

FORCE PROTECTION INC  
Form 10-K  
March 08, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

**FORM 10-K**

(Mark One)

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

**For the fiscal year ended December 31, 2009**

or

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-33253**

**FORCE PROTECTION, INC.**

(Exact name of Registrant as Specified in Its Charter)

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

**84-1383888**  
(I.R.S. Employer  
Identification No.)

**9801 Highway 78, Building No. 1**  
**Ladson, South Carolina**  
(Address of registrant's principal executive offices)

**29456**  
(Zip Code)

Registrant's telephone number, including area code: (843) 574-7000

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.001 par value	The NASDAQ Stock Market LLC
	Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the common equity held by non-affiliates of the registrant on June 30, 2009, computed by reference to the closing price for such stock on the Nasdaq Capital Market on such date, was approximately \$610,160,000.

The number of shares outstanding of the registrant's common stock as of February 26, 2010 was 70,201,371 shares.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2010 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

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**PART I**

**ITEM 1. BUSINESS**

**The Company**

*General*

Force Protection, Inc. provides survivability solutions to support the armed forces of the United States and its allies which are in harm's way. We design, manufacture, test, deliver and support our blast- and ballistic-protected products to increase the survivability of the users of our products. Currently, we only have one segment of operations, our survivability solutions. Our specialty vehicles, which we believe are at the forefront of blast- and ballistic-protected technology, are designed to protect their occupants from landmines, hostile fire, and improvised explosive devices, referred to as IEDs. In addition, we develop, manufacture, test, deliver and support products and services aimed at further enhancing the survivability of our users against additional threats. Capitalizing on our strengths in survivability solutions, we are moving ahead to enhance the protection level of our armor kits as well as developing additional products to protect against rocket-propelled grenades and under body armor kits to mitigate blast effects on other military vehicles. We are a key provider of the U.S. military's Mine Resistant Ambush Protected ("MRAP") vehicle program and have sold and delivered over 3,000 vehicles under this program. We also provide our Cougar and Buffalo mine-protected vehicles to several foreign customers, including the U.K. Ministry of Defence, who has purchased three variants of our Cougar vehicle. Across all vehicle programs we have sold approximately 4,500 vehicles since 2005. We also provide long-term life cycle support services of our vehicles that involve development of technical data packages, supply of spares, field and depot maintenance activities, assignment of highly-skilled field service representatives, and advanced off-road driver and maintenance training programs. Our services are based on establishing and maintaining long-term relationships with the U.S. government and foreign military users.

*Company History*

We were organized under the laws of the State of Colorado in November 1996 as Boulder Capital Opportunities III, Inc. In June 2002, we acquired a 90% interest in Technical Solutions Group, Inc., a Nevada corporation founded in 1997 as a development stage manufacturer of blast- and ballistic-protected vehicles based in Charleston, South Carolina. We subsequently increased our ownership interest in Technical Solutions Group, Inc. to 100%.

In September 2003, we changed our name to "Force Protection, Inc." to reflect our primary focus on designing and manufacturing protected and armored vehicles. On October 15, 2003, we moved our headquarters to our current location in Ladson, South Carolina. In January 2005, we reincorporated from the State of Colorado to the State of Nevada. We became listed on the Nasdaq Capital Market in January 2007.

In 2009, we formed Integrated Survivability Technologies Limited, an England and Wales company, referred to as IST, a joint venture between Force Protection Europe Limited (formerly Force Protection Advanced Solutions Limited), a subsidiary of Force Protection Industries, Inc., and NP Aerospace Limited, a subsidiary of The Morgan Crucible Company plc. Pursuant to the terms of the joint venture, IST acts as the prime contractor for vehicles and related total life cycle support awarded by the U.K. Ministry of Defence to ensure that this customer has a single point of contact for its current and future Force Protection fleet of vehicles. We account for this joint venture as an equity-method investment. In September 2009, we formed Force Protection Australasia Pty Ltd, an Australian company to pursue market opportunities in Australia and Asia. Force Protection Australasia is a wholly owned subsidiary of Force Protection Europe Limited.

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We are focused on enhancing the market presence of Force Protection Europe Limited and leveraging its brand strength in the United Kingdom and Europe. Through Force Protection Europe Limited, we have developed a new vehicle platform with Ricardo UK Limited, the Ocelot. The Ocelot has been submitted by Force Protection Europe Limited to the U.K. Ministry of Defence for the Light Protected Patrol Vehicle, or LPPV, competition. The Ocelot also has been proposed to the Australian government for the Protected Mobility Vehicle-Light program.

**Our Products**

All of our products are aimed at providing the highest level of possible protection to personnel operating in areas posing threats of blast- or ballistic-attack. Since the early stages of Operation Iraqi Freedom and Operation Enduring Freedom, the U.S. and coalition militaries have sought a wheeled vehicle approach that balances three potentially competing operational or mission dynamics: (1) protection, which refers to the level of crew survivability against blast- and ballistic-attack, (2) payload, which refers to the load that the vehicles can carry on board the platform, measured in units, such as crew members and cargo, and (3) performance, which refers to a vehicle's mobility, sustainability, ability to provide technological solutions to mission requirements, and its suitability for transportation in existing military aircraft and ships.

We currently offer four vehicle platforms aimed at fulfilling different operational or mission requirements: the Buffalo, Cougar, Cheetah and Ocelot.

*The Buffalo.* The Buffalo Mine Protected Clearance Vehicle is our largest vehicle. It is utilized as the centerpiece for route clearance operations. The Buffalo is a blast-resistant and ballistic-protected vehicle designed to keep the explosive ordnance disposal crew safe during route clearance missions. The protection and capabilities built into the Buffalo provide the crew the ability to unearth and interrogate mines and IEDs without dismount and provide for improved survivability en route to completing their mission. The Buffalo is used by the U.S., Canadian, Italian, French and the United Kingdom militaries. The Buffalo A2 variant has been designated a Program of Record for the U.S. Military and is currently undergoing a series of milestone reviews under the direction of the U.S. Army Program Manager.

