalf of a company in the defense industry, which company we will refer to in this proxy statement as Company A, to discuss various strategic alternatives involving our company and Company A. Mr. Kanders discussed with the financial advisor the possibility of having a meeting with the chief executive officer of Company A.

On February 13, 2007, during a telephonic meeting of our board of directors, our senior management reviewed preliminary presentations from each of Goldman Sachs and another potential financial advisor concerning various long-term strategies for our company. At that meeting our board and management discussed the potential process and timing for an exploration of various strategic alternatives, including a sale of our company. Our board also appointed Deborah Zoullas as lead independent director in connection with this project. As lead independent director, Ms. Zoullas served as a liaison between our management and financial and legal advisors on the one hand and our board on the other with respect to various strategic alternatives, but otherwise had no separate powers or authority. Ms. Zoullas was selected for this position because of her prior investment banking and capital markets experience as well as her tenure at Morgan Stanley.

On February 16, 2007, at a meeting of our board of directors, each of Goldman Sachs and Merrill Lynch, Pierce, Fenner & Smith Incorporated made presentations concerning potential strategic alternatives, including our company continuing to operate on a stand-alone basis and grow organically, completing major acquisitions, selling divisions of our company or portfolios of assets, or selling our company to a strategic or financial buyer. Our legal counsel then

outlined the fiduciary duties of our board of directors in connection with evaluating strategic alternatives, including a potential sale of our company under Delaware law. After the presentations, our board approved the engagement of Goldman Sachs to provide primary financial advisory services in connection with exploring a potential sale of our company. Our board also retained Merrill Lynch to offer a package of staple acquisition financing, if necessary, as well as to provide other ancillary services to us. Our board was aware at the time that Goldman Sachs had provided services to potential bidders for our company. However, given that any other financial advisor would likely also have relationships with companies in the defense industry sector, our board determined that it was nonetheless in the best interests of our company to retain Goldman Sachs and our board determined not to retain a separate financial advisor despite Goldman Sachs' past work for BAE Systems once it was determined to finalize a merger agreement with BAE Systems. After considering the different types of potential bidders for our company, for a variety of reasons, including the ability of strategic buyers to understand our business, to achieve cost

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savings and synergies, to complete due diligence quickly and thereby not disrupt our ongoing business, and our knowledge of the leading strategic buyers and assessment of their financial capabilities, as well as the expected rates of return that financial buyers would seek to achieve, our board determined to focus on strategic buyers rather than financial buyers.

On March 2, 2007, Mr. Kanders met with the chief executive officer of Company A and they discussed possible strategic alternatives, including a sale of our company to Company A. Mr. Kanders and representatives of Goldman Sachs met again with the chief executive officer of Company A and Company A's financial advisor. Subsequent to this meeting, but prior to the commencement of any management presentations, representatives of Company A expressed to Mr. Kanders and to representatives of Goldman Sachs a valuation range for our company in the \$80 to \$90 per share range, but noted that Company A was uncertain that it could go as high as \$90 per share and that its final valuation could be as low as the high \$70's per share. Such valuation was based on information about our company that was publicly available to Company A, and, at that time, we had not provided any confidential information to Company A. In addition, Company A's valuation was subject to further due diligence. Company A also conveyed that any offer could include stock of Company A as a portion of the total consideration.

In March 2007, after reviewing a broad list of potential strategic buyers, Goldman Sachs, at our request, contacted a total of six (6) potential strategic buyers that we and Goldman Sachs believed were most likely to be interested in pursuing an acquisition of our company based upon a range of factors including the likely size of the acquisition and our and Goldman Sachs' judgment as to the financial capacity and other characteristics of the potential strategic buyers. The parties that responded with a preliminary interest were sent introductory information about us and a confidentiality agreement. Five parties executed a confidentiality agreement. One of these parties was BAE Systems. Another party was Company A. The remaining parties will be referred to as Company B, Company C, and Company D. The sixth party expressed that it was not interested in participating in the process because they determined that our operating focus was not consistent with their current acquisition priorities.

From March 14, 2007 through April 4, 2007, members of our senior management team met with the senior management of the five parties who had expressed preliminary interest in a transaction and executed a confidentiality agreement, following which such parties were given access to certain confidential information.

Between March 14, 2007 and April 4, 2007, we received verbal indications of interest from three of the five parties which had signed confidentiality agreements, including Company A (as discussed above), Company B, and BAE

Systems, which reflected preliminary possible offers for our whole company ranging from \$73 per share to \$90 per share. BAE Systems' verbal indication of interest reflected a preliminary possible offer of \$83 to \$85 per share. Following the management meetings, Company C and Company D decided not to proceed further with a possible transaction with us because they each determined that our operating focus was not consistent with their respective current acquisition priorities. At meetings of our board of directors held on March 27, 2007 and April 18, 2007, our senior management updated our board on the sales process, which included discussions about the parties that had been contacted by Goldman Sachs and the initial indications of interests from each of the three parties expressing interest. At these meetings, our board discussed the strengths and weaknesses of each interested party and their respective indications of interest, including the price per share ranges. On April 9, 2007, Company A, which had submitted a verbal indication of interest in the \$80 to \$90 range, contacted representatives of Goldman Sachs to advise them that they had decided not to proceed further with a possible transaction because they determined that the price they would have to pay in order to be successful would likely be higher than they were willing to pay, and that our operating focus was not consistent with their current acquisition priorities.

On April 11, 2007, members of our senior management met again with members of Company B's management to discuss various issues, including a further review of our company's financial data. This meeting resulted in Company B expressing continued interest in a possible acquisition of our company.

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On April 13, 2007, Goldman Sachs was contacted by a private equity firm inquiring whether Goldman Sachs was engaged by our company and expressing their possible interest in our company. On April 20, 2007, Mr. Kanders received an unsolicited e-mail from a principal of the same private equity firm. The e-mail suggested a meeting between representatives of the private equity firm and Mr. Kanders. For the reasons previously considered by our board of directors in not pursuing financial buyers, on April 26, 2007, Mr. Kanders responded that he would defer on having a meeting at the current time, which decision was consistent with our board's prior determination to focus on strategic buyers rather than financial buyers.

On April 24, 2007, final bid instruction letters were sent by Goldman Sachs to each of the two remaining interested parties, BAE Systems and Company B. Each party was also sent a form of merger agreement which contemplated a first-step cash tender offer for all of our outstanding shares of common stock to be followed by a second-step merger. Each party was requested to submit a mark-up of the merger agreement by noon on May 2, 2007 and final bids by noon on May 4, 2007. Each of BAE Systems and Company B independently requested a one-step form of merger agreement without an initial tender offer, which we provided.

On May 2, 2007, we received a merger agreement markup from BAE Systems. BAE Systems' markup reflected a one-step merger transaction in which the consideration would be all cash. On May 3, 2007, we received a merger agreement markup from Company B. Company B's markup also reflected a one-step merger transaction in which the consideration would be all cash. Company B delivered a list of additional due diligence requirements.

On May 4, 2007, BAE Systems submitted a final bid that contemplated the following material terms:

- \$84.00 per share;
- structured as a one-step, all cash merger;
- the revisions to the draft merger agreement previously provided on May 2; and



- additional limited due diligence requirements.

That same day, Goldman Sachs contacted Company B. Company B did not provide a written final bid or revise its updated verbal valuation range but did express interest in continuing its due diligence.

That evening there was a telephonic meeting of our board of directors at which time Goldman Sachs updated our board on the sales process, including a discussion of BAE Systems' final bid. At that meeting, our legal advisors discussed with our board the principal legal issues raised by BAE Systems' revisions to the merger agreement, including concerns regarding the certainty of the merger being consummated, and advised our board that certain modifications to the merger agreement would be required to address these concerns. Following the meeting, Goldman Sachs contacted BAE Systems on our behalf and communicated that BAE Systems needed to increase their offer price to \$88.00 per share and amend key provisions of their proposed merger agreement in order for our board to support a transaction. Goldman Sachs also contacted Company B to communicate on behalf of us a similar invitation to Company B as had been communicated with BAE Systems.

Later in the evening of May 4, BAE Systems responded that it would increase its offer to \$88.00 per share and make certain of the modifications to the proposed merger agreement requested on our behalf by Goldman Sachs. The proposed merger agreement, with BAE Systems' proposed modifications, caused us to believe that the parties would be able to promptly reach agreement on mutually acceptable terms. The principal modifications related to provisions that our legal advisors believed would decrease the conditionality of the agreement and increase the likelihood that the merger would be consummated and included, among other things, the addition of materiality standards for representations and warranties, clarifying certain events and circumstances which would trigger a "material adverse effect", increasing the efforts that BAE Systems would make in pursuing clearance under the HSR Act and reducing the level of BAE Systems' oversight over the conduct of our business prior to closing. After discussions surrounding these issues with BAE Systems, we agreed to hold in-person negotiations with representatives of BAE Systems in New York beginning the

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following morning to attempt to negotiate a definitive written agreement. Our decision to seek direct and immediate negotiations with BAE Systems was based primarily on:

- the price offered by BAE Systems;
- the few due diligence issues to be resolved and our view as to whether BAE Systems would view the remaining due diligence issues as material;
- our view as to the reasonable nature of the draft merger agreement presented by BAE Systems, giving effect to the agreed upon areas of modification, and our expectation that we would be able to resolve the remaining contractual issues promptly and on a reasonable basis; and
- BAE Systems expressly affirming its ability to consummate a transaction without a financing condition, including its intention to complete, shortly after the announcement of the signing of the merger agreement, an equity financing in connection with the proposed merger that was not subject to the merger being consummated, which we believed provided greater closing certainty.

Commencing on May 5, 2007, and continuing through the evening hours of May 6, 2007, our representatives and representatives of BAE Systems, together with our respective advisors, engaged in negotiations regarding the merger

agreement and the terms of the proposed merger. During the day on May 5, Company B advised Goldman Sachs of its decision not to increase its bid, citing its belief that its existing bid (which was less than BAE Systems' final bid) reflected at least the fair value of our company.

Early in the evening of May 6, 2007, our board of directors met with our legal and financial advisors to review our strategic alternatives, the history of our sale process, the negotiations with BAE Systems, the terms of the proposed merger agreement and the merger, and our directors' duties and responsibilities under applicable law.

Our legal advisors reiterated their advice to our board of directors as to the directors' responsibilities in the context of exploring a sale of our company and the proposed merger. Our legal advisors then described the terms and provisions of the merger agreement, including, among other things, the conditions to closing, restrictions on our ability to solicit alternative acquisition proposals and the termination and termination fee provisions.

Representatives of Goldman Sachs made a presentation to our board of directors regarding the proposed merger. In its presentation, Goldman Sachs discussed its preliminary views as to whether the consideration of \$88.00 per share in cash proposed to be received by holders of our common stock pursuant to the merger was fair from a financial point of view to such holders. At the conclusion of such presentation, Goldman Sachs indicated that it would be able to deliver a written opinion regarding the fairness of the merger consideration if a definitive agreement on the terms previously described to Goldman Sachs at the meeting was reached with BAE Systems.

Our board of directors then considered the proposed merger, the merger agreement and the transactions contemplated thereby, including the positive and negative factors described below in the section entitled “— Recommendation of Our Board of Directors and Reasons for the Merger”, as well as our company's standalone prospects, projected financial performance (including the assumptions and risks relating to such projections), and other possible strategic alternatives to the sale of our company pursuant to a cash merger. Following a discussion of the Goldman Sachs presentation, our board of directors determined that, subject to receiving the written opinion from Goldman Sachs confirming its preliminary view that the merger consideration of \$88.00 per share was fair to our stockholders from a financial point of view:

- the merger agreement and the merger are advisable and fair to and in the best interest of our shareholders;
- approved and adopted the form of merger agreement and the merger; and
- unanimously recommended that our stockholders adopt the merger agreement.

