

**FORCE PROTECTION INC. (OTC BB: FRPT)**

INDUSTRY: DEFENSE

DISCLOSURES: 1, 4A, 6, 10

RATING: BUY

RISK: HIGH

CLOSING PRICE 05/02/06	TRAILING P/E (TTM)	SHARES OUT (MILS.)	MARKET CAP (MILS.)	3-5 YEAR EPS GROWTH	PRICE TARGET
\$1.94	NM	46.7	\$90.6	N/A	\$7.50

ANNUAL DATA – DECEMBER YEAR END			
	2005A	2006E	2007E
EPS	\$ (0.49)	\$ 0.15	\$ 0.75
P/E	N/M	12.9	2.6
REVENUE (MIL.)	\$49.7	\$202.9	\$357.3
P/S	1.82	0.45	0.25

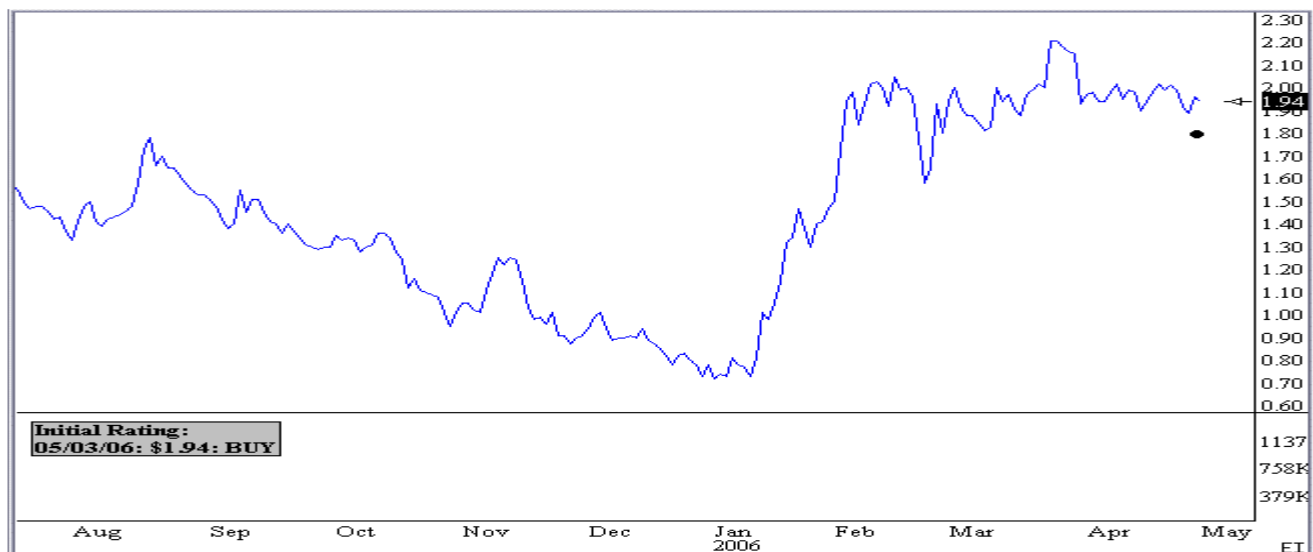
EARNINGS					
	Q1	Q2	Q3	Q4	ANNUAL
2007E	\$ 0.15	\$ 0.19	\$ 0.20	\$ 0.21	\$ 0.75
2006E	\$ (0.02)	\$ 0.05	\$ 0.05	\$ 0.07	\$ 0.15
2005A	\$ (0.11)	\$ 0.00	\$ (0.13)	\$ (0.28)	\$ (0.49)
2004A					\$ (0.53)

**COMPANY DESCRIPTION**

Force Protection, Inc. supplies the US Military with specially armored personnel carriers that are nearly impervious to civilian/terrorist and remote attacks. During the last several years in Iraq and Afghanistan, one of the greatest costs to soldier's lives and welfare has been mines and IEDs. The Company's vehicles protect the occupants from these attacks. We are witnessing a chase by the Government to employ these distinctive and safe vehicles as rapidly as possible thereby making FRPT an interesting idea and attractive investment at these price levels.