*The Cougar.* The Cougar is a family of medium-sized blast- and ballistic-protected vehicles that are supplied in 4-wheeled and 6-wheeled variants and in a variety of configurations for the wide range of missions performed by our customers. The operational applications of the Cougar include troop transport, command and control, route reconnaissance, convoy escort, and casualty evacuation capabilities. In addition to the U.S. military, several variants of Cougars are in use by the Canadian Armed Forces, the Hungarian Ministry of Defense, the Italian military, the U.K. Ministry of Defence and the Iraqi National Army. We believe that the Cougar may be designated by the U.S. Marine Corps Systems Command as a Program of Record. We are developing, in partnership with our U.S. and international users, long-term life cycle plans for our fielded fleet of vehicles.

The Cougar variants:

*The Cougar Mastiff and Ridgback.* The Cougar Mastiff and Ridgback vehicles are part of the Cougar family of vehicles being used by the U.K. Ministry of Defence through the U.S. Department of Defense Foreign Military Sales program. The Cougar Mastiff is a 6-wheeled vehicle with base protection similar to all Cougars and is integrated with additional interior and exterior armor as well as a mission integration package in the United Kingdom. The Cougar Ridgback is a smaller vehicle similar to the Cougar Mastiff that operates where mission conditions require the 4-wheeled platform. Similar to the Mastiff, the final integration occurs in the United Kingdom where it receives additional armor and a mission integration package.

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*The Cougar Wolfhound Tactical Support Vehicle.* The Cougar Wolfhound Tactical Support Vehicle, or TSV, was a new configuration in 2009 delivered to the U.K. Ministry of Defence and is a 6-wheeled vehicle based on the Cougar Mastiff design with a load bed incorporated into the rear of the vehicle to carry North Atlantic Treaty Organization, referred to as NATO, standard pallets or any other cargo. This load bed design feature allows the Cougar Wolfhound TSV to be easily reconfigured for multiple missions.

*Cougar Iraqi Light Armored Vehicle.* The Cougar Iraqi Light Armored Vehicle, or ILAV, is a 4-wheeled blast- and ballistic-protected vehicle.

*The Cheetah.* The Cheetah is a lighter weight 4-wheeled blast- and ballistic-protected vehicle. The Cheetah provides mobility performance levels similar to that of a lightweight vehicle, while providing protection levels similar to that of our heavier Cougar fleet and payload levels substantially higher than that of the wheeled vehicle fleet currently available to the military. The base Cheetah platform was used to develop the MRAP All Terrain Vehicle, or M-ATV. The M-ATV variant Cheetah was not selected for follow-on production by the U.S. military, but is now being offered to international customers with certain modifications.

*The Ocelot.* Building on our successful experience of supplying highly-protected, blast-resistant vehicles, we are working in cooperation with Ricardo UK Limited of the United Kingdom to develop a more lightweight and modular vehicle with MRAP-like survivability qualities. The Ocelot's compact size is optimized for deployment. Its power to weight ratio and high performance suspension provide exceptional mobility both on and off-road. A unique modular design accommodates various mission configurations and can be supported with a smaller logistics footprint and lower life cycle cost of ownership.

*Modernization.* In 2009, the Cougar was upgraded with an independent suspension system, or ISS, providing it with off-road capability to deal with more rugged terrain encountered by our customers. This modernization effort consisted of the supply and installation of ISS on most of the U.S. Department of Defense's Cougar fleet for deployment to Afghanistan, which will continue in 2010. We continue to work with our customers on additional modernization upgrades of our vehicles for continued service.

*Armor Kits.* We offer external armor kits, which provide protection from explosively formed projectiles. These armor kits have been tested and validated through the U.S. Army Aberdeen test center. These armor kits can be readily installed and removed in the field allowing users to "scale" protection levels in response to likely enemy threats. As a result of its modularity, the armor kits can also be retrofitted to our previously deployed vehicles as well as to wheeled vehicles manufactured by other companies.

During 2009, we developed and validated at the U.S. Army Aberdeen test center a lighter weight, lower cost armor kit. Current research and development efforts are focused on enhancing protection levels of our armor kits as well as developing additional products to protect against rocket-propelled grenades and underbody armor kits that mitigate blast effects on other military vehicles.

### **Our Services**

We provide spares and sustainment services for our vehicles that involve development of technical data packages, supply of spares, field and depot maintenance activities, assignment of highly-skilled field service representatives to units that are equipped with our vehicles, and advanced off-road driver and maintenance training programs.

Our services emphasize an early focus on ensuring that our vehicles are designed up front as a "total life cycle package" with a long-term logistics commitment that involves spare parts, technical

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publications and a portfolio of field services such as technical representatives, field mechanics, and operator and maintenance training. We deliver and manage the fundamental elements of logistics throughout our platform life cycles. We have established a systems approach that places equal emphasis on cost, schedule, performance, and on operational availability based on enabling supportability programs. We look to partner with customers to develop, produce, field, sustain, and recapitalize our vehicles. Our goals are to ensure that we provide effective, efficient, reliable, supportable, and maintainable systems, while minimizing total life cycle cost.

We offer ongoing services in three areas: logistics engineering, acquisition logistics and operational logistics. Our upgrades and system improvements are designed to enhance ease of use as well as vehicle longevity.

*Expanded Services.*

*Kuwait.* In 2009, we initiated installation of ISS on Cougars at the U.S. MRAP Support Facility in Kuwait. Alongside this operation we established a Vehicle Support Facility-Kuwait to provide the capability to perform light manufacturing operations on our fleet of vehicles to include upgrades, installation of new equipment, repair operations, modernization, and maintenance. Kuwait is a central location within the Central Command Theater and allows us to offer all of our customers the flexibility to conduct forward based modernization and maintenance operations, as opposed to returning the vehicles to their home nations. The MRAP Support Facility in Kuwait has been recently designated by the MRAP Joint Program Office as a long-term maintenance capability facility. As military forces in Iraq drawdown, MRAPs are transferred from Iraq to Afghanistan. These vehicles are first moved to Kuwait to be installed with independent suspension systems, restored to full mission capable maintenance posture, and retrofitted for enhanced capabilities.

*Afghanistan.* The Afghanistan bases are rapidly expanding to support the growing numbers of Marines and soldiers in-theater as part of the 30,000 troops' surge. MRAPs from all original equipment manufacturers, including residual Cougars already in-theater, will have ISS kits installed in 2010. The number of airbases and forward operating bases that require MRAP support is growing. The joint logistics concept is to establish a universal support structure in which field service representatives provide technical advice and repair all MRAPs. As a result, we are working to provide differentiating competencies for long-term total life cycle support on behalf of all military users.