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Following the meeting of our board of directors, our representatives and the representatives of BAE Systems, together with our respective advisors, finalized the merger agreement. Goldman Sachs then delivered to our board of directors its written opinion dated May 7, 2007 that, as of that date and based upon the assumptions made, matters considered and limits of review set forth in its written opinion, the consideration of \$88.00 per share in cash proposed to be received by holders of our common stock pursuant to the merger was fair from a financial point of view to such holders. A summary of the material financial analyses performed by Goldman Sachs in connection with rendering the fairness opinion is described under the caption “— Opinion of Our Board's Financial Advisor”. Thereafter, on the morning of May 7, 2007, before the opening of the financial markets in New York, we, BAE Systems and Jaguar Acquisition Sub executed the merger agreement. BAE Systems and we each issued a press release at that time.

## Recommendation of the Board of Directors and Reasons for the Merger

At its meeting on the evening of May 6, 2006, our board of directors unanimously determined that, subject to receiving the written opinion from Goldman Sachs confirming its preliminary view that the merger consideration of \$88.00 per share was fair to our stockholders from a financial point of view, the terms of the merger agreement and the proposed merger are advisable and fair to, and in the best interests of, our stockholders and unanimously approved and adopted the merger agreement and the merger. Our board of directors considered a number of factors, as more fully described above under “— Background of the Merger” in making its determination. Our board of directors recommends that you vote FOR the adoption of the merger agreement.

In recommending the adoption of the merger agreement, our board of directors considered a number of factors that it believed supports its recommendation, including:

- as discussed in the section entitled “— Background of the Merger,” following our authorization to explore a sale of the company, Goldman Sachs contacted six parties who might reasonably be interested in a possible transaction with us and inquired whether they might be interested in a possible transaction with us. Each of these companies that expressed a current interest in a possible transaction was afforded ample time and information to submit an offer;
- the fact that the merger consideration of \$88.00 per share, all in cash, represented a substantial premium over the market price of our common stock over periods of time before the public announcement of the merger agreement, namely, an approximate 31% premium over the 60-day trading average closing price through May 4, 2007, a 26% premium over the 30-day trading average closing price through May 4, 2007, a 18% premium over the five-day trading average closing price through May 4, 2007 and a 7% premium over the market closing price of \$82.15 per share on May 4, 2007, the last trading day prior to the public announcement. Our board of directors judged that the merger consideration was negotiated on an arm’s-length basis and represented the highest price that could be negotiated at the time for a transaction that did not entail substantial risk of non-consummation;
- our board’s consultation and advice from management, with financial advisors and with legal counsel;
- the financial analyses and presentation by Goldman Sachs and its opinion dated May 7, 2007 to our board of directors as to the fairness, from a financial point of view and as of the date of the opinion, of the \$88.00 per share cash merger consideration to be received by holders of our common stock pursuant to the merger, which analyses and opinion our board of directors considered in their totality. See Appendix B to this proxy statement and “— Opinion of our Board’s Financial Advisor” beginning on page 22 of this proxy statement for more information on the analyses and opinion, including the assumptions made, matters considered and limits of review;
- the proposed merger is for cash only, which provides more certainty of value to our shareholders compared to a transaction pursuant to which shareholders receive stock or other non-cash consideration that could fluctuate in value, nor will our stockholders be subject to any future risks related to our business;

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- the ability of our shareholders to recognize a significant cash value through the proceeds of the merger versus the risk of continuing to operate as a stand-alone company, taking into account uncertainties regarding future military needs and budgetary constraints of governmental

authorities, the unpredictability of stock market valuations, and the uncertainty of achieving management's projections;

- the terms of the merger agreement, including the price, and the conditions to closing the merger and the likelihood of closing the transaction (including the absence of a financing condition);
- subject to certain conditions, including the payment of a termination fee under certain circumstances, the terms of the merger agreement allow our board of directors to exercise its fiduciary duties to consider potential alternative transactions and to withdraw its recommendation to our stockholders to adopt the merger and to terminate to accept a superior acquisition proposal;
- BAE Systems' strong financial position to consummate the transactions contemplated by the merger agreement; and
- under Delaware law, our stockholders have the right to demand appraisal of their shares, which rights are described below under "— Appraisal Rights" beginning on page 42 and Appendix C.

Our board also considered a variety of risks and other potentially negative factors concerning the merger, including the following:

- the fact that our stockholders will not participate in any future earnings or growth of our company (as we will no longer exist as an independent, publicly traded company) and will not benefit from any appreciation in the value of our common stock after the merger;
- the fact that certain conditions to the closing of the merger must be met, including regulatory approvals (notwithstanding our board's belief in the probability that the merger will be completed based on, among other things, BAE Systems' commitment pursuant to the merger agreement to take certain actions necessary to obtain required regulatory approvals);
- the risks and costs to us if the merger is not closed, including the diversion of management and employee attention, employee attrition and the effect on business and customer relationships (see section entitled "— Risks that the Merger Will Not Be Completed" beginning on page 33);
- the fact that an all-cash transaction would be taxable to our stockholders for U.S. federal income tax purposes;
- the fact that, pursuant to the merger agreement, we must generally conduct our business in the ordinary course and we are subject to a variety of other restrictions on the conduct of our business prior to the closing of the merger or the termination of the merger agreement without the consent of BAE Systems (not to be unreasonably withheld or delayed), which may delay or prevent us from pursuing business opportunities that may arise or preclude actions that would be advisable if we were to remain an independent company;
- the fact that, under the terms of the merger agreement, we are restricted in our ability to solicit alternative acquisition proposals;
- the termination fee of \$140 million, payable by us upon the occurrence of certain events, and the possible deterrent effect that paying such fee might have on the desire of other potential acquirors, including the private equity sponsors that had approached the company, to propose an alternative transaction that may be more advantageous to our stockholders; and
- the fact that, under the terms of the merger agreement, certain of our directors and executive officers have interests in connection with the merger that are different from, or in addition to, the interests of our stockholders generally (see the section entitled "The Merger — Interests of Our Officers and Directors in the Merger" beginning on page 34).

Our board of directors based its ultimate decision on its business judgment that the benefits and risks of pursuing the merger significantly outweigh the benefits and risks of alternatives currently available to the company, including remaining an independent publicly-traded company. Our board of directors unanimously concluded that the merger consideration of \$88.00 per share of common stock was fair to our stockholders from a financial point of view to such holders and that the merger agreement and the merger contemplated thereby is advisable and fair to, and in the best interest of our shareholders.

The preceding discussion is not, and is not intended to be, exhaustive, but, rather, includes material factors considered by our board of directors. In light of the number and the wide variety of positive and negative factors that our board of directors considered in connection with its evaluation of the proposed merger and the complexity of these matters, our board of directors did not find it practicable, and has not tried, to quantify, rank or otherwise assign relative weights to the specific factors it considered. Individual members of our board of directors may have given different weight to different factors. Our board of directors considered all these factors together and, on the whole, considered them to be favorable to, and to support, its determination.

#### Opinion of Our Board's Financial Advisor

Goldman Sachs rendered its opinion to our board of directors that, as of May 7, 2007 and based upon and subject to the factors and assumptions set forth in its opinion, the \$88.00 per share in cash to be received by the holders of our common stock pursuant to the merger agreement is fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated May 7, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Appendix B. You are encouraged to read the opinion in its entirety. Goldman Sachs provided its opinion for the information and assistance of our board of directors in connection with its consideration of the merger. The Goldman Sachs opinion is not a recommendation as to how any holder of our common stock should vote with respect to the merger.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

- the merger agreement;
- annual reports to stockholders and Annual Reports on Form 10-K of our company for the five fiscal years ended December 31, 2006;
- certain interim reports to stockholders and Quarterly Reports on Form 10-Q of our company;
- certain other communications from us to our stockholders; and
- certain internal financial analyses and forecasts for us prepared by our management.

Goldman Sachs also held discussions with members of the senior management of our company regarding their assessment of the past and current business operations, financial condition and future prospects of our company. In addition, Goldman Sachs reviewed the reported price and trading activity for our common stock, compared certain financial and stock market information for us with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the defense industry specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by it and assumed such accuracy and completeness for purposes of rendering the opinion described above. Goldman Sachs assumed with the consent of our board of directors that the internal financial forecasts prepared by the management of our company had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of our company. In addition, Goldman Sachs

did not

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make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of our company or any of its subsidiaries, nor was any evaluation or appraisal of the assets or liabilities of our company or any of its subsidiaries furnished to Goldman Sachs. Goldman Sachs' opinion does not address the underlying business decision of our company to engage in the merger.

The following is a summary of the material financial analyses delivered by Goldman Sachs to our board of directors in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before May 7, 2007 and is not necessarily indicative of current market conditions.

**Analysis at Various Prices.** Goldman Sachs performed certain analyses based on historical financial information, SEC filings and projected financial information provided by our management as of March 14, 2007. Using market prices per share of our common stock of \$70.69 (May 1, 2007), \$72.08 (May 2, 2007) and \$82.15 (May 4, 2007) and the transaction price of \$88.00 per share, Goldman Sachs calculated for us an implied equity value of our company. For purposes of such calculations Goldman Sachs assumed 35.6 million shares of our common stock outstanding as of April 30, 2007; the exercise of 3.6 million options with a weighted average strike price of \$32.89; the conversion of our outstanding 2% Convertible Notes due 2024; the exercise of 78,890 shares of restricted stock and the issuance of 450,000 performance restricted shares. Goldman Sachs further assumed, upon a change of control, the issuance of additional shares upon conversion of such 2% Convertible Notes due 2024; the issuance of 130,000 shares of change of control restricted stock; and the issuance of 53,500 shares of S&P performance stock. Goldman Sachs added to this implied equity value the net debt to be incurred by BAE as part of the merger, which Goldman Sachs assumed to be \$850.2 million on the basis of our SEC filings, to derive an implied enterprise value of our company. Based on these calculations, Goldman Sachs calculated the multiples described below:

- our implied enterprise value as a multiple of our sales for the latest twelve months, referred to as LTM, and as a multiple of our management's estimates of our sales for the 2007 and 2008 fiscal years;
- our implied enterprise value as a multiple of our earnings before interest, taxes and depreciation and amortization, or EBITDA, for the latest twelve months and as a multiple of our management's estimates of our EBITDA for the 2007 and 2008 fiscal years; and
- our implied enterprise value as a multiple of our net income for the latest twelve months and as a multiple of our management's estimates of our net income for the 2007 and 2008 fiscal years.

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The following table presents the results of Goldman Sachs' analysis (\$ in millions, except per share prices):

	Assumed Share Prices			Transaction Price
	May 1, 2007	May 2, 2007	May 4, 2007	
Equity Value	\$70.69	\$72.08	\$82.15	\$88.00
Enterprise Value	\$2,797	\$2,861	\$3,326	\$3,684
Enterprise Value/Sales				
LTM	1.3x	1.3x	1.5x	1.6x
2007 Estimate	1.1x	1.1x	1.2x	1.3x
2008 Estimate	0.9x	0.9x	1.1x	1.1x
Enterprise Value/EBITDA				
LTM	12.4x	12.7x	14.2x	15.5x
2007 Estimate	8.8x	9.0x	10.1x	11.0x
2008 Estimate	8.0x	8.1x	9.2x	9.9x
Enterprise Value/Net Income				
LTM	21.6x	22.1x	25.7x	28.5x
2007 Estimate	14.6x	15.0x	17.4x	19.3x
2008 Estimate	12.8x	13.1x	15.2x	16.8x

**Historical Stock Trading Analysis.** Goldman Sachs reviewed the historical trading prices and volumes for our common stock for the one-year, three-year and five-year periods ended May 4, 2007. In addition, Goldman Sachs analyzed the consideration to be received by holders of our common stock pursuant to the merger agreement in relation to the closing market price of our common stock on each of May 4, 2007, May 3, 2007, May 2, 2007 and May 1, 2007 and the average market prices of our common stock over the five day, 10 day, 20 day, 30 day and 60 day periods ending on May 4, 2007.