**INVESTMENT HIGHLIGHTS**

- FRPT's Buffalo mine clearance and Cougar armored personnel vehicles have demonstrated incredible resilience against attack—proven survivability.
- The Company appears to be at the early stages of a significant ramp up in production which, driven by demand from the Government for middle-East deployments, should result in significant improvements to profitability.
- Our \$7.50 price target is based on a conservative 10X multiple on our '07 EPS estimate. As management executes its business plan, we believe there could be additional upside to our share price objective.



### **Another David And Goliath...But, They're Both On Our Side!**

We are initiating coverage of Force Protection, Inc. with a **BUY** rating. Realizing that the Company is still very much a start-up, defense contractor, our excitement about the recommendation stems from the belief that FRPT is producing superior products that face a growing and dire need and is responsible for saving more and more US soldiers' lives with its unique vehicles. This is a very interesting operation. It is supplying the US Military, as well as other governmental agencies, and very possibly additional allied country forces, with specially armored personnel carriers that are nearly impervious to civilian/terrorist and remote attacks. During the last several years in Iraq and Afghanistan, it is fairly obvious that the US coalition efforts "won the wars" but are having difficulty winning the peace.

We have all heard about the toll IEDs (Improvised Explosive Devices) and the maiming and killing, booby-traps and mines are taking on our troops. Indeed, the number one cost to our country is soldiers that are injured or killed due to IED, makeshift bomb explosions, or resurgence attacks. FRPT's Buffalo and Cougar vehicles have proven themselves in the field of action as being impenetrable to light and small-arms attack. These vehicles are almost indestructible and nearly always post-attack repairable. They thereby provide high levels of availability in protecting the troops. After nearly two years of service with nearly 300 vehicles operating, only one truck has been damaged beyond basic repair and no individual soldier has been injured due to an attack.

Indeed, we are witnessing a chase by the Government to employ these distinctive and safe vehicles as rapidly as possible thereby making FRPT an interesting idea and attractive investment at these price levels. Given that the shares represent a higher-than-normal level of businessman's risk, we stipulate the newness of the operation, the vagaries of dealing with governmental bureaucracy regarding orders and payments, and the balance sheet as the major risks. Otherwise, it is a typical, young operation with all the normal problems and risks but interestingly compounded by the quality and features of the products and dealing with the single largest customer in the world. Our initial recommendation arises from the following points:

- FRPT's Buffalo mine clearance and Cougar armored personnel vehicles have demonstrated incredible resilience against attack as well as a perfect safety record for its occupants.
- Survivability/Repairability and Availability to maximize the greatest period of "protected" hours in the field is the hallmark of FRPT's vehicles: FRPT benefits from both 30 years of design development and testing in South Africa as well as "exclusive" design rights tied up by the Company.
- Given the highly politicized nature of this war's casualties, the Bush administration and the US Military are pulling out the stops to maximize troop security including an almost "land rush" procurement race to deploy more of these, and other FRPT designed, vehicles.
- **Consumer, Off-the-Shelf** components, such as the engines, transmissions, axles, and the control and steering mechanisms, makes these vehicles production, maintenance and repair quick and easy compared to other major procurement vehicles where everything is specially designed and manufactured on a custom basis. The engine and transmission can be replaced in approximately 90 minutes, enhancing the 'uptime' for these vehicles.
- Newly located, spacious and well-equipped facilities, a fortified management team, and improving financing options are helping the Company attain production needs:...There is still a lot of work required to properly launch and secure production of these vital vehicles, which are large and complicated as well as expensive. Improving production and procedure controls are being incorporated into the process which should boost profit contribution per vehicle as well as the numbers produced. With cost-based accounting, operating margin increases as production efficiencies and manufacturing processes improve.
- Parts and Service support revenues are substantial and lucrative and should grow exponentially as new trucks join the fleet: Here, margins and returns are stronger than original manufacturing margins and given projected longevity of the vehicles, provide the Company with a distinctive business annuity.

- Operations appeared to have turned the corner with first quarter sales and margins being nearly sufficient to break-even: Normal operating margins are targeted to approach 28% to 32% with spares/parts margins carrying a 20% premium...only clean-up items and an early quarter penalty on late deliveries hinder a real break-out for the period.

