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MORNING NOTE

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FORCE PROTECTION INC.
(OTCBB: FRPT: \$14.66, BUY)
INDUSTRY: DEFENSE

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

Before the open today, Force Protection reported that it had found errors in its accounting efforts for the years of 2003 and 2004. The adjustments involved equity valuation methods regarding issuances in 2003 and 2004 and that the adjustments would have an effect on the earlier financials to the tune of \$4 million.

Our observations are that;

- The findings arose from the Company's new auditors efforts of inspecting the books and in response to SEC questions arising from this past summer's offering.
- The added loss has no effect on the operations for 2005 or 2006 and the prospects going forward.
- This change in past accounting reflects the Company trying to improve its entire public profile, controls, and grasp on the operations by the current management team. It adds to FRPT's NOL carryforward.

My understanding of the story is that the SEC had 28 questions regarding the last registration statement. 27 were simply responded to with satisfactory answers. The last really needed some interpretation. The newly appointed auditors were able to understand the situation and address it appropriately. The BOD and management team believe that making sure that everything was buttoned up for the last registration would be particularly beneficial regarding any future request.

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