This analysis indicated that the price per share to be paid to our stockholders pursuant to the merger agreement represented:

- a premium of 7.1% based on the closing market price of \$82.15 per share on May 4, 2007;
- a premium of 13.3% based on the closing market price of \$77.69 per share on May 3, 2007;
- a premium of 22.1% based on the closing market price of \$72.08 per share on May 2, 2007;
- a premium of 24.5% based on the closing market price of \$70.69 per share on May 1, 2007;
- a premium of 17.6% based on the latest five days average market price of \$74.82 per share;
- a premium of 21.4% based on the latest 10 days average market price of \$72.46 per share;
- a premium of 24.1% based on the latest 20 days average market price of \$70.88 per share;
- a premium of 25.8% based on the latest 30 days average market price of \$69.96 per share; and
- a premium of 30.7% based on the latest 60 days average market price of \$67.34 per share.

**Analyst Price Targets.** Goldman Sachs reviewed and compared the price targets issued by eleven Wall Street equity research analysts for our common stock during April 2007. The price targets of the analysts ranged from a low of \$75.00 per share to a high of \$81.00 per share, with a median of \$80 per share, as compared to a closing market price of \$82.15 per share on May 4, 2007.

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The following table presents the specific price targets for the Company of each of the Wall Street equity research analysts reviewed by Goldman Sachs:

Wall Street Equity Research Analysts			
	Advisor	Date	Price Target
Bear, Stearns & Co. Inc.	Peter J. Barry	April 20, 2007	\$ 81.00
Wachovia Capital Markets, LLC	Gary Liebowitz	April 20, 2007	\$ 80.50
Prudential Equity Group, Inc.	Byron K. Callan	May 4, 2007	\$ 80.00
Stanford Group Company	Josephine Millward	April 20, 2007	\$ 80.00
Stifel Nicolaus & Company, Inc.	Stephen E. Levenson	April 20, 2007	\$ 80.00
Friedman, Billings, Ramsey Group & Co.	Brian J Butler	April 20, 2007	\$ 80.00
Lehman Brothers Inc.	Jeffrey T. Kessler	April 20, 2007	\$ 77.00
Credit Suisse Securities (USA) LLC	Robert M. Spingarn	April 20, 2007	\$ 77.00
Stephens Inc.	Tim Quillin	May 4, 2007	\$ 77.00
Wm Smith Securities, Inc.	Joshua Sharf	April 23, 2007	\$ 77.00
Goldman, Sachs & Co.	Richard Safran	April 20, 2007	\$ 75.00

**Illustrative Implied Future Equity Value Analysis.** Goldman Sachs performed an illustrative analysis of the present value of our implied future share price based on our management's earnings per share, or EPS, growth forecasts; estimates of the Institutional Brokers' Estimate System, or IBES estimates, of EPS growth; and IBES estimates plus assumed EPS growth of 25%, 15%, 10% and 5% for each of 2010 to 2011. In performing such analysis, Goldman Sachs applied an assumed price to earnings, or P/E, ratio of 15.0x, which ratio is substantially reflective of our equity value as a multiple of our management's estimates of our net income for the 2007 fiscal year as of May 2, 2007.

Based on the foregoing, Goldman Sachs derived theoretical future implied equity values per share of our common stock ranging from, in 2011, \$103.00 per share (which sum reflected IBES median EPS, plus extrapolated EPS growth of 5% per year for 2010 to 2011) to \$146.00 per share (which sum reflected IBES median EPS, plus extrapolated EPS growth of 25% per year for 2010 to 2011).

Using the same range of EPS estimates and forward P/E ratio, Goldman Sachs also derived the present value of these theoretical implied equity values per share with respect to our common stock by discounting such values back to current present value assuming a 10% equity discount rate. Goldman Sachs determined this equity discount rate based upon its analysis of the estimated cost of capital of our company, which included consideration of historical rates of return for publicly traded common stocks in the defense sector, risks inherent in the industry, and specific risks associated with the continuing operations of our company. Based on the foregoing, Goldman Sachs derived present values of theoretical implied equity values per share of our common stock ranging from \$70.00 per share (which sum reflected IBES median EPS, plus extrapolated EPS growth of 5% per year for 2010 to 2011) to \$100.00 per share (which sum reflected IBES median EPS, plus extrapolated EPS growth of 25% per year for 2010 to 2011).

**Selected Companies Analysis.** Goldman Sachs reviewed and compared certain financial information for our company to corresponding financial information, ratios and public market multiples for the following publicly traded corporations in the defense industry:

Small and Mid Cap Defense



- Cubic Corporation;
- Alliant Techsystems, Inc.;
- Ceradyne, Inc.;
- DRS Technologies, Inc.;
- EDO Corporation;
- FLIR Systems, Inc.;
- Harris Corporation;

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- L-3 Communications Corporation;
- Orbital Sciences Corporation;
- DynCorp International LLC; and
- Teledyne Technologies, Inc.

US Large Cap Defense

- General Dynamics Corporation;
- Lockheed Martin Corporation;
- Northrop Grumman Corporation; and
- Raytheon Company.

Truck Related

- Oshkosh Truck Corporation; and
- Terex Corporation.

Although none of the selected companies is directly comparable to our company, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of our company.

Goldman Sachs also calculated and compared various financial multiples and ratios based on information it obtained from SEC filings and IBES estimates. The multiples and ratios of our company were calculated using the closing price of our common stock on May 4, 2007, as well as IBES estimates and information obtained from our management. The multiples and ratios for each of the selected companies were based on the most recent publicly available information. With respect to the selected companies, Goldman Sachs calculated:

- enterprise value as a multiple of estimated fiscal year 2007 EBITDA;
- enterprise value as a multiple of estimated fiscal year 2008 EBITDA;
- enterprise value as a multiple of estimated fiscal year 2007 earnings before interest and tax, or EBIT; and
- enterprise value as a multiple of estimated fiscal year 2008 EBIT.

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The following table presents the ratios and market multiples derived for each of the companies reviewed by Goldman Sachs in connection with its Selected Companies Analysis:

	Comparison of Selected Companies						
	Enterprise Value Multiples:				Price/Earnings		
	2007		2008		Ratio:		
	EBITDA	EBITDA	EBIT	EBIT	P/E	P/E	P/E
Armor Holdings (IBES)	10.6x	9.0x	12.4x	10.6x	17.1x	15.2x	13.1x
Armor Holdings (Management)	10.1x	9.2x	12.1x	10.9x	17.4x	15.2x	—
Small to Mid Cap Defense							
Cubic Corporation	10.8x	—	12.1x	—	19.7x	—	—
Alliant Techsystems, Inc.	10.3x	9.3x	12.4x	11.0x	16.6x	14.4x	—
Ceradyne, Inc.	6.9x	7.8x	7.6x	9.4x	12.0x	13.2x	27.2x
DRS Technologies, Inc.	9.6x	8.8x	11.9x	10.8x	15.6x	13.7x	—
EDO Corporation	10.0x	8.7x	14.3x	11.0x	19.5x	15.6x	14.0x
FLIR Systems, Inc.	15.8x	13.4x	17.3x	14.9x	26.8x	23.0x	22.4x
Harris Corporation	9.5x	8.4x	11.0x	9.6x	16.3x	14.6x	—
L-3 Communications Corporation	9.9x	9.1x	11.2x	10.4x	16.1x	14.4x	13.4x
Orbital Sciences Corporation	13.5x	12.0x	16.2x	13.6x	26.2x	23.3x	20.5x
DynCorp International LLC	7.8x	6.8x	10.7x	—	17.1x	12.0x	—
Teledyne Technologies, Inc.	10.0x	9.0x	12.3x	10.8x	18.5x	16.4x	—
US Large Cap Defense							
General Dynamics Corporation	10.0x	9.2x	11.3x	10.2x	16.8x	15.0x	14.0x
Lockheed Martin Corporation	8.4x	8.0x	9.9x	9.4x	15.1x	14.4x	13.2x
Northrop Grumman Corporation	8.5x	8.0x	10.5x	9.9x	14.8x	13.5x	12.4x
Raytheon Company	9.0x	8.1x	10.7x	9.6x	17.7x	15.2x	13.6x
Truck Related							
Oshkosh Truck Corporation	10.4x	—	—	—	15.7x	12.3x	—
Terex Corporation	8.2x	7.1x	—	—	14.4x	12.5x	—

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The results of these analyses for the selected companies within the above “Small and Mid Cap Defense” category are summarized as follows:

Enterprise Value as a multiple of:	Selected Companies Small to Mid Cap Defense		Armor Holdings (IBES)	Armor Holdings (Management)
	Range	Median		
2007 EBITDA	6.9x-15.8x	10.0x	10.6x	10.1x
2008 EBITDA	6.8x-13.4x	8.9x	9.0x	9.2x
2007 EBIT	7.6x-17.3x	12.1x	12.4x	12.1x

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2008 EBIT 9.4x-14.9x 10.8x 10.6x 10.9x

The results of these analyses for the selected companies within the above “US Large Cap Defense” category are summarized as follows:

	Selected Companies US Large Cap Defense		Armor Holdings	Armor Holdings
	Range	Median	(IBES)	(Management)
Enterprise Value as a multiple of:				
2007 EBITDA	8.4x-10.0x	8.7x	10.6x	10.1x
2008 EBITDA	8.0x-9.2x	8.1x	9.0x	9.2x
2007 EBIT	9.9x-11.3x	10.6x	12.4x	12.1x
2008 EBIT	9.4x-10.2x	9.8x	10.6x	10.9x

The results of these analyses for the selected companies within the above “Truck Related” category are summarized as follows:

	Selected Companies Truck Related		Armor Holdings	Armor Holdings
	Range	Median	(IBES)	(Management)
Enterprise Value as a multiple of:				
2007 EBITDA	8.2x-10.4x	9.3x	10.6x	10.1x
2008 EBITDA	7.1x-7.1x	7.1x	9.0x	9.2x
2007 EBIT	0.00x-0.00x	NA	12.4x	12.1x
2008 EBIT	0.00x-0.00x	NA	10.6x	10.9x

Goldman Sachs also calculated the selected companies’ estimated calendar years 2007, 2008 and 2009 price/earnings ratios to the results for our company. The following table presents the results of this analysis for the selected companies within the above “Small and Mid Cap Defense” category:

	Selected Companies Small to Mid Cap Defense		Armor Holdings	Armor Holdings
	Range	Median	(IBES)	(Management)
Price/Earnings Ratio:				
2007	12.0x-26.8x	17.1x	17.1x	17.4x
2008	12.0x-23.3x	14.5x	15.2x	15.2x
2009	13.4x-27.2x	20.5x	13.1x	—

The following table presents the results of this analysis for the selected companies within the above “US Large Cap Defense” category:

	Selected Companies US Large Cap Defense		Armor Holdings	Armor Holdings
	Range	Median	(IBES)	(Management)
Price/Earnings Ratio:				
2007	14.8x-17.7x	16.0x	17.1x	17.4x
2008	13.5x-15.2x	14.7x	15.2x	15.2x
2009	12.4x-14.0x	13.4x	13.1x	—

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The following table presents the results of this analysis for the selected companies within the above “Truck Related” category:

Price/Earnings Ratio:	Selected Companies Truck Related		Armor Holdings	Armor Holdings
	Range	Median	(IBES)	(Management)
2007	14.4x-15.7x	15.0x	17.1x	17.4x
2008	12.3x-12.5x	12.4x	15.2x	15.2x
2009	NA	NA	13.1x	—

Selected Mergers Analysis. Goldman Sachs analyzed certain information relating to the following selected transactions in the defense industry since 2001:

- our acquisition of Stewart & Stevenson Services, Inc. (announced February 2006);
- DRS Technologies, Inc.’s acquisition of Engineered Support Systems, Inc. (announced September 2005);
- BAE Systems’ acquisition of United Defense Industries, Inc. (announced in March 2005);
- BAE Systems plc’s acquisition of Alvis plc (announced June 2004);
- General Dynamics Corporation’s bid for Alvis plc (announced March 2004 — not completed);
- General Dynamics Corporation’s acquisition of GM Defense (announced December 2002);
- United Defense Industries, Inc.’s acquisition of US Marine Repair, Inc. (announced May 2002);
- General Dynamics Corporation’s acquisition of Advanced Technical Products, Inc. (announced May 2002);
- Northrop Grumman Corporation’s acquisition of TRW, Inc. (announced June 2002); and
- Northrop Grumman Corporation’s acquisition of Newport News Shipbuilding, Inc. (announced May 2001).