### **Background**

Think of a tortoise. It carries a very heavy shell that surrounds all sides of the animal's body—it provides a protective capsule—except where its legs, head and tail protrude. If you have ever examined this specimen, you'd notice that the top part of the shell is particularly armored. It is rounded and slopes off to the ground, almost roof-shaped, deflecting blows and potential injuries to the interior, soft tissue. The underside is flat to accommodate the animal's short legs for motivation.

We have just described the reverse image of Force Protection's design. Think of the tortoise's shell but upside-down to deflect blasts coming from below ground as well as high-integrity armor surrounding the entire structure. Incidentally, like the tortoise, the motive appendages—axles, drive shaft, and wheels, are really the only integral attachments that stick outside the protective capsule. Indeed, they are essentially expendable attachments that can be easily replaced and repaired if damaged.

The Company believes that a key aspect to its mine-protective designs is the management of hot gases and concussive energy released by mines and small-arm, launched weapons' explosions. Its vehicles are designed and produced to deflect and dissipate the explosive blast away from the passenger compartment with a key element being the shape of the geometric, V-hull configuration of the capsule shell as well as the materials used.

Part of the "know-how" of producing these vehicles is that steel is used for the protective shell. FRPT uses special armoring that is produced in Sweden. Beside their distinctive shape, two types of armor plates are used and their combination provides extra protection. Of the #700 and #900 steels, one is specially hardened and will take a direct hit from a 50-caliber bullet and the other is softer allowing it to absorb energy from a blast. The steel and handling is so specialized that it is sent from Sweden to South Africa to be cut and formed into the V-shaped components. The trimmed, cut and shaped metal is then delivered to South Carolina where it is layered, welded and fabricated into the tortoise-like Force Protection hulls.

The Company now manufactures two, blast-protected vehicles with distinctively different mission capabilities. The 22-ton Buffalo was designed and constructed for route clearing activities and carrying a 38,680 pound payload. It can operate with sustained speeds of 55 MPH with burst acceleration to 65 MPH. This \$750,000 vehicle can sustain and survive damage from IEDs and mines as large as 45 pounds of TNT. Equipped with steel wheels, it can be used to clear mine fields with only a little cosmetic surface damage to the vehicle.

The 6X6 version Cougar weighs 14 tons with a payload capacity of 12,000 lbs. and costs about \$550,000 to \$650,000 apiece. It is designed for rapid response deployment of soldiers to hot spots needing infantry support. This vehicle is capable of sustaining 55 MPH speeds with bursts to 65 MPH. It is designed/constructed to withstand a 15 pound centerline device explosion, a 30 pound explosion under each wheel or a 50 caliber armor-penetrating direct hit.

A developmental design is the MUV-R, a replacement vehicle for the Humvee. It is designed to cost between \$300,000 to \$350,000 and even with its 17,000 pounds GVW is able to carry 8,000 pounds of payload or a crew of six. Essentially, this vehicle exemplifies why Force Protection's trucks survive the destructive force of insurgent attacks compared to the Humvee vehicles that now populate the armed services.

When we compared the MUV-R to the Humvee, the first things we noticed were the different materials, obvious strength differences, and certainly the construction design of each vehicle. The Humvee was designed to replace the World War II work horse, the Jeep, and in an attempt to mimic the very attributes that great vehicle

incorporated, the Humvee is a modern-day, clap-trap on four wheels. Yes, it's a fancy SUV equivalent or a sound fast attack transport when involved in "Total War". But, it is perfectly designed and constructed to kill the occupants if hit by an IED, or small-arms fire or if the vehicle hits a mine.

Conversely, the MUV-R, a mini-Bufferlo but much faster and more agile, incorporates the life-saving safety capsule cab that has been so successful in saving lives to date.

As we explained above, one aspect that makes the Buffalo, Cougar and possibly the MUV-R so reliable as well as available for service is the use of consumer, off-the-shelf parts and components. For example with the Buffalo, the concept is taken almost to extreme. When a completed hull is produced, the Company acquires a Mack, Class 6, six-axle truck, strips the vehicle of the engine, transmission, and other operating and control parts and essentially bolts-on the components. Other than beefed-up transfer-cases, axles, wheels and tires, the vehicle is a Mack truck with a different, shell-like cab.