*Training.* In May 2009, we opened our Operator and Maintenance New Equipment Training facility at Roxboro, North Carolina that features advanced off-road senior driver certification. This facility offers approximately 430,000 square feet of maintenance bays, classrooms and office space under one roof with more than 200 acres of land for off-road and tactical training opportunities.

*Logistics Data Services.* To proactively maintain large fleets of vehicles, military units must have accurate situational awareness of the health of that fleet. We now provide useful, near real-time reporting through our network of field service representatives located across theater. We have exclusive rights to a newly developed software capability that leverages data input from theater field service representatives in order to enable key operational readiness decisions and provide information about future upgrades. This allows senior military logisticians to be more effective. The software suite was successfully demonstrated for implementation in Afghanistan by our customer, the U.K. Ministry of Defence. It provides a 'real time' link between in-theater field service representatives, the customer, and our Company to improve fleet availability, spares, repairs, and overall equipment management.

*Field Service Representatives.* As of December 31, 2009, we had delivered support via a deployed base of approximately 350 field trainers and service representatives in the U.S and internationally. Our

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field service representatives are highly-skilled technical advisors that are sought after by U.S. Army, U.S. Marine Corps. and United Kingdom units. They provide an expanded set of technical skills to train, coach and teach military mechanics, as well as perform universal maintenance on all MRAPs. They also provide useful, real-time reporting from theater through channels to enable operational readiness. We have field service representatives deployed in Iraq, Afghanistan, Kuwait, the United Kingdom and other locations to provide customer support.

*Spare Parts.* We have established a supply chain for Buffalos and Cougars, including our fleets of vehicles with foreign militaries. As the U.S. Department of Defense transitions spare part responsibilities to the Defense Logistics Agency, we are looking to establish long-term contracts with the Defense Systems Command Columbus, known as DSCC, in order to remain a major spare parts provider for our vehicles.

**Industry Overview and Force Protection Market Opportunity**

*General.* The global war on terrorism, especially in Iraq and Afghanistan, has confirmed that IEDs, landmines, explosively formed projectiles and rocket-propelled grenades pose a significant threat to allies and civilians. We believe the world market for blast- and ballistic-protected military vehicles and other survivability solutions will remain at high levels in the short-term. The 30,000 troop surge of forces in Afghanistan will take most of 2010 to achieve and additional MRAPs will be required to support operations. Landmines and IEDs have been used extensively by terrorists and insurgent groups in Iraq and other areas because of their highly effective nature and relatively low cost. In 2009, U.S. forces began drawing down from Iraq. The commitment of U.S. Forces in Afghanistan is uncertain beyond 2012. U.S. and international military departments are determining long-term roles for MRAPs. The future requirements for long-term life cycle logistics plans, as well as an important effort to reset and recapitalize vehicles that come out of theater are still to be determined. MRAPs can be placed into permanent military organizations for convoy security, route clearance, explosive ordnance disposal and casualty evacuation, or be placed into prepositioned storage roles for regional response, or be sold to foreign military customers.

*Business Development*

Annual revenues are dependent on the ability of our business development team to maximize new vehicle sales to the U.S. Government and coalition partners. Additionally, Total Life Cycle Support will be a major component of revenue totals. Domestically, the Buffalo program continues as a Program of Record, while the MRAP competitive contract is the main vehicle by which we support the MRAP needs of the U.S. Marine Corps.

For the U.K. Ministry of Defence, the Cougar variants, Mastiff and Ridgback, have proven to be a mainstay for British troops in Afghanistan. Current plans call for the U.K. Ministry of Defence to field Wolfhound, a logistics version of the Cougar, in order to support the needs on the battle field. In addition to the U.K., we are working with other foreign governments, such as Hungary, Yemen, Poland, the United Arab Emirates, Colombia and Saudi Arabia to provide their defense forces with Cougar, Cougar variants and/ or Cheetah vehicles.

As we look past our current inventory of tactical wheeled vehicles, we expect to soon field Ocelot, our newest and most technologically advanced blast-resistant vehicle. The Ocelot has been submitted as a contender in the U.K. LPPV program as well as in the Australian government's Protected Mobility Vehicle-Light program. The Ocelot incorporates a high degree of survivability and "modularity" as defining assets. This vehicle can re-shape the manner in which commanders employ their tactical wheeled assets as it is reconfigurable into three mission sets: Command and Control; Reconnaissance and General Utility.



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In our business development activities, we recognize the value of our Company's ability to provide not only superb tactical vehicles to the end user, but also a family of "on-board" sensor and weapons systems that satisfy the wide array of command, control and war-fighting functions needed by the warfighter in the field. Currently, we are in the development stages of an open architecture C4ISR (concept of Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance) system for all vehicles. Additionally, our vehicles can be equipped with the latest in manually operated and remote weapons stations.

*Research and Development*

We continually seek to improve our technological leadership position through internal research, product development, licensing, and acquisition of complementary technologies. We also seek to expand our research capabilities through ongoing education of our employees and investment in our testing facilities and instrumentation. We believe these investments in the knowledge of our employees, and the instrumentation to measure the effectiveness of various survivability solutions, will allow us to more rapidly develop and validate innovative new products that provide enhanced protection against evolving threats.

We are committed to product development and expect to continue our investment in this area. We believe that the continual development or acquisition of innovative new products and service will be critical to our future success.

For the years ended December 31, 2009, 2008 and 2007, we spent \$20.1 million or 2.1% of net sales, \$14.3 million or 1.1% of net sales, and \$14.1 million or 1.6% of net sales, respectively, on research and development.

*Raw Material and Supplies*

We are dependent on the availability of materials, parts and sub-assemblies from our suppliers and subcontractors. The most important raw materials required for our products are armored steel, milled steel, major automotive components, and ballistic glass. Several of our major automotive components are procured or subcontracted on a sole-source, or limited source, basis with a number of domestic and non-U.S. companies. We have not experienced, and do not foresee, significant difficulties in obtaining the materials, components or supplies necessary for our business operations, although there is a potential for rapidly escalating steel, fuel and other raw material costs in fiscal 2010. Some suppliers may discontinue business due to tight credit conditions or the inability to either absorb cost increases or pass them on to their customers. We depend upon the ability of our suppliers and subcontractors to meet our specifications, standards and delivery schedules at anticipated costs. We maintain a qualification and performance surveillance system to control risks associated with such reliance on third parties, such as the failure of suppliers or subcontractors to meet their commitments.