For each of the selected transactions, Goldman Sachs calculated and compared enterprise value as a multiple of LTM sales and enterprise value as a multiple of LTM EBITDA.

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The following table presents the results of this analysis:

Acquiror	Target	Enterprise Value (\$ millions)	Selected Multiples	
			LTM Sales	LTM EBITDA

Armor Holdings	Stewart & Stevenson Services, Inc.	757	1.0	—
DRS Technologies, Inc.	Engineered Support Systems, Inc.	1,960	1.9	14.0
BAE Systems	United Defense Industries, Inc.	4,199	1.8	12.3
BAE Systems	Alvis plc	653	1.0	13.5
General Dynamics Corporation	Alvis plc*	565	0.9	11.7
General Dynamics Corporation	GM Defense	1,100	1.1	—
United Defense Industries, Inc.	US Marine Repair, Inc.	316	0.7	9.5
General Dynamics Corporation	Advanced Technical Products, Inc.	233	1.1	9.1
Northrop Grumman Corporation	TRW, Inc.	11,708	0.7	9.1
Northrop Grumman Corporation	Newport News Shipbuilding, Inc.	2,801	1.3	10.5

\* Acquisition was not completed.  
The results of this analysis for the selected transactions are summarized as follows:

Enterprise Value as a Multiple of:	Selected mergers		Proposed
	Range	Median	merger
LTM Sales	0.7x-1.9x	1.1x	1.6x
LTM EBITDA	9.1x-14.0x	11.1x	15.5x

**Discounted Cash Flow Analysis.** Goldman Sachs performed a discounted cash flow analysis to determine indications of implied equity values per share of our common stock based on our management projections. In performing the discounted cash flow analysis, Goldman Sachs selected discount rates ranging from 8.0% to 11.0%, which discount rates were based on Goldman Sachs' business judgment, including its judgment as to our weighted average cost of capital, and applied those rates to implied prices per share of our common stock calculated using an illustrative terminal multiple of estimated EBITDA for the fiscal year 2011 and based on multiples ranging from 8.0x to 10.0x. Goldman Sachs also selected perpetuity growth rates ranging from 2.0% to 4.0% and applied those perpetuity growth rates in connection with its discounted cash flow analysis to reflect the impact of inflation and other factors that could impact our future free cash flow generation.

Based on the foregoing, Goldman Sachs derived illustrative implied equity values per share of our common stock ranging from \$68.32 to \$97.57 per share (based upon a terminal multiple of estimated 2011 EBITDA) or \$55.01 to \$138.90 per share (based upon the stated perpetuity growth rates), in each case assuming net debt of \$850.2 million and 39.7 million outstanding shares on a fully diluted basis.

**Illustrative Leveraged Buyout Analysis.** Goldman Sachs performed an illustrative leveraged buyout analysis using our management's forecasts so as to estimate the implied equity returns that a hypothetical financial buyer paying a purchase price of \$70.00, \$75.00, \$80.00 and \$85.00 per share of

our common stock and assuming the completion of an exit transaction at the end of a period of four years at a multiple of 9.0x estimated EBITDA might achieve over such period assuming base leverage of 7.0x, 7.25x, 7.5x, 7.75x and 8.0x our estimated LTM EBITDA as of March 31, 2007. This analysis implied internal rates of return of between 19.9% and 22.2% at an assumed purchase price of \$70.00 per share; between 15.4% and 16.8% at an assumed purchase price of \$75.00 per share; between 12.1% and 12.9% at an assumed purchase price of \$80.00 per share; between 9.2% and 9.5% at an assumed purchase price of \$85.00 per share; and of 6.7% at an assumed purchase price of \$90.00 per share.

Using the same forecasts, Goldman Sachs also performed an illustrative analysis so as to estimate the implied equity returns that a hypothetical financial buyer paying a purchase price of \$70.00, \$75.00, \$80.00 and \$85.00 per share of our common stock and assuming base leverage of 7.75x our estimated LTM EBITDA as of March 31, 2007 might achieve over a period of four years assuming the completion of an exit transaction at the end of such period at a range of estimated EBITDA exit multiples ranging from 8.0x to 10.0x. This analysis implied internal rates of return of between 16.0% and 26.4% at an assumed purchase price of \$70.00 per share; between 11.1% and 21.1% at an assumed purchase price of \$75.00 per share; between 7.5% and 17.2% at an assumed purchase price of \$80.00 per share; between 4.4% and 13.9% at an assumed purchase price of \$85.00 per share; and between 1.8% and 11.0% at an assumed purchase price of \$90.00 per share. Goldman Sachs' analysis, which assumed, for purposes of analyzing implied rates of return, hypothetical purchase prices ranging from \$70 to \$90, leverage ratios ranging from 7.0x to 8.0x LTM EBITDA as of March 31, 2007 and exit multiples ranging from 8.0x to 10.0x EBITDA as of March 31, 2007, indicated that, even assuming the full realization of Armor's forecasts, the returns to a financial buyer at prices at or near the \$88 per share offered by BAE Systems would be lower than the returns typically sought by financial buyers.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to our company or the contemplated transaction.

Goldman Sachs prepared these analyses for purposes of providing its opinion to our board of directors as to the fairness from a financial point of view of the \$88.00 per share in cash to be received by the holders of our common stock pursuant to the merger agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of our company, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The merger consideration was determined through arm's-length negotiations between our company BAE Systems and was approved by our board of directors. Goldman Sachs provided advice to our company during these negotiations. Goldman Sachs did not, however, recommend any specific amount of consideration to us or our board of directors or that any specific amount of consideration constituted the only appropriate consideration for the merger.

As described above, Goldman Sachs' opinion to our board of directors was one of many factors taken into consideration by our board of directors in making its determination to approve the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Appendix B.

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Goldman Sachs and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. Goldman Sachs has acted as financial advisor to us in connection with, and have participated in certain of the negotiations leading to, the transaction contemplated by the merger agreement. In addition, Goldman Sachs has provided certain investment banking services to our company from time to time, including having acted as lead manager with respect to a public offering of 4,000,000 shares of our common stock in June 2004 and as lead manager with respect to a public offering of our 2% Senior Subordinated Convertible Notes due November 1, 2024 (aggregate principal amount \$300,000,000) in October 2004. Goldman Sachs has provided certain investment banking services to BAE Systems plc from time to time, including having acted as BAE Systems plc's financial advisor in connection with the acquisition of Alvis plc in August 2004; as book runner with respect to BAE Systems plc's \$3,000,000,000 term loan in March 2005; as BAE Systems' financial advisor in connection with the acquisition of United Defense Industries, Inc. in June 2005; as co-manager in a public offering of BAE Systems plc's Floating Rate Notes due 2008, 2010 and 2015 in July 2005; and having acted as BAE Systems plc's financial advisor in connection with the divestiture of BAE Systems plc's minority interest in Airbus in October 2006. Goldman Sachs also may provide investment banking services to our company and BAE Systems in the future. In connection with the above-described investment banking services Goldman Sachs has received, and may receive in the future, compensation.

Goldman Sachs is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman Sachs and its affiliates may provide such services to us, BAE Systems and their respective affiliates, may actively trade the debt and equity securities (or related derivative securities) of our company and BAE Systems for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities.

Following its review of strategic alternatives for our company (see “—Background of the Merger”, commencing on page 16), our board determined to pursue the sale of our company and selected Goldman Sachs to act as our financial advisor in connection with the contemplated transaction. The board of directors of our company selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the merger. We engaged Goldman Sachs to act as our financial advisor pursuant to a letter agreement dated March 15, 2007. Pursuant to the terms of that engagement letter, we have agreed to pay Goldman Sachs a transaction fee of approximately \$30.6 million, \$25.6 million of which is payable upon consummation of the transaction. In addition, Armor has agreed to reimburse Goldman Sachs for its expenses, including attorneys' fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws. Had we consummated one of the strategic alternatives other than a sale of our company on which Goldman Sachs had advised us, a transaction fee would have been payable to Goldman Sachs in an amount to be agreed upon but in no event less than \$5.0 million.

Effects of the Merger

If the merger is approved by our stockholders and the other conditions to the closing of the merger are either satisfied or waived, Jaguar Acquisition Sub will be merged with and into us, with us being the surviving corporation. After the merger, BAE Systems will own all of our capital stock.

When the merger is completed, each share of our common stock issued and outstanding immediately prior to the effective time of the merger (other than shares owned or held by us, BAE Systems, Jaguar Acquisition Sub and/or our respective subsidiaries and shares held by stockholders who validly exercise and perfect appraisal rights) will be converted into the right to receive \$88.00 in cash, without interest. At the effective time of the merger, each outstanding stock award under our incentive plans will be fully vested and exercisable and will be canceled in exchange for (A) in the

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case of options to purchase our common stock, an amount in cash, if any, determined by multiplying (1) the excess, if any, of \$88.00 over the per share exercise price of the option and (2) the number of shares of our common stock subject to the option, and (B) with respect to awards of restricted stock, an amount in cash determined by multiplying (1) \$88.00 and (2) the number of shares of common stock subject to the restricted stock award, in each case net of any applicable withholding taxes and without interest.

At the effective time of the merger, our stockholders will cease to have ownership interests in us or rights as our stockholders. Therefore, you will not participate in any of our future earnings or growth and will not benefit from any of our appreciation in value.

Our common stock is currently registered under the Exchange Act and is quoted on the New York Stock Exchange under the symbol “AH”. As a result of the merger, we will be a privately held corporation, and there will be no public market for our common stock. After the merger, our common stock will cease to be listed on the New York Stock Exchange. In addition, registration of our common stock under the Exchange Act will be terminated.

If any condition to the merger is not satisfied or waived, including the necessary regulatory approvals, the merger will not be consummated. In that event, you will not receive any cash or other consideration as a result of these transactions.

## Risks that the Merger Will Not Be Completed

Completion of the merger is subject to various risks, including, but not limited to, the following:

- that the merger agreement will not be adopted by the holders of at least a majority of the outstanding shares of our common stock entitled to vote;
- that we will experience a material adverse effect (as defined in the merger agreement);
- that the parties will not have performed in all material respects their obligations contained in the merger agreement at or before the effective time of the merger;
- that we will not secure required governmental consents to, and approvals for, the merger;
- that the representations and warranties made by the parties in the merger agreement will not be true and correct to the extent required in the merger agreement immediately before the effective time of the merger;
- that there may be brought or pending any suit, action or proceeding by any governmental authority seeking to restrain or prohibit the consummation of the merger; and
- that there shall have been enacted or issued any injunction, order or other legal restraint preventing or prohibiting the consummation of the merger.