It's a similar situation for the Cougar except the size of the production run is requiring that a third party assist with the manufacturing process. Again, steel from Sweden is cut, formed and punched in South Africa. When the metal hits the shop in South Carolina, a cab is produced, cleaned, and painted and then the hull is shipped by truck to a Spartan Motors, Inc. (NASDAQ: SPAR--\$14.23) facility in Michigan. There, this custom motor vehicle chassis manufacturer and builder of emergency vehicles (ambulances, fire trucks and ladder vehicles) essentially stuffs in the engine, transmission, transfer cases, axles, etc. as if it were part of their own production run. The truck is shipped back to FRPT for fitting, painting, and testing.

The following chart illustrates FRPT's product deliveries in the last two calendar years and the current backlog.

<b>Vehicle</b>	<b>2004</b>	<b>2005</b>	<b>Backlog</b>
Buffalo	9	31	41
Cougar HEV	5	22	1
Cougar HJERRV	0	18	104
	14	71	146

Awarded Feb. 2006

Given the demand for product and the task of producing these vehicles, it is appropriate to ask about the facilities, production and operating management. First, the manufacturing facilities are just plain incredible. FRPT operates out of a former General Electric Power Turbine facility built back several decades ago but with exceptional overhead lift and small-crane capability, special power supply faculties, a quality rail spur that could be used to transport vehicles when slightly higher production levels are attained. We are talking four, major buildings with a total of 250,000 square feet of highest quality, incredible infrastructure and at \$0.23 to \$0.28 per square foot/month. This facility should easily support the manufacture of up to 1,500 vehicles per year. It makes for an attractive reason for an interested outside competitor to consider acquiring FRPT alone.

Right now, the company is running one line to produce about 4 Buffalos a month. Given the size, heft and expense of these vehicles, one should not expect production of this product to increase much more on a monthly basis. On the other hand, there is a production line for the Cougar that manufactures about 20 units a month. This assembly line is in the process of being duplicated with a parallel line just next to the existing production run. This "doubling" of capacity could again double with the adding of a second shift; but this is not going to happen until the first line operates at a much higher level of efficiency and manufacturing perfection.

What?!!! Well, this last point is particularly important since the manufacturing steps need to be performed once, and correctly, and on time. For instance the first quarter will be impacted by late delivery penalties.

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Fortunately, the CEO, Gordon McGilton, who is an apostle of Dr. W. Edward Demming, of Japanese Manufacturing fame and the developer of continuous quality improvement manufacturing processes, has had several decades of manufacturing and quality management, teaches and lectures on the Demming philosophies and specializes in manufacturing efficiency as an executive or consultant in large operations such as TRW, Ford, General Motors, Volkswagen, Bendix, Cigna and many others. There is a primary focus on improving productivity of the lines, plants and the whole operation.

### **Intellectual property**

Force Protection has two, long-term intellectual property agreements covering technology used in the production of the ballistic and blast protected hulls. One agreement is with CSIR Defencetek, 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 agreement is with MECHAM, a division of Denel Pty Ltd, another South African company. Under these agreements, FRPT pays a fixed royalty of \$5,000 to \$8,000 per vehicle in exchange for exclusive transfer of design rights to FRPT of the South African technology employed. Interestingly, the US Department of Defense views this royalty as a simple pass-through operating expense. So, this incremental cost is just added to the cost-plus contract the DoD has with FRPT.

Better yet, while we were visiting the Company, we were introduced to this small Company's "skunk works" (small-letter intentionally used) and some of the components that FRPT is developing that can be either used on their own truck or employed across fleets no matter who manufactures the vehicles. The primary mission of their efforts is new IED technologies and products that can counter explosive discharges.

Dr. Vernon Joynt oversees the R&D effort at the Company and is responsible for a large number of innovative military technologies including the original designs and development. He is widely regarded by many military groups and mine/IED ballistic protection communities as one of the top experts in the field. Dr. Joynt designed the first V-shaped mine protected vehicle, the Hyena, for the South African government nearly 30 years ago. He is now working on energy-absorbing, non-destructive wheels and reactive glass for Force Protection