No material portion of our business is considered to be seasonal. Various factors could affect the distribution of our sales between accounting periods, including the timing of government awards, the availability of government funding, product deliveries and customer acceptance.

*Production*

We utilize proprietary technology to design and manufacture blast- and ballistic-protected vehicle passenger compartments that are designed to be capable of withstanding the explosive effects of most landmines, IEDs and other blast threats encountered in wars, insurgency and urban conflicts. We also use commercial automotive drive-trains and certain other components that can be repaired and maintained by traditional truck mechanics.

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Our production workforce includes skilled, certified welders, automotive mechanics, trained assemblers and painters and we maintain a staff of engineers to provide in-house engineering support and utilize various manufacturing approaches to increase efficiency and product quality. We also utilize partners and subcontractors to expand our capacity and capabilities to meet customer specifications, standards and delivery schedules.

**Business Strategy**

Our business strategy is focused on increasing shareholder value by providing products and services that are responsive, innovative, high-quality and affordable. We intend to maintain and expand our current business as a key supplier of survivability solutions, including protected vehicles, total life cycle support and other services, to the U.S. Department of Defense, other U.S. government agencies, foreign governments, and domestic and international commercial customers. Our strategy is focused on growing balanced diverse revenues and earnings through organic growth, cost containment, and select business acquisitions, enabling us to grow the Company. Key objectives of the Company's business strategy include:

*Improved Performance on Contracts.* We believe that favorable performance on our existing contracts is the foundation for successfully meeting our objective of growing by expanding Force Protection's prime, subcontractor and supplier roles both domestically and internationally. We believe that a prerequisite for growing and winning new business is to satisfy our existing business with successful contract performance, including quality, schedule, cost, technical and other performance criteria. Therefore, we have reinforced our efforts to ensure superior contract performance to secure a reputation as a long-term competitive, agile, responsive, innovative, forward-leaning and insightful defense contractor which exceeds customer expectations.

*Capitalize on Our Current Business and Grow Sales Organically.* We intend to expand our prime and tier-two contractor roles in select business areas where we have expertise and competencies and we intend to focus on those protected vehicle and total life cycle support markets where we have or can acquire a strong market position over time. We also intend to partner with other prime contractors and platform original equipment manufacturers to compete for select new business opportunities. We expect to identify opportunities to capitalize on our current customer relationships and leverage our core competencies, including blast- and ballistic- survivability sciences, to expand the scope of our products, services and operations to existing and new customers. We also intend to expand our markets and customers by participating in and competing for new programs and opportunities internationally, particularly the United Kingdom, Canada, Australia, Europe, Middle-East, South America and Asia. We are pursuing universal service roles to sustain all MRAPs. We are also pursuing prime and tier-two roles to sustain Cougars and Buffalos for U.S. Department of Defense, Foreign Military Sales and international customers. We are developing in partnership with U.S. and international users, long-term life cycle plans to include vehicle recapitalization.

*Continuously Improve Our Cost Structure.* We intend to continue to improve efficiency and reduce our direct contract costs and overhead costs, including general and administrative costs. Effective management of labor, material, subcontractor and other direct costs is a primary element of favorable contract performance. We believe continuous cost improvement will enable us to increase our cost competitiveness, expand our operating margin and selectively invest in new product development and other business development activities to organically grow sales.

*Introduce New Products and Invest in Research and Development.* We intend to continue to align our internal investments in research and development, business development and capital expenditures to proactively address customer requirements and priorities with our products and services. We also intend to leverage our competencies around survivability science to provide products and services on any vehicle platform and we intend to grow our sales through the introduction of new products and

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services with a focus on internal investment, collaboration with industry partners and research institutions, licensing of technologies or strategic acquisitions.

*Diversify through Selected Acquisitions.* We intend to use our existing prime, subcontractor and supplier positions, which are leveraged by our internal research and development programs, to expand our product and service offerings to grow our sales by securing additional opportunities from our current and future customers. We expect to benefit from our position as a survivability solutions provider on select new contracts to expand into adjacent markets and to diversify our business mix in order to reduce our reliance on any single contract or market. Additionally, we expect to begin to supplement our organic sales growth by selectively acquiring businesses that add new products, services, technologies, programs or customers to our existing businesses, and provide attractive returns on investment.

**Competitive Strengths and Positioning**

We are subject to significant competition from companies that market and manufacture armored vehicles, as well as other companies that supply spare parts and sustainment for armored vehicles. The companies we compete against include large, multinational vehicle, defense and aerospace firms such as U.S. Combat Systems, a division of BAE Systems Land & Armaments, L.P., Textron Inc., Navistar Defense LLC, a subsidiary of Navistar International Corporation, Oshkosh Corporation, Mantech Services (U.K.) Ltd., Science Applications International Corporation (SAIC), Raytheon Technical Services Company, General Dynamics Land Systems (GDLS) and VSE. Most of these competitors have considerably greater financial, marketing and technological resources than we do. Certain competitors operate fabrication facilities and have longer operating histories and presence in key markets, greater name recognition, larger customer bases and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources.

We believe our competitive advantages include:

*Survivability Performance.* Our Buffalo and Cougar blast- and ballistic-protected vehicles have been deployed with the U.S. and allied forces in Iraq and Afghanistan since 2004. We believe our vehicles are the most survivable and sustainable wheeled vehicles on the battlefield. The advanced design and engineering incorporated into our vehicles increases the survivability rate of vehicle occupants in conflict with a hostile force. In addition, the structural integrity of the passenger compartment and our use of readily-available automotive parts help our vehicles to be quickly repaired and returned to duty after sustaining damage from an attack. As of January 2010, our field data indicates that almost all of our vehicles delivered since 2004 are still in operation and the U.S. military reports operational availability for those vehicles in excess of 90%. Users now require mobility as a fundamental complement to survivability that is equally important to the organic protection provided by a platform hull. As a result, we are partnering to install ISS on over 2,000 Cougars in order to significantly enhance off-road tactical mobility particularly suited for military operations in Afghanistan.

*Scalable Manufacturing Capabilities.* We have developed a process-driven, scalable manufacturing operation that enables us to design and build vehicles with increased efficiency. Together with key partner and subcontractor relationships, we are able to rapidly expand our production capabilities to meet customer demands. This approach enables us to expand production capacity without increasing our capital investment requirements.

*Sustainability.* Our Buffalo and Cougar vehicles are designed to be sustainable. Ease of maintenance and returnability to the fight are hallmarks of the design such that the vehicle can endure a blast event and be repaired quickly to be ready to use once again. Repairs are made using common tools with little need for any specialized tooling. On-board diagnostics aid the maintainer in making quick repairs. Our vehicles are designed and constructed using common parts and off-the-shelf

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products, to the maximum extent possible without compromising survivability, to promote availability of spare parts and ease of repair. Additionally, the parts and material selected for these vehicles have a proven history of reliability and availability over the vehicle life cycle. We continuously refine our support services for our customers' training, field support, and parts distribution needs.

*Proprietary Technology and Commitment to Research and Development.* Our proprietary designs are derived from concepts that were initially developed outside the United States over 30 years ago to protect vehicle occupants against the threat of landmines and unexploded ordnance. We have continuously improved upon our proprietary designs through internally funded research, development and testing. We actively seek to protect our designs through our intellectual property rights. We believe our focus in these areas enables us to remain flexible in our design processes and improve our vehicle sustainability and performance.

*Anticipating and Responding to Customer Requirements.* As one of the first U.S.-based manufacturers of the current generation of blast- and ballistic-protected vehicles, we believe we are a leader in technological innovation in this industry. Our expertise enables us to produce a range of vehicles that serve a variety of missions, and are capable of withstanding increasingly violent attacks from a constantly evolving threat. Buffalo, Cougar, and Cougar variants (Mastiff and Ridgback) have proven to be the core of our existing fleet of vehicles. We are expanding our vehicle offerings in response to customer demand. Capitalizing on our success of rapidly delivering fielded solutions, we continue to reduce our development cycles in anticipation of customer needs.

We have developed strong relationships with the U.S. Marine Corps, U.S. Army, and other U.S. military branches of service. Additionally, we have strong relationships with the U.K. Ministry of Defence as well as other foreign military allies and coalition partners. We believe that the strength of our customer base, coupled with the superior performance of our vehicles in the conflicts in Iraq and Afghanistan, will prove to be significant as we compete for future government contracts.

In an effort to further enhance customer relationships, we have located field service representatives near the U.S. Army Tank-Automotive and Armaments Command, or TACOM, and the U.S. Marine Corps Systems Command facilities to service their requirements. Field support to our largest customer, the U.S. Marine Corps, is also ongoing overseas at the MRAP Sustainment Facility in Kuwait where our personnel are overhauling hundreds of Cougar vehicles that are exiting Iraq vehicles in route to Afghanistan. Additionally, we have field service representatives forward deployed with all of our customers providing training and technical support for our vehicles. Our field service representatives are deployed around the world and provide customer support twenty-four hours a day, 7 days a week.

*Experienced Management Team.* Our success is due in large part to the broad experience and knowledge of our management team and key personnel. Our executive management team has significant financial, leadership, defense and military experience, expertise in survivability sciences, automotive engineering, manufacturing and government contracting, and brings to the organization extensive knowledge of our customers. In order to keep pace with the growth of our business, we continue to strengthen our management team and we will continue to add personnel in key positions based on our business needs.

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**Major Customers, Programs and Contracts**

In 2009, our business began a transformation from vehicle manufacturing to include substantial life cycle support. We believe that this trend will continue in 2010, although we will continue to manufacture our Buffalo and Cougar vehicles and utilize partners for excess demands or substantial contract awards. For 2008 and 2007, substantially all of our net sales were derived from work for vehicles performed under U.S. government contracts and our primary customer was the U.S. Department of Defense, including all U.S. military branches, primarily the U.S. Army and the U.S. Marine Corps, and foreign military allies of the U.S. through the U.S. Department of Defense, Foreign Military Sales program. In 2009, we began direct commercial sales, primarily to the U.K. Ministry of Defence. See Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in Part II of this Annual Report on Form 10-K for the number of vehicles sold for the years ended December 31, 2009, 2008 and 2007. The U.S. government accounted for 90% of our sales in 2009.

*Programs and Contracts.*

*MRAP*

*MRAP Vehicle Program.* The MRAP program specifies three categories of vehicles: (1) Category I Cougar (4-wheeled variant), (2) Category II Cougar Lightweight/ Cougar Restricted and Terrain Cougar (6-wheeled variant) and (3) Category III Buffalo.

*MRAP Contracts.* We have received two contracts under the MRAP program. In November 2006, the U.S. Marine Corps awarded a sole-source contract to us for Category II Cougar 6x6 vehicles and Category III Buffalo vehicles, which as of December 31, 2009, was for an aggregate of 200 Cougars and 93 Buffalos.

In January 2007, the U.S. Marine Corps awarded us a competitive contract for Category I and Category II vehicles. This contract is an indefinite delivery, indefinite quantity contract award. This contract allows the U.S. Government to acquire up to 20,500 vehicles over a five year period. As of December 31, 2009, the U.S. Marine Corps, under this competitive contract, placed 10 delivery orders with us for a total of 2011 Category I vehicles and 887 Category II vehicles. We received substantial new orders under this contract in 2009 for such items such as the ISS kits, ISS installation, spare parts and field service representatives for the Cougar vehicles.

We actively support the U.S. MRAP fleet by providing program management, engineering services, spare parts, major vehicle upgrades and repairs, and contracted field service representative support. We believe this business will remain strong throughout 2010 and that we can actively compete to increase the size of our aftermarket business. Specifically, in 2009 and going through 2010, we were contracted under the MRAP program to upgrade over 2,000 of our Cougar vehicles with ISS kits.

*Ocelot*

*Ocelot Programs.* Our Ocelot design fills the lightweight vehicle need for many of our customers as well as our current pursuits with the United Kingdom for their LPPV program and with the Australia government's Protected Mobility Vehicle-Light program. We are proposing comprehensive total life cycle support, training and manufacturing as well as design and integration of the vehicle.

*Buffalo*

*Ground Standoff Mine Detection System Program.* The Ground Standoff Mine Detection System, or GSTAMIDS, program is aimed at fielding newly established "Route Clearance

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Companies" for the purposes of conducting IED clearing operations to eliminate IED threats to friendly force mobility. With the Buffalo, we have been designated by the U.S. Army and U.S. Marine Corps as the sole-source supplier of vehicles for explosive ordnance disposal. Explosive ordnance disposal vehicles satisfy the Category III requirements of the MRAP program for the Joint Program Officer of Marine Corps Systems Command and the Route Clearance vehicles requirements under the Ground Standoff Minefield Detection System for TACOM.

*Buffalo Contract.* TACOM continued to place vehicle orders against a five year indefinite delivery, indefinite quantity contract for the production of Buffalo A2 variant vehicles in 2009. TACOM declared the Buffalo a Program of Record with anticipated vehicle production through 2013. During 2009, we delivered over 120 Buffalos and received new contracts for approximately 110 of these vehicles.

#### *Foreign Military Sales*

*Foreign Military Sales Program.* The U.S. Department of Defense Foreign Military Sales program manages government-to-government purchases of weapons and other defense articles, defense services, and military training where the U.S. Department of Defense serves as an intermediary, usually handling procurement, logistics and delivery with foreign militaries. We have received three contracts under this program.

*U.K. Foreign Military Sales Contract.* We have delivered approximately 560 Mastiff, Ridgback and Buffalo's to the U.K. Ministry of Defence under this contact, which included over 110 vehicles in 2009.

*5039 Foreign Military Sales Contract.* We field and support Cougar and Buffalo platforms through this contract with Canada, France, Italy and other countries for the war on terrorism. We have delivered Buffalos and Cougar variants to the Canadian, French, and Italian Ministries of Defense. In 2009, we delivered over 40 vehicles under this contract.

#### *BAE Subcontract*

We have provided manufacturing services, parts and field service representatives under a subcontract agreement with BAE Systems as the prime, which has an indefinite delivery, indefinite quantity Foreign Military Sales contract with TACOM for a Cougar variant, the ILAV. Over 600 ILAVs's have been delivered under this Foreign Military Sales agreement. In December 2009, we received additional orders from BAE under our subcontract agreement.

#### *International Programs*

We are actively seeking additional international orders for our vehicles, products and services. We anticipate that the number of countries purchasing and operating our vehicles, products and services will increase in 2010.

*U.K. Direct Commercial Sales Contract.* On April 1, 2009, IST received a direct commercial sales contract from the U.K. Ministry of Defence for the production of 97 fully integrated Wolfhound TSV vehicles. IST awarded a sub-contract to Force Protection Industries, Inc. for the delivery of 97 base Wolfhound TSV vehicles, which accounted for approximately 5% of our sales in 2009.

*Hungary Direct Commercial Sales Contract.* During 2009, we delivered three Cougars to the Hungarian Ministry of Defense through a direct commercial sales contract.

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**Vehicle Deliveries and Backlog**

See Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in Part II of this Annual Report on Form 10-K for the quantity of vehicle deliveries and backlog as of December 31, 2009, 2008 and 2007. Our backlog is "funded" backlog, meaning that it reflects vehicles for which we have received orders and for which funding has been appropriated and authorized for expenditure by the applicable agency.

**Regulatory Environment**

*Government Contracts and Regulation*

We are a U.S. Department of Defense contractor that delivers products and services to the U.S. military. The U.S. government contracting process differs in many ways from commercial contracting, and involves a high degree of federal government regulation and oversight of the programs in which we participate. As a result, we are subject to extensive regulations and requirements of the U.S. government agencies and entities that govern these programs, including award, administration and performance of contracts. We are also subject to certain unique business risks associated with the U.S. government program funding and appropriations for government contracts as well as termination of the contracts at the election of the government.

In addition, U.S. government contractors that perform military programs are also subject to audits and investigations by U.S. government agencies such as the Defense Contract Management Agency ("DCMA"), the Defense Contract Audit Agency ("DCAA"), the U.S. Department of Defense Inspector General, and other government entities. U.S. government agencies review a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. These entities also review the adequacy of compliance with internal control systems and policies, including the contractor's purchasing, property, accounting, estimating, compensation and management information systems, as well as possible instances of fraud, waste, and abuse. In March 2009, the Defense Contract Audit Agency audited our financial condition and capability and advised us that we had an "acceptable rating." This rating means that the Defense Contract Audit Agency has determined that we currently, and for the near-term, have adequate financial resources to perform U.S. government contracts.

Many of our contracts are issued as orders on a sole-source basis and/or a not to exceed amount and then become fixed-price contracts. Under fixed-price contracts, the contractor agrees to perform a specific scope of work for a fixed price. As a result, the contractor benefits from any cost savings but suffers from any losses from any cost overruns.

Many of our contracts are and have been subject to "definitization," meaning that the contract price is not agreed upon at contract inception. Instead, following the award of the contract, we and the U.S. government seek to agree upon a contract price based upon our cost of performing the contract. During the definitization process, we are required to perform the contract work, make deliveries and receive payments from the U.S. military before the final contract price has been established. For this reason, as part of the original award, we agree to a "not to exceed" price to be used for invoicing and accounting purposes pending definitization. Following an award of these orders, we are obligated to perform the work subject to any funding limitations and the "not to exceed" amount while we and the government negotiate a final contract price for the scope of the work to be completed. As a result, at the completion of the contract, we may have received overpayments during the course of the contract and will be required to return any overpayments to the U.S. military.

In addition, we also hold indefinite delivery, indefinite quantity contracts. Essentially, indefinite delivery, indefinite quantity contracts are umbrella contracts setting forth the basic terms and conditions under which the agency may order goods from a contractor, and in some cases, multiple contractors.

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Contractors undergo a competitive pre-selection process to become eligible to receive orders under indefinite delivery, indefinite quantity contracts. Many orders under these indefinite delivery, indefinite quantity contracts are also subject to the definitization process. In addition, indefinite delivery, indefinite quantity contracts do not obligate the federal government to purchase goods above the minimum levels set forth in the contract.

*Certain Laws and Regulations Affecting Our Business*

There are certain federal laws that, while not specifically directed at us as a contractor, may affect our U.S. government contracts. The Anti-Deficiency Act is a collection of laws through which Congress exercises its constitutional control of the public purse and prohibits involving the government in any obligation to pay money before funds have been appropriated for that purpose. The central provision prohibits making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law.

There are also numerous provisions within the Federal Acquisition Regulation, or FAR, that affect the procurement process and administration of our contracts. With respect to conducting procurement, the FAR provides guidance on how the agency is to conduct the evaluation of a Request for Proposal. The FAR also provides a mechanism through which disappointed bidders and contractors excluded from competing for government contracts and task or delivery orders may submit an objection, called a "bid protest," in accordance with the relevant rules and regulations. Another area covered by the FAR is an organizational conflict of interest. These regulations establish rules for avoiding, mitigating and neutralizing conflicts of interest in the issuance and performance of contracts by the federal government. Both contractors and contracting officers bear the burden of identifying and reporting organizational conflict of interest.

Some contracts may be subject to the Truth in Negotiations Act, referred to as TINA, Cost Accounting Standards and Contract Cost Principles and Procedures. Generally, TINA requires us to provide cost or pricing data and to certify that those data are current, accurate and complete, in connection with the negotiation of certain types of contracts, modifications or orders, but there are some exceptions to TINA, including contracts that are based on adequate price competition. The Cost Accounting Standards apply to contracts awarded to us after May 19, 2008. The Cost Principles set forth the rules regarding the allocability and allowability of costs incurred in connection with federal government contracts. Our conduct and performance is also subject to the False Claims Act and other anti-fraud statutes. The False Claims Act prohibits contractors from knowingly submitting false or fraudulent claims for money (*e.g.*, a false or fraudulent invoice) to the federal government.

*Laws and Regulations Affecting International Activities*

Federal laws affect our ability to sell our products abroad and grant access to our technology to foreign nationals in the U.S. We are obligated to comply with a variety of federal, state and local regulations, both domestically and abroad, governing certain aspects of our international sales and support, including regulations promulgated by, among others, the U.S. Departments of Commerce, Defense, State and Justice and the Bureau of Alcohol, Tobacco, Firearms and Explosives. These laws and regulations impose compliance and licensing obligations to obtain U.S. government authorization for transfers outside the U.S. and to persons in the U.S. other than U.S. citizens and U.S. permanent residents.

The Foreign Corrupt Practices Act, referred to as the FCPA, and equivalent laws and regulations in foreign jurisdictions prohibit improper payments to foreign governments and their officials by U.S. and other business entities. The FCPA has two principal parts: anti-bribery and record keeping provisions. The U.S. Department of Justice enforces the anti-bribery provisions; the Securities and



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Exchange Commission also has jurisdiction over civil enforcement of the anti-bribery provisions. The record keeping requirement obligates companies to maintain accurate books and records and internal financial controls regarding all transactions. The Securities and Exchange Commission oversees enforcement of these provisions.

*Intellectual Property*

Intellectual property rights, which apply to various Force Protection products and technologies, include patents, copyrights, trade secrets and trademarks. We seek to remain competitive in the market by placing emphasis on research and development and are committed to capturing, protecting and enforcing our intellectual property rights. We continue to review our practices and procedures to ensure the protection of our intellectual property.

We are a party to two long-term intellectual property agreements pursuant to which we have the right to use certain intellectual property technology relating to blast- and ballistic-protected vehicles. One agreement is with the CSIR Defencetek ("CSIR"), a division of the Council for Scientific and Industrial Research, a statutory council established in accordance with the Laws of the Republic of South Africa. The other is with Mechem, a division of Denel Pty Ltd, a company established under the Laws of the Republic of South Africa ("Mechem"). Under these agreements, we pay a per vehicle royalty fee in exchange for the exclusive transfer to us of certain technology regarding the Buffalo and Cougar.

In connection with our subcontract with BAE Systems, we entered into a production license agreement with BAE Systems, dated June 13, 2006, pursuant to which we license to BAE Systems the use of our Cougar vehicle as the basis for the ILAV vehicle design, and act as BAE Systems' principal subcontractor to provide the manpower and other resources needed to produce 50% of the vehicles in Ladson, South Carolina. Pursuant to the terms of the agreement, we receive a license fee for each ILAV vehicle manufactured by BAE Systems under the agreement. The production license agreement will remain in effect until the earlier of (i) completion of all the work under the BAE Agreement, (ii) termination of the agreement by us in the event of default by BAE Systems, or (iii) termination of the subcontract for convenience. We own all the intellectual property associated with the ILAV design, including improvements.

We are a party to another license agreement with CSIR, pursuant to which we received two separate licenses. The first is a fully paid up internal license to perform research and development to verify, test and develop certain technology (the protection of wheeled and tracked vehicles against landmines and IEDs as disclosed in its patent) and assess the market for products through the parties' written agreement of Proof of Concept (quantification and demonstration of the protection level and operation) in consideration of investing research and development funding since January 1, 2005. By August 16, 2008, the Proof of Concept was obtained, and we are required to pay an exclusivity fee to CSIR that is deferred but paid through any sales of wheels and tracks for the second license. This second license also includes an annual license to exploit, including the exclusive manufacture, marketing, sale and use, the licensed technology in the United States, Canada, the United Kingdom, France, Israel, Germany and nonexclusively in South Africa.

*Environmental Matters*

We are subject to federal, state and local laws and regulations regarding the protection of the environment, including air, water and soil. Our manufacturing business involves the use, handling, storage and contracting for the recycling or disposal of, hazardous or toxic substances or wastes, including environmentally sensitive materials, such as batteries, solvents, lubricants, degreasing agents, gasoline and resin. We must comply with certain requirements for the use, management, handling and disposal of these materials.

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In addition to the laws and regulations discussed above under "Government Contracts and Regulation" and "Certain Laws and Regulations Affecting Our Business" above, our operations and products are subject to regulation, supervision, and licensing under various other federal, state, local and foreign laws and regulations. Certain governmental agencies such as the Occupational Safety and Health Administration monitor our compliance with their regulations, require us to file periodic reports, inspect our facilities and products, and may impose substantial penalties for violations of the regulations.

**Employees**

As of December 31, 2009, we had a total of approximately 1,170 employees, including approximately 350 field service representatives. Of our total employees, approximately 340 were hourly employees and approximately 830 were salaried employees. We are not a party to any collective bargaining agreement, although we are subject to the risk that labor unions may seek to unionize certain of our employees.

**Management**

The following table sets forth certain information about our directors and executive officers as of March 2, 2010.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Michael Moody	63	Chairman, Chief Executive Officer and President
Charles Mathis	50	Chief Financial Officer
Randy Hutcherson	56	Chief Operating Officer
Lenna Ruth Macdonald	47	Chief Strategy Officer, General Counsel and Corporate Secretary
MGen. James Grazioplene, USA (Ret.)	60	Executive Vice President, Total Life Cycle Support
LTG Roger G. Thompson, Jr., USA (Ret.)	65	Lead Director
MGen. Jack A. Davis, USMC (Ret.)	63	Director
John S. Day	60	Director
B. Herbert Ellis	72	Director
Kenneth A. Merlau	64	Director
John W. Paxton, Sr.	73	Director

*Michael Moody.* Mr. Moody was appointed President of Force Protection, Inc. in September 2007, the Interim Chief Executive Officer on January 30, 2008 and the Chief Executive Officer on February 29, 2008. Mr. Moody has more than 30 years of senior management experience in operational management, reorganizations, acquisitions and business transformations. From 2005 through 2007, he provided business and financial advisory services to privately-held businesses. Mr. Moody was the Chief Operating Officer at the London American General Agency and Senior Vice President of Corporate Development for Magna Carta Companies, a mutual insurance company, where he also served on the board of directors. Mr. Moody received the designation of Certified Practicing Accountant (Australia) and became an associate with the Australian Society of Accountants. Mr. Moody holds a Bachelor of Arts in Economics from Macquarie University in Sydney, Australia.

*Charles A. Mathis.* Mr. Mathis joined Force Protection, Inc. in June 2008 as Executive Vice President Finance and was appointed Chief Financial Officer effective October 1, 2008. Mr. Mathis has over 20 years of experience in strategic finance and accounting for a number of manufacturing companies including two major defense contractors. Prior to joining Force Protection, Mr. Mathis was

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Chief Financial Officer of EFW, Inc. a U.S. segment of Elbit Systems Ltd., a public Israeli defense conglomerate. At Elbit, Mr. Mathis was responsible for all areas of finance, contract accounting, government compliance, Sarbanes Oxley compliance, tax and the development of joint venture agreements. Prior to Elbit, Mr. Mathis was Vice President, Finance and IT, with Fairbank Morse Engine, a supplier of medium-speed diesel engines to the U.S. Navy and the engine segment of EnPro Industries. Mr. Mathis completed his undergraduate studies at Wake Forest University and received his Master of Business Administration from the University of Chicago Graduate School of Business. Mr. Mathis served as a Lieutenant in the U.S. Marine Corps and is a certified public accountant.

*Randy Hutcherson.* Mr. Hutcherson joined Force Protection as Executive Vice President, Programs, Global Sales and Business Development in April 2009 and was appointed Chief Operating Officer on February 18, 2010. He has responsibility for Force Protection's global sales, program and contract management, as well as communications and legislative activities. Prior to serving in this newly-formed position, Mr. Hutcherson was employed as Vice President of Tanker Programs for EADS North America as well as Vice President of Rotorcraft Programs. In addition to his experience in the private sector, Mr. Hutcherson served 26 years in the United States Marine Corps in a variety of capacities and retired as a Colonel in the Marine Corps Office of Legislative Affairs in 2002. He holds a Bachelor of Science in Aerospace Engineering from the United States Naval Academy, a Master of Science in Systems Management from Troy State University and a Master of Science in National Security Strategies from the National War College.

*Lenna Ruth Macdonald.* Ms. Macdonald joined Force Protection, Inc. in November 2007 with over 19 years of legal experience as in-house counsel and in private practice. She was promoted to her current position from Co-General Counsel and Corporate Secretary in March 2008. Ms. Macdonald has specialized experience in corporate governance, compliance, securities, mergers and acquisitions and transactional matters. Prior to joining the Company, she served as vice president, general counsel and corporate secretary of Commonwealth Industries, Inc. (a Nasdaq-listed leading aluminum sheet manufacturer), as in-house counsel for Banc One Corporation and as Assistant General Counsel and Group Leader at BONHAM, a Banc One subsidiary. Ms. Macdonald was also an associate with the international law firm McDermott, Will & Emery based in its Boston, Massachusetts office. Ms. Macdonald holds a Juris Doctor from Emory University School of Law, attended the Master of Science Program at the London School of Economics and Political Science, and holds an Artium Baccalaureus (A.B.) from Brown University.

*MGen. James Grazioplene, USA (Ret.).* MGen. Grazioplene joined Force Protection as Executive Vice President, Total Life Cycle Support on May 4, 2009. MGen. Grazioplene has direct responsibility for oversight and management of the Company's growing business of providing total life cycle support to its fleet of fielded vehicles including service, spare parts and related logistics, maintenance and support through the Company's in-theatre award-winning Field Service Representatives. MGen. Grazioplene also has direct oversight of the Company's newly-developed 120 acre off-road training facility located in Roxboro, North Carolina. MGen. Grazioplene reports directly to Randy Hutcherson, the Company's Chief Operating Officer. Prior to joining the Company, MGen. Grazioplene most recently worked for KBR, Inc., as its Vice President, Global Programs in the Government and Infrastructure Division. Prior to that, he was employed by SYColeman, a subsidiary of L3 Communications Holdings as Vice President, Surveillance and Security Applications. Prior to his employment in the private sector, MGen. Grazioplene, a graduate of West Point, served in the United States Army for 32 years, achieving the rank of Major General. At the time of his retirement from the Army, he held the position of Director of Force Development in the Office of the Deputy Chief of Staff, Pentagon.

*Lieutenant General Roger G. Thompson, Jr., USA (Ret.).* LTG Thompson has been a director of Force Protection, Inc. since December 2006 and is currently the lead independent director.

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LTG Thompson is a veteran with 34 years of active military duty. He has served in the highest leadership positions in the United States Army and joint transportation operations, management and procurement. He was the United States Army's Director for the Budget and served in a number of other financial management positions, as well as serving in key leadership positions in logistics and field artillery. He currently provides executive leadership in the United States Army, where he oversees several symposia, defense landpower exhibitions and overseas tradeshows in addition to leading AUSA's worldwide chapter operations. LTG Thompson completed his military career as the Deputy Commander in C