As used in the merger agreement, a “material adverse effect” with respect to us includes any event, change, circumstance or effect that individually, or in the aggregate, is material and adverse to the financial condition, results of operations, assets or business of Armor Holdings and its subsidiaries, taken as a whole, or would materially impair or delay our ability to perform our obligations under the merger agreement or consummate the transactions contemplated by the merger agreement.

In determining whether a material adverse effect has occurred or is reasonably likely, the parties will disregard events, changes, circumstances or effects resulting from or in connection with the following:

- any adoption, proposal, implementation or change in laws, rules, or regulations or interpretations thereof by any governmental authority, unless such event, change, circumstance or effect has a materially disproportionate effect on us and our subsidiaries, taken as a whole, compared with other companies operating in the same industry;
- any change in appropriations arising from any U.S. fiscal year or supplemental budget or from any foreign government budget;

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- changes in global, national or regional political conditions (including any outbreak, escalation, or diminishment of hostilities or war or any act of terrorism) or in general economic, business, regulatory, financial, capital market or political conditions, unless such event, change, circumstance or effect has a materially disproportionate effect on us and our subsidiaries, taken as a whole, compared with other companies operating in the same industry;
- any change affecting any of the industries in which we and our subsidiaries operate, unless such event, change, circumstance or effect has a materially disproportionate effect on us and our subsidiaries, taken as a whole, compared with other companies operating in the same industry;
- changes in GAAP or changes in its interpretation;
- changes in our market price or the trading volume of our securities or any suspension of trading in securities generally on any securities exchange on which our equity securities trade (however, any underlying event causing or contributing to the change in market price or trading volume will not be excluded in making a determination);
- certain changes resulting from the announcement or the existence of the merger agreement and the transactions contemplated thereby;
- our failure or inability to meet any internal or public projections, forecasts or estimates of revenues or earnings (however, any underlying event causing such failure will not be excluded in making a determination); or
- any action taken by us or our subsidiaries which is required by the merger agreement.

In addition, the merger agreement specifically provides that any event, change, circumstance or effect that was not known to BAE Systems as of the date of the merger agreement that, individually or in the aggregate (together with all other facts or circumstances whether or not known to BAE Systems as of the date of the merger agreement), has resulted in, or could reasonably be expected to result in, the suspension or debarment (as those terms are generally used in connection with government contracts) of us or any of our subsidiaries, affiliates or divisions (or any portion of the foregoing), from participation in the award of any contract with, or grant of any authorization from, any United States (whether Federal, state or local) governmental authority, in each case will be deemed to constitute a material adverse effect.

Interests of Our Officers and Directors in the Merger

In considering the recommendation of our board of directors with respect to the merger agreement, you should be aware that our executive officers and directors have interests in the merger that are different from, or in addition to, the interests of our stockholders generally. Our board of directors was aware of these interests and considered them, among other matters, in reaching its decision to approve the merger and to recommend that our stockholders vote in favor of adopting the merger agreement.

#### Stock Options and Restricted Stock Grants of our Officers and Directors

Our executive officers and directors will receive the same per share consideration for their shares of our common stock in the merger as all of our other stockholders. For the common stock holdings of our executive officers and directors see “Security Ownership of Certain Beneficial Owners and Management” beginning on page 62. In addition, under the terms of the merger agreement, the vesting of all unvested portions of stock options, restricted stock grants, restricted stock units or other equity awards granted to our executive officers and directors will be accelerated in full and any restrictions placed on them will be removed, each effective immediately prior to the effective time of the merger.

If our stockholders adopt the merger agreement and the merger is completed, each outstanding stock award will be cancelled in exchange for a lump sum cash payment (less any applicable

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withholding tax), if any, equal to (A) with respect to stock options, the product of (1) the total number of shares of our common stock subject to the stock option grant immediately prior to the effective time of the merger and (2) the excess, if any, of \$88.00 over the exercise price per share of our common stock subject to the stock option grant and (B) with respect to awards of restricted stock, the product of (1) the total number of shares of our common stock subject to the restricted stock award immediately prior to the effective time of the merger and (2) \$88.00.

The following table sets forth the number of shares of our common stock subject to outstanding stock options held by our executive officers and directors as of June 26, 2007, and the amount, assuming no option exercises prior to the consummation of the merger, that each executive officer and director will receive in exchange for the cancellation and termination of their options in connection with the merger:

	Shares subject to	Payment upon Merger in respect of Vested Options
Executive Officers and Directors	Options	
Warren B. Kanders	1,285,259 <sup>(1)</sup>	\$ 75,999,879
Robert R. Schiller	506,606 <sup>(2)</sup>	28,582,808
Glenn J. Heiar	200,000 <sup>(3)</sup>	10,792,500
Robert F. Mecredy	225,000 <sup>(4)</sup>	12,266,746
Dennis M. Dellinger	50,000 <sup>(5)</sup>	1,544,000
Burt R. Ehrlich	53,500 <sup>(6)</sup>	2,711,255
David R. Haas	50,000 <sup>(7)</sup>	2,487,500

Nicholas Sokolow	110,000 <sup>(8)</sup>	6,842,575
Deborah A. Zoullas	77,794 <sup>(9)</sup>	4,540,732

- (1) Consists of 956,459 vested options that are not subject to a lock-up and 328,800 vested options that are subject to a lock-up.
- (2) Consists of 287,405 vested options that are not subject to a lock-up and 219,201 vested options that are subject to a lock-up.
- (3) Consists of 66,250 vested options that are not subject to a lock-up and 133,750 vested options that are subject to a lock-up.
- (4) Consists of 93,750 vested options that are not subject to a lock-up and 131,250 vested options that are subject to a lock-up.
- (5) Consists of 10,000 vested options that are not subject to a lock-up and 40,000 unvested options.
- (6) Consists of 37,850 vested options that are not subject to a lock-up and 15,625 vested options that are subject to a lock-up.
- (7) Consists of 34,375 vested options that are not subject to a lock-up and 15,625 vested options that are subject to a lock-up.
- (8) Consists of 94,375 vested options that are not subject to a lock-up and 15,625 vested options that are subject to a lock-up.
- (9) Consists of 62,169 vested options that are not subject to a lock-up and 15,625 vested options that are subject to a lock-up.

The following table summarizes the restricted stock awards held by our executive officers and directors as of June 26, 2007, and the value of these awards based on the merger consideration of \$88.00 per share. Shares of restricted stock listed in the table below represent either unvested restricted stock awards or vested restricted stock awards that are subject to a lock-up agreement, all of which will be cancelled upon the merger in exchange for the merger consideration of \$88.00 per share.

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	Number of Shares of Restricted Stock	Payment upon Merger in respect of Restricted Stock
Executive Officers and Directors		
Warren B. Kanders	303,724 <sup>(1)</sup>	\$ 26,727,712
Robert R. Schiller	153,724 <sup>(2)</sup>	13,527,712
Glenn J. Heiar	25,652 <sup>(3)</sup>	2,257,376
Robert F. Mecredy	26,117 <sup>(3)</sup>	2,298,296
Dennis M. Dellinger	10,000	880,000
Burt R. Ehrlich	—	—
David R. Haas	—	—
Nicholas Sokolow	—	—
Deborah A. Zoullas	—	—

- (1) Includes 300,000 performance shares if the Company achieves a rolling four quarter EBITDA of \$304.8 million as well as a \$70 stock price for five consecutive trading days. As of June 26, 2007, the EBITDA and stock price targets described in the preceding sentence had been achieved.

(2)

Includes 150,000 performance shares if the Company achieves a rolling four quarter EBITDA of \$304.8 million as well as a \$70 stock price for five consecutive trading days. As of June 26, 2007, the EBITDA and stock price targets described in the preceding sentence had been achieved.

(3) Includes 25,000 shares of common stock that fully vest in the event of a change in control. Employment and Severance Agreements with our Executive Officers

We have entered into employment or severance agreements containing change in control provisions with Warren B. Kanders, our Chief Executive Officer and Chairman of our board of directors, Robert R. Schiller, our President and Chief Operating Officer, Glenn J. Heiar, our Chief Financial Officer, Robert F. Mecredy, our President — Aerospace & Defense Group, and Dennis M. Dellinger, our Chief Operating Officer — Aerospace & Defense Group, providing for certain benefits if, as more fully described in the footnotes to the table below, their employment is terminated under certain circumstances or, in the case of certain of these executives, if they choose to terminate their employment, following a change in control, which the merger would constitute. In addition to the vesting of unvested options and stock awards, which is addressed in the foregoing tables, the employment and severance agreements provide change in control benefits including, but not limited to, cash severance payments based on base salary and prior bonus and medical benefits. Additionally, our supplemental executive retirement plan, or SERP, provides for the crediting of additional years of service upon a change in control for purposes of calculating benefits payable under our SERP.

The table below reflects the change in control benefits, other than with respect to acceleration of options and restricted stock awards, which is addressed in the foregoing tables, that the executives will be entitled to receive if, as more fully described in the footnotes to the table below, their employment is terminated under certain circumstances or, in the case of certain executives, if they choose to terminate their employment, following the consummation of the merger. The amounts shown in the table below assume that such termination was effective as of June 26, 2007, and thus includes amounts earned through such time and are estimates of the amounts which would be paid out to the executives upon their termination. The actual amounts to be paid out can only be determined at the time of each executive's separation from our company.

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Executive Officer <sup>(1)</sup>	Cash Severance		Supplemental Executive Retirement Plan <sup>(4)</sup>	Medical Benefits (\$)	Other (\$)	Total (\$)
	Salary (\$)	Bonus (\$)				
Warren B. Kanders	\$3,000,000 <sup>(2)</sup>	\$9,900,000 <sup>(3)</sup>	\$264,000 <sup>(4)</sup>	\$33,009 <sup>(5)</sup>	\$3,237,525 <sup>(6)</sup>	\$17,434,000 <sup>(7)</sup>
Robert R. Schiller	2,100,000 <sup>(7)</sup>	8,100,000 <sup>(8)</sup>	622,000 <sup>(4)</sup>	33,009 <sup>(9)</sup>	—	10,855,000 <sup>(10)</sup>
Glenn J. Heiar	325,000 <sup>(10)</sup>	—	222,000 <sup>(4)</sup>	11,003 <sup>(11)</sup>	—	558,000 <sup>(12)</sup>
Robert R. Mecredy	400,000 <sup>(12)</sup>	—	916,000 <sup>(4)</sup>	11,003 <sup>(13)</sup>	—	1,327,000 <sup>(14)</sup>
Dennis M. Dellinger	680,000 <sup>(14)</sup>	600,000 <sup>(15)</sup>	336,000 <sup>(4)</sup>	22,006 <sup>(16)</sup>	15,000 <sup>(17)</sup>	1,653,000 <sup>(18)</sup>

(1) The benefits summarized in this table are triggered: (A) in the case of Messrs. Kanders and Schiller, if such executive terminates his employment following the consummation of the merger; (B) in the case of Messrs. Heiar and Mecredy, if such executive is terminated without cause following the consummation of the merger, provided that the medical benefits summarized in the table are also payable if such executive terminates his employment following a change in control; and (C) in the case of Mr. Dellinger, if his employment is terminated following the consummation of the merger other than (i) by us for cause, (ii) by reason of death or disability, or (iii) by Mr. Dellinger without good reason.

We have also entered into indemnification agreements with Messrs. Kanders and Schiller relating to payment of any excess parachute payments, within the meaning of Section 280G(b)(1) of the Code, to which they may become subject

as a result of the consummation of the merger.

- (2) Mr. Kanders to receive three times his annual salary of \$1,000,000.
- (3) Mr. Kanders to receive three times his highest annual bonus of \$3,300,000.
- (4) Executive officer to be credited with four additional years of service for purpose of calculating benefits payable under our SERP if such executive officer is terminated without cause or terminates his employment for good reason within two years of the completion of the merger.
- (5) Mr. Kanders to receive 36 months of medical benefits valued at \$11,003 per year.
- (6) Mr. Kanders to receive five times the greatest annual amount of the full cost of maintaining his principal office including, without limitation, costs for rent, utilities, secretarial services, information services, transportation services and similar office-related expenses.
- (7) Mr. Schiller to receive three times his annual salary of \$700,000.
- (8) Mr. Schiller to receive three times his highest annual bonus of \$2,700,000.
- (9) Mr. Schiller to receive 36 months of medical benefits valued at \$11,003 per year.
- (10) Mr. Heiar to receive one times annual salary of \$325,000.
- (11) Mr. Heiar to receive twelve months of medical benefits valued at \$11,003 per year.
- (12) Mr. Mecredy to receive one times annual salary of \$400,000.
- (13) Mr. Mecredy to receive twelve months of medical benefits valued at \$11,003 per year.
- (14) Mr. Dellinger to receive two times annual salary of \$340,000.
- (15) Mr. Dellinger to receive two times his annual bonus of \$300,000.
- (16) Mr. Dellinger to receive 24 months of medical benefits valued at \$11,003 per year.
- (17) In the event Mr. Dellinger's employment is terminated upon a change in control, he is to receive one year of outplacement services valued at \$15,000.

#### Consulting Arrangements

Pursuant to the employment agreements of Mr. Kanders and Mr. Schiller, if they terminate their employment upon the consummation of the merger, as they are entitled to do under their employment agreements, then we could request that they provide consulting services to our company for a period of six months following the effective date of such change in control and their termination of their respective employment agreement and we would be required to pay them a consulting fee for the six-month period in an amount equal to the compensation they would have received under their employment agreement had it been in effect for the six-month period. This consulting fee would be in addition to any other payments that Messrs. Kanders and Schiller would be entitled to receive upon a change in control and termination of employment.

#### Employee Compensation and Benefits

From and after the effective time of the merger until December 31, 2008, BAE Systems has agreed to provide our employees as of the effective time of the merger and former employees (and

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those of our subsidiaries), which we refer to in this proxy statement as "Covered Employees", with employee benefits and compensation plans, programs and arrangements (including base salary and annual bonus opportunities) substantially comparable, in the aggregate (but excluding the value of equity awards), to those provided by us or our subsidiaries to such persons immediately prior to the effective time of the merger. Nothing in the merger agreement prevents BAE Systems from terminating any employee subject to applicable severance obligations or agreements or

benefit arrangements in accordance with their terms.

From and after the effective time of the merger, BAE Systems shall provide all Covered Employees with service credit (for purposes of eligibility, participation, vesting, levels of benefits and benefit accruals (other than benefit accruals under any defined benefit pension plan) under any employee benefit or compensation plan, program or arrangement adopted, maintained or contributed to by BAE Systems or any of its subsidiaries in which Covered Employees are eligible to participate) for all periods of employment with us or any of our subsidiaries prior to the completion of the merger to the extent credited by us for purposes of a comparable plan (provided that there will be no duplication of benefits) and cause any pre-existing conditions, limitations, eligibility waiting periods or required physical examinations under any welfare benefit plans of BAE Systems or any of its subsidiaries to be waived with respect to the Covered Employees and their eligible dependents to the extent waived under the corresponding plan (for a comparable level of coverage) in which the applicable Covered Employee participated immediately prior to the completion of the merger. If our medical and/or dental benefit plans for Covered Employees are terminated prior to the end of a plan year, Covered Employees and their dependents who are then participating in a deductible-based medical and/or dental plan sponsored by us will be given credit for deductibles and eligible out-of-pocket maximums during the portion of the plan year preceding the termination date in a comparable deductible-based medical and/or dental plan of BAE Systems or any of its subsidiaries for the corresponding benefit plan year.

We and BAE Systems shall honor, or cause to be honored, in accordance with their terms, all vested or accrued benefit obligations to, and contractual rights of, Covered Employees of the Company and its Subsidiaries, including any benefits or rights arising as a result of the merger.

We and BAE Systems have also agreed that each of our Covered Employees will be eligible to participate in a bonus plan maintained by BAE Systems for the remainder of the fiscal year ending December 31, 2007 on substantially the same terms and conditions in the aggregate and pursuant to substantially the same targets and performance measures similar to those established for our fiscal year ending December 31, 2007. Our performance in respect of calculations made under the 2007 bonus plan will be calculated without taking into account any expenses or costs associated with or arising as a result of the merger or any transactions contemplated by the merger agreement that would not reasonably be expected to have been incurred had the transactions contemplated by the merger agreement not occurred.

#### Deferred Compensation Plans

Following the closing of the merger, all account balances under our management deferred compensation plans and all previously deferred annual bonus payments will be paid out in cash to participants therein, which include our executive officers, by us or the surviving corporation of the merger, less any required withholding taxes.

#### Directors' and Officers' Indemnification and Insurance

The merger agreement provides that the provisions relating to indemnification, advancement of expenses and exculpation of our present and former directors and present officers in the certificate of incorporation and bylaws of the surviving corporation (which shall be in a form substantially similar to the provisions existing as of the date of the merger agreement in our restated certificate of incorporation and amended and restated bylaws, as amended immediately prior to the completion of the merger) shall not be amended, repealed or otherwise modified for six years and one day after the effective time of the merger in any manner that would adversely affect the rights thereunder of any individual who was one of our directors or officers either at the effective time of the merger or the date of the merger agreement.

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Pursuant to the merger agreement, the surviving corporation agrees to indemnify, defend and hold harmless our present and former directors, and the present officers against all costs or expenses (including reasonable attorneys' fees and costs of investigation), judgments, fines, losses, claims, damages or liabilities as incurred, in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, whether asserted or claimed prior to, at, or after the effective time of the merger, arising out of actions or omissions in their capacity as our directors or officers before or at the effective time of the merger, to the fullest extent permitted by law, other than actions or omissions constituting criminal conduct or any violation of federal, state or foreign securities laws.

Under the merger agreement, on or prior to the date of the merger agreement, either we or BAE Systems will purchase "run-off" or "tail" insurance for directors' and officers' liability insurance and fiduciary liability coverage with respect to matters existing or occurring at or before the effective time of the merger, with a claims period of at least six years from the effective time of the merger. Such insurance shall contain coverage in an amount and scope no less favorable than those provided in the director's and officer's liability insurance currently provided by us as of the date of the merger agreement; however, none of BAE Systems, the surviving corporation or Armor Holdings is obligated to pay an annual premium for such coverage in excess of 300% of the most recent annual premium paid by us as of the date of the merger agreement, in which event the obligation shall be only to provide the maximum coverage available for an annual premium not in excess of such amount.

If BAE Systems or any of its successors or assigns consolidates with or merges into any other entity and is not the continuing or surviving entity or transfers all or substantially all of its assets to any entity, the surviving or transferee entity shall assume the indemnification and insurance obligations discussed above.

## Regulatory Approvals Required For The Merger

The HSR Act, and the rules and regulations promulgated thereunder require that each of us and BAE Systems file notification and report forms with respect to the merger and related transactions with the Antitrust Division of the Department of Justice, or the DOJ, and the Federal Trade Commission, or the FTC. We and BAE Systems filed the Notification and Report Form with the Antitrust Division and the Federal Trade Commission on May 17, 2007. The parties are required to observe a waiting period after these filings before completing the merger and the transactions contemplated by the merger agreement. If early termination is not granted, the waiting period will expire at 11:59 p.m. on June 18, 2007, unless the DOJ or FTC issues a second request for additional information, in which case the waiting period will expire 30 days after substantial compliance with such request, or unless we and BAE Systems decide to withdraw our filings and refile at a later date, in which case the waiting period will recommence. On June 18, 2007, with our consent, BAE Systems voluntarily withdrew its HSR filing and refiled in order to extend the initial HSR review period. The DOJ, the FTC, state antitrust authorities or a private person or entity could seek to enjoin the merger under federal or state antitrust laws at any time before completion of the merger or to compel rescission or divestiture at any time subsequent to the merger. We cannot assure you that a challenge to the merger will not be made by the DOJ, the FTC, state antitrust authorities or a private person or entity or that, if made, BAE Systems and we would prevail or would not be required to accept various conditions, including divestitures, to complete the merger, or that such challenge would not delay or prevent the consummation of the merger. In addition, in connection with the merger, we and BAE Systems are required to provide notification to, and obtain the approval from, the German Federal Cartel Office (the Bundeskartellamt), which approval has been obtained.

Under Exon-Florio, the President of the United States is authorized to prohibit or suspend acquisitions, mergers or takeovers by foreign persons of persons engaged in interstate commerce in the United States if the President determines, after investigation, that such foreign persons in exercising control of such acquired persons might take

action that threatens to impair the national security of the United States and that other provisions of existing law do not provide adequate authority to protect national security. The merger is subject to review under Exon-Florio by CFIUS. CFIUS, which has been selected by the President to administer Exon-Florio, is comprised of

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representatives from twelve government entities, including the Departments of the Treasury, State, Commerce, Defense, Homeland Security and Justice, the Office of Management and Budget, the United States Trade Representative's Office and the Council of Economic Advisors. On June 21, 2007, the United States Department of the Treasury notified us that CFIUS had completed its review of the merger. CFIUS determined that there were no issues of national security to warrant an investigation under Exon-Florio. Therefore, CFIUS concluded action under Exon-Florio with respect to the merger.

Under the merger agreement, both we and BAE Systems have agreed to use our reasonable best efforts to obtain all required governmental approvals and avoid any action or proceeding by a governmental entity in connection with the execution of the merger agreement and completion of the merger, including, subject to the limitations below, disposing of or holding separate any businesses or assets of us, BAE Systems or any of their respective affiliates. Notwithstanding the above, the merger agreement does not require BAE Systems and its affiliates (i) to agree to any prohibition, limitation or restriction on our or our affiliates' operations or the operations of BAE Systems or any of its affiliates, or any material portion of our or our affiliates' business or assets or a material portion of the business and assets of BAE Systems or any of its affiliates', as a result of the merger or any of the transactions contemplated by the merger agreement, or (ii) to compel us or our affiliates, or BAE Systems or any of its affiliates, to dispose of or hold separate any portion of their respective business or assets that would reasonably be expected to have a material adverse effect on the financial condition, results of operations, assets, or business of (x) us and our subsidiaries, taken as a whole, or (y) BAE Systems and its subsidiaries, taken as a whole (measured against our financial condition, results of operations and assets of our and our subsidiaries' business, taken as a whole) as a result of the merger or any of the transactions contemplated by the merger agreement.

## Certain Litigation Regarding the Merger

On May 10, 2007, a purported shareholder class action complaint, captioned Marc Whiteman v. Armor Holdings, Inc., et al., was filed in the Circuit Court of the 4<sup>th</sup> Judicial Circuit for Duval County, Florida. We and our directors were named as defendants in this complaint. The complaint generally alleges that, in connection with approving the merger, our directors breached their fiduciary duties owed to our stockholders. The plaintiff alleges that the directors violated duties owed to plaintiff and our other public stockholders, including their duties of loyalty, good faith and independence, engaged in self-dealing, and failed to properly value our company. The complaint does not seek monetary damages but seeks, among other things, certification of the case as a class action, a declaration that the merger agreement was entered into in violation of the directors' fiduciary duties, an injunction precluding consummation of the merger and reasonable attorneys' fees. Based on our review of the complaint, we believe that the claims are without merit and we intend to defend them vigorously.

