
FORCE PROTECTION INC.
(OTCBB: FRPT: \$20.14, BUY)
INDUSTRY: DEFENSE

Disclosures: 1, 2, 4A, 5, 6, 10

Force Protection: Covering Bases while Saving Face

Friday's announcement regarding the award of firm-fixed-price, indefinite-delivery/indefinite-quantity multiple award contract for vehicles to fulfill the MRAP initiative essentially fulfills two facets of a sticky political situation for the Government. The military needs these trucks as early as yesterday...everyday it costs more US soldier lives. On the other hand, how does a contract of this size and importance go to an operation that was nearly bankrupt a year ago and was the "red-headed stepchild" of the industry?

Today, Force Protection's vehicles possess the best design. The Company has hot lines up and running and they are increasing the rate of production with every passing month. The vehicles are fully tested and validated in the field and, the soldiers in Iraq and Afghanistan feel most comfortable in hostile lands with this equipment. Lastly, there is no doubt that the Cougar, Buffalo and within the next month, the Cheetah, are all manufactured in the USA.

The award delivered last week opens the door to all those manufacturers that feel they should be part of the supply process. It essentially closes the door on those that might have grievances about Force Protection being a pre-designated, primary supplier to the MRAP. So behind door #1, we have a way for the DOD not to lose face, to open the opportunity to those that believe they should participate, and to shut out the possibly of an award protest that would take considerable time and prolong the production and fulfillment ramp.

Behind door #2 is an opening for the military to buy essentially all the mine resistant and ambush protected vehicles it needs. While the net is cast for other contenders, a flow of "urgent" trucks can be filled via the existing relationships.

Of course the market is disappointed in the Company not receiving a giant portion of the contract with Friday's announcement. We already were thinking that investors were betting too much on the complete winning of the contract by FRPT. But we do not take this action by the DOD as a real negative particularly since FRPT has an established record of its truck in the field and that they have already received initiating orders to start the flow of equipment.

What we feel as interesting is that Force Dynamics—the joint venture between Force Protection and General Dynamics—was not included in the list of manufacturers that were named in the contract. Could it be that the Cougar already has sufficient "testing data" and could be a back door supplier?

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