## Material U.S. Federal Income Tax Consequences

The following discussion summarizes the material U.S. federal income tax consequences of the merger that are generally applicable to United States holders (as defined below) of our common stock. This discussion is based on currently existing provisions of the Internal Revenue Code of 1986, as amended, referred to as the Code in this proxy



statement, existing and proposed Treasury Regulations promulgated under the Code, and current administrative rulings and court decisions, all of which are subject to change, possibly with retroactive effect. This discussion does not address state, local or foreign tax consequences that may be applicable to the parties specified in the first sentence of this paragraph, and such parties should consult their own tax advisors with respect to such consequences.

#### United States Holders

The following discussion applies only to United States holders of our common stock who hold such shares as capital assets and may not apply to shares of our common stock acquired pursuant to the exercise of employee stock options or other compensation arrangements (and does not apply to the exchange or cancellation of employee stock options, including the receipt of cash therefor), and

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this discussion does not address tax issues relevant to certain classes of taxpayers who may be subject to special treatment under the Code, such as banks, other financial institutions, insurance companies, tax-exempt investors, regulated investment companies, real estate investment trusts, persons subject to the alternative minimum tax, persons who hold their shares of our common stock as part of a position in a “straddle” or as part of a “hedging” or “conversion” transaction, persons who are deemed to sell their shares of our common stock under the constructive sale provisions of the Code, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons that have a functional currency other than the U.S. dollar, expatriates, S corporations, entities classified as partnerships for U.S. federal income tax purposes or stockholders who hold shares of our common stock as dealers. All such United States holders should consult their own tax advisors concerning the U.S. federal income tax consequences of the merger to their particular situations.

This summary is not a substitute for an individual analysis of the tax consequences of the merger to you. Tax matters are very complex and the tax consequences of the merger to you will depend on the facts of your particular situation. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you, including the federal, state, local and foreign tax consequences of the merger.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax consequences) holds shares of our common stock, the tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. Partnerships and partners in partnerships holding shares of our common stock should consult their tax advisors.

For purposes of this discussion, a “United States holder” means a holder that is:

- a citizen or resident alien of the United States,
- a corporation (or other entity treated as an association taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state,
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or
- a trust if:
  - a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust, or

- the trust has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

In general, United States holders of shares of our common stock who receive cash in exchange for their shares pursuant to the merger should recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount of cash received and the adjusted tax basis in their shares of our common stock. If a stockholder holds our common stock as a capital asset, the gain or loss should generally be a capital gain or loss. If the stockholder has held the shares for more than one year, the gain or loss should generally be a long term capital gain or loss. The deductibility of capital losses is subject to limitations.

Holders of our common stock are entitled to appraisal rights under Delaware law in connection with the merger. If a United States holder receives cash pursuant to the exercise of appraisal rights, that United States holder generally will recognize gain or loss measured by the difference between the amount of cash received and the adjusted tax basis in their shares of our common stock. This gain should be long-term capital gain or loss if the United States holder held our common stock for more than one year. Any holder of our common stock that plans to exercise appraisal rights in connection with the merger is urged to consult a tax advisor to determine the related tax consequences.

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U.S. federal income tax law requires that a holder of our common stock provide the disbursing agent with his or her correct taxpayer identification number, which is, in the case of a United States holder who is an individual, a social security number, or, in the alternative, establish a basis for exemption from backup withholding. Exempt holders, including, among others, corporations and some foreign individuals, are not subject to backup withholding and reporting requirements. If the correct taxpayer identification number or an adequate basis for exemption is not provided, a holder will be subject to backup withholding on any reportable payment. Any amounts withheld under the backup withholding rules from a payment to a United States holder will be allowed as a credit against that United States holder's U.S. federal income tax and may entitle the United States holder to a refund, if the required information is furnished to the Internal Revenue Service.

To prevent backup withholding, each United States holder of our common stock must complete the Substitute Form W-9 which will be provided by the disbursing agent with the transmittal letter and certify under penalties of perjury that

- the taxpayer identification number provided is correct or that the United States holder is awaiting a taxpayer identification number, and
- the United States holder is not subject to backup withholding because
  - the United States holder is exempt from backup withholding,
  - the United States holder has not been notified by the Internal Revenue Service that such holder is subject to backup withholding as a result of the failure to report all interest or dividends, or
  - the Internal Revenue Service has notified the United States holder that such holder is no longer subject to backup withholding.

The Substitute Form W-9 must be completed, signed and returned to the disbursing agent.

## Appraisal Rights

THE FOLLOWING DISCUSSION IS A SUMMARY OF THE MATERIAL STATUTORY PROCEDURES TO BE FOLLOWED BY A HOLDER OF OUR COMMON STOCK IN ORDER TO DISSENT FROM THE MERGER AND PERFECT DISSENTERS' RIGHTS OF APPRAISAL. IF YOU WANT TO EXERCISE APPRAISAL RIGHTS, YOU SHOULD REVIEW CAREFULLY SECTION 262 OF THE DGCL, WHICH IS ATTACHED AS APPENDIX C TO THIS PROXY STATEMENT. YOU ARE URGED TO CONSULT A LEGAL ADVISOR BEFORE ELECTING OR ATTEMPTING TO EXERCISE THESE RIGHTS. THE FAILURE TO PRECISELY FOLLOW ALL NECESSARY LEGAL REQUIREMENTS MAY RESULT IN THE LOSS OF APPRAISAL RIGHTS. THIS DESCRIPTION IS NOT COMPLETE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SECTION 262 OF THE DGCL. STOCKHOLDERS SEEKING TO EXERCISE APPRAISAL RIGHTS MUST STRICTLY COMPLY WITH THESE PROVISIONS.

Under the DGCL, if you do not wish to accept the cash payment provided for in the merger agreement, you have the right to seek appraisal of your common stock and to receive the "fair value" of those shares in cash, exclusive of any element of value arising from the accomplishment or expectation of the merger, as determined by the Delaware Court of Chancery, or the Chancery Court, in lieu of the merger consideration. Holders of our common stock electing to exercise appraisal rights must comply with the provisions of Section 262 of the DGCL, or Section 262, in order to perfect their rights.

Section 262 requires that holders of record of our common stock be notified that appraisal rights will be available not less than 20 days before the annual meeting to vote on the merger agreement. A copy of Section 262 must be included with such notice. This proxy statement constitutes our notice to our stockholders of the availability of appraisal rights in connection with the merger in compliance with the requirements of Section 262. If you wish to consider exercising your appraisal rights, you should carefully review the text of Section 262 contained in Appendix C since failure to timely and properly comply precisely with the requirements of Section 262 will result in the loss of your appraisal rights under Delaware law.

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If you elect to demand appraisal of your shares, you must satisfy each of the following conditions:

- You must deliver to us a written demand for appraisal of your shares before the vote on the merger agreement is taken. A demand for appraisal must reasonably inform us of the identity of the holder of record of our common stock and that such holder intends thereby to demand appraisal of his or her shares of our common stock. This written demand for appraisal must be in addition to and separate from any proxy or vote abstaining from or voting against adoption of the merger agreement. Voting against or failing to vote for adoption of the merger agreement by itself does not constitute a demand for appraisal within the meaning of Section 262.
- You must not vote in favor of adoption of the merger agreement. A vote in favor of adoption of the merger agreement, by proxy or in person, will constitute a waiver of your appraisal rights in respect of the shares so voted and will nullify any previously filed written demands for appraisal.

If you fail to comply with either of these conditions and the merger is completed, you will be entitled to receive the merger consideration for your shares of our common stock as provided for in the merger agreement, but you will have no appraisal rights with respect to your shares of our common stock.

All demands for appraisal should be addressed to Armor Holdings, Inc. at 13386 International Parkway, Jacksonville, Florida 32218, Attention: Ian T. Graham, Secretary, before the vote on the merger agreement is taken at the annual meeting, and should be executed by, or on behalf of, the record holder of the shares of our common stock for which appraisal is sought.

To be effective, a demand for appraisal by a holder of our common stock must be made by, or in the name of, such record stockholder, fully and correctly, as such holder's name appears on his or her stock certificate(s). Beneficial owners who do not also hold of record may not directly demand appraisal. The beneficial holder must, in such cases, have the record holder submit the required demand in respect of those shares. If shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal must be made in that capacity; and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand must be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a record stockholder; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, who holds shares as a nominee for others, may exercise his or her right of appraisal with respect to the shares held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares as to which appraisal is sought. Where no number of shares is expressly mentioned, the demand will be presumed to cover all shares held in the name of the record owner.

If you hold your shares of our common stock in a brokerage account or in other nominee form and you wish to exercise appraisal rights, you should consult with your broker or the other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.

Within 10 days after the completion of the merger, the surviving corporation must give written notice that the merger has become effective to each record stockholder who has properly filed a written demand for appraisal and who did not vote in favor of the merger. At any time within 60 days after the completion of the merger, any record stockholder who has demanded an appraisal has the right to withdraw the demand and to accept the merger consideration for his or her shares of our common stock. Within 120 days after the completion of the merger, either the surviving corporation or any record stockholder who has complied with the requirements of Section 262 may file a petition in the Chancery Court demanding a determination of the fair value of the shares held by all stockholders entitled to appraisal. The surviving corporation has no obligation to file such a petition in the event there are record stockholders seeking appraisal. Accordingly, the failure of a stockholder to file such a petition within the period specified could nullify the stockholder's previously written demand for appraisal.

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If a petition for appraisal is duly filed by a record stockholder and a copy of the petition is served on the surviving corporation, the surviving corporation will then be obligated, within 20 days after such service of a copy of the petition, to provide the Chancery Court with a duly verified list containing the names and addresses of all record stockholders who have demanded appraisal of their shares. After notice to record stockholders who have demanded appraisal of their shares, the Chancery Court is empowered to conduct a hearing upon the petition, and to determine those record stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided thereby. The Chancery Court may require the record stockholders who have demanded appraisal of their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with that direction, the Chancery Court may dismiss the

proceedings as to that stockholder.

After determination of the record stockholders entitled to appraisal of their shares of our common stock, the Chancery Court will appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest. When the value is determined, the Chancery Court will direct the payment of such value, with interest thereon accrued, if any, as the Chancery Court so determines, to the record stockholders entitled to receive the same, upon surrender by such holders of the stock certificates with respect to those shares.

In determining fair value exclusive of any element of value arising from the accomplishment or expectation of the merger, the Chancery Court is required to take into account all relevant factors. You should be aware that the fair value of your shares as determined under Section 262 could be more, the same, or less than the merger consideration that you are entitled to receive under the terms of the merger agreement.

Costs of the appraisal proceeding may be imposed upon the surviving corporation and the stockholders participating in the appraisal proceeding by the Chancery Court as the Chancery Court deems equitable in the circumstances. Upon the application of a record stockholder, the Chancery Court may order all or a portion of the expenses incurred by any record stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. Any stockholder who had demanded appraisal rights will not, after completion of the merger, be entitled to vote shares subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares, other than with respect to payment to holders of record as of a date prior to the completion of the merger; however, if no petition for appraisal is filed within 120 days after the completion of the merger, or if a record stockholder delivers a written withdrawal of his or her demand for appraisal and an acceptance of the terms of the merger within 60 days after completion of the merger, then the right of that stockholder to appraisal will cease and that stockholder will be entitled to receive the merger consideration for shares of his or her shares of our common stock pursuant to the merger agreement. Any withdrawal of a demand for appraisal made more than 60 days after completion of the merger may only be made with the written approval of the surviving corporation. No appraisal proceeding in the Chancery Court will be dismissed as to any record stockholder without the approval of the Chancery Court, and such approval may be subject to such conditions as the Chancery Court deems just.

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### THE MERGER AGREEMENT

The following is a summary of the material terms of the merger agreement, which is qualified in its entirety by reference to the complete text of the merger agreement, which is attached to this proxy statement as Appendix A and is incorporated by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. To understand the merger more fully, and for a more complete legal description of the merger, you are urged to read carefully the entire proxy statement, including the merger agreement and the other appendices.

The descriptions of the merger agreement in this proxy statement have been included to provide you with information regarding its terms. Except for its status as the contractual document between the parties with respect to the merger, it is not intended to provide factual information about BAE Systems, Jaguar Acquisition Sub or us. The representations and warranties described below were made by each of BAE Systems, Jaguar Acquisition Sub and us to the other, as

applicable. The assertions embodied in those representations and warranties were made solely for purposes of the contract among BAE Systems, Jaguar Acquisition Sub and us and may be subject to important qualifications and limitations agreed to by BAE Systems, Jaguar Acquisition Sub and us in connection with negotiating its terms. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may be subject to a contractual standard of materiality different from those generally applicable to stockholders or may have been used for the purpose of allocating risk among BAE Systems, Jaguar Acquisition Sub and us rather than establishing matters as facts.

#### Structure of the Merger

The merger agreement provides that, following the adoption of the merger agreement by our stockholders and the satisfaction or waiver of the other conditions to the merger, including receipt of certain specified required regulatory approvals, Jaguar Acquisition Sub will be merged with and into us. We will be the surviving corporation in the merger and will be a wholly owned subsidiary of BAE Systems and, as a result of the merger, will cease to be a publicly traded company.

#### Effective Time of the Merger

The merger will become effective upon the execution, delivery and filing of a certificate of merger with the Secretary of State of the State of Delaware on the closing date of the merger (or at a later time, if agreed to by the parties and specified in the certificate of merger). We expect that the merger will be completed in the third quarter of 2007 after all conditions to the proposed merger have been satisfied or waived by BAE Systems and Armor Holdings, including the affirmative vote of holders of at least a majority of all outstanding shares of our common stock entitled to vote in favor of adoption of the merger agreement and required approvals from government authorities. However, we cannot assure you that all conditions to the merger, as set forth in the merger agreement, will be satisfied or waived or, if satisfied or waived, the date by which they will be satisfied or waived.

#### Certificate of Incorporation; Bylaws and Directors and Officers of the Surviving Corporation

When the merger becomes effective, our certificate of incorporation, as amended and in effect immediately before the effective time, will become the certificate of incorporation of the surviving corporation. The bylaws of Jaguar Acquisition Sub, as in effect immediately prior to the effective time, will become the bylaws of the surviving corporation as of the effective time, except to the extent they need to be amended to effectuate the indemnification obligations of BAE Systems and Armor Holdings provided in the merger agreement.

The directors of Jaguar Acquisition Sub immediately prior to the effective time of the merger will be the directors of the surviving corporation following the merger until their respective successors are duly elected or appointed and qualified. Our officers as of the effective time will become the officers of the surviving corporation, subject to the right of the board of directors of the surviving corporation to appoint or replace officers.

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#### Merger Consideration

At the effective time of the merger each issued and outstanding share of our common stock, except those shares owned or held by us or our subsidiaries, or BAE Systems, Jaguar Acquisition Sub or any of their respective

subsidiaries, will automatically be cancelled and converted into the right to receive \$88.00 in cash, without interest, upon surrender of their share certificates in accordance with the terms and conditions of the merger agreement; provided, that shares of our common stock that are outstanding immediately prior to the effective time of the merger and that are held by a holder that has, with respect to such share, perfected and not withdrawn or lost their right to dissent under Section 262 of the DGCL shall not be converted into or represent a right to receive merger consideration of \$88.00 per share and shall be entitled only to such rights as are granted by Section 262 of the DGCL after compliance with the procedures contained therein. See “The Merger — Appraisal Rights” on page 42.

At the effective time of the merger, each issued and outstanding share of common stock of Jaguar Acquisition Sub will be converted into one fully paid and non-assessable share of common stock, \$0.01 par value, of the surviving corporation.

#### Exchange Procedures

Immediately prior to the effective time of the merger, BAE Systems shall deposit with our current transfer agent or a disbursing agent agreed upon between BAE Systems and us (either, as the case may be, is referred to herein as the “disbursing agent”) an amount in cash sufficient to pay the aggregate merger consideration payable to all holders of our common stock and all holders of stock awards. BAE Systems will also make funds available to the disbursing agent from time to time after the effective time as needed to pay the merger consideration. The disbursing agent will deliver to BAE Systems any cash remaining in its possession, together with any earnings in respect thereof, one year after the effective time of the merger. Thereafter, any former holder of our common stock may look only to BAE Systems or the surviving corporation (solely as a general creditor thereof) for payment of merger consideration to which they may be entitled. None of us, BAE Systems, Jaguar Acquisition Sub or the disbursing agent will be liable to any former stockholder of ours for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

Within four business days after the effective time of the merger, BAE Systems will cause the disbursing agent to mail or deliver to each party that was, immediately prior to the effective time, a holder of record of shares of our common stock a transmittal letter containing instructions to effect the surrender of the holder’s certificates in exchange for payment of the merger consideration. Our stockholders who surrender their stock certificates to the disbursing agent, together with a properly completed and signed transmittal letter and any other documents required by the instructions to the transmittal letter, will receive \$88.00 per share of our common stock surrendered to the disbursing agent, less any applicable withholding taxes.

You should not return your stock certificates representing shares of our common stock with the enclosed proxy card, and you should not forward your stock certificates to the disbursing agent without a transmittal letter. In all cases, the merger consideration will be paid only in accordance with the procedures set forth in the merger agreement and the transmittal letter.

If payment of the merger consideration is to be made to a person other than the person in whose name a share certificate is registered, it will be a condition of payment that such certificate shall be properly endorsed or otherwise be in proper form for transfer and the person requesting such payment either pay any applicable taxes required or establish, to the reasonable satisfaction of the disbursing agent, that the tax has been paid or is not applicable.

At and after the effective time of the merger, our stock transfer books will be closed and no further issuances or transfers of our shares will be made. Any certificates presented to the surviving corporation or the disbursing agent after the effective time will be exchanged as set forth above.

If any share certificate is lost, stolen or destroyed, the distributing agent will pay the merger consideration for the number of shares represented by such certificate upon delivery by the person

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seeking payment of an affidavit in lieu of the certificate, and if required by the surviving corporation or the disbursing agent, an indemnity bond in form and substance and with surety reasonably satisfactory to the surviving corporation or the disbursing agent.

## Treatment of Stock Awards

We will terminate our existing stock award plans immediately prior to the effective time without prejudice to the rights of the holders of stock awards that are outstanding pursuant thereto and thereafter grant no further stock awards or permit the receipt of shares pursuant thereto. At the effective time of the merger, each outstanding stock award will be fully vested and exercisable and will be canceled in exchange for a lump sum cash payment equal to: (A) with respect to stock option awards, the product of (1) the excess, if any, of \$88.00 over the per share exercise price of the option award and (2) the number of shares of the Company's common stock subject to the option award; and (B) with respect to awards of restricted stock, the product of (1) the total number of shares of the Company's common stock subject to each holder's stock award immediately prior to the effective time of the merger and (2) \$88.00.

## Representations and Warranties

The representations and warranties described below were made by each of BAE Systems, Jaguar Acquisition Sub and us to the other, as applicable. The assertions embodied in those representations and warranties were made solely for purposes of the contract among BAE Systems, Jaguar Acquisition Sub and us and may be subject to important qualifications and limitations agreed to by BAE Systems, Jaguar Acquisition Sub and us in connection with negotiating its terms. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may be subject to a contractual standard of materiality different from those generally applicable to stockholders or may have been used for the purpose of allocating risk among BAE Systems, Jaguar Acquisition Sub and us rather than establishing matters as facts.

## Our Representations and Warranties

We make various representations and warranties in the merger agreement with respect to us and our subsidiaries that are subject, in some cases, to disclosures and specified exceptions and qualifications. Our representations and warranties relate to, among other things:

- our and our subsidiaries' due organization, valid existence and good standing;
- our certificate of incorporation, bylaws, and minutes of stockholders, board of directors, and committee meetings from January 1, 2004 through December 31, 2006;
- our capital structure and outstanding indebtedness for borrowed money;
- our ownership of each of our subsidiaries;
- the corporate power and authority of us and each of our subsidiaries to own our and their respective properties and assets and carry on our and their respective businesses as they are now being conducted;
- our and each of our subsidiaries' power and authority to execute, deliver and perform their respective obligations under the merger agreement and to consummate the transactions contemplated thereby;



- our due authorization, execution and delivery of the merger agreement;
- the enforceability of the merger agreement against us;
- the consents, approvals and filings required for us and our subsidiaries to execute, deliver and perform the merger agreement or to consummate the merger;
- the absence of breaches, violations or defaults under our organizational documents, material contracts and law that may occur as a result of us entering into or performing the merger agreement or by us consummating the transactions contemplated thereby;

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- the filing or furnishing of all forms, statements, reports and schedules with the SEC and the accuracy of our filings with the SEC and compliance with applicable rules and regulations since December 31, 2003;
- the absence of undisclosed material liabilities that would have a material adverse effect relating to us;
- the absence of any joint ventures, off-balance sheet partnership or any similar contract or arrangement where the result, purpose or effect is to avoid disclosure of any transaction involving us or our subsidiaries;
- the absence of our subsidiaries being subject to the reporting requirements of Sections 13(a) and 15(d) of the Exchange Act;
- the conduct of our business, and the absence of certain changes in our business, since December 31, 2006;
- the absence of a material adverse effect relating to us since December 31, 2006;
- legal proceedings;
- the absence of any material judgment, decree, order, ruling, award, assessment, writ, injunction, stipulation or determination against us or our subsidiaries;
- the adequacy of the governmental authorizations and permits needed to conduct our business;
- our compliance with applicable laws, including various export control laws, anti-bribery laws and laws relating to government contracting matters and governmental orders;
- our material contracts, including government contracts and government subcontracts;
- our good and marketable title to, or valid leasehold interests, our respective assets, free and clear of certain liens;
- our intellectual property rights;
- tax matters affecting us and our subsidiaries;
- matters relating to employee benefit plans affecting us and our subsidiaries;
- the inapplicability of certain state anti-takeover statutes;
- the brokers' and finders' fees;
- our receipt of a fairness opinion from our primary financial advisor;
- our compliance with the Sarbanes-Oxley Act;
- our maintenance of a system of internal controls over financial reporting;
- labor matters;
- environmental matters affecting us and our subsidiaries;
- matters relating to this proxy statement;
- transactions with related persons; and
- the maintenance of insurance policies by us and our subsidiaries.

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Representations and Warranties of BAE Systems and Jaguar Acquisition Sub

BAE Systems and Jaguar Acquisition Sub make various representations and warranties in the merger agreement, on a joint and several liability basis, with respect to BAE Systems and Jaguar Acquisition Sub that are subject, in some cases, to disclosures and specified exceptions and qualifications. Their joint and several representations and warranties about BAE Systems and/or Jaguar Acquisition Sub relate to, among other things:

- their due organization, valid existence and good standing;
- the capitalization of Jaguar Acquisition Sub and the ownership of its issued and outstanding capital stock;
- their corporate power and authority to own their properties and assets and carry on its businesses as they are now being conducted;
- their corporate power and authority to execute, deliver and perform their obligations under the merger agreement and to consummate the transactions contemplated thereby;
- their due authorization, execution and delivery of the merger agreement;
- the enforceability of the merger agreement against them;
- their ability to satisfy the obligation to pay the merger consideration by having sufficient funds available;
- their consents, approvals and filings required for them to execute, deliver and perform the merger agreement or to consummate the merger;
- absence of breaches, violations or defaults under their constituent documents, contracts, law, and required consents and approvals;
- the brokers' and finders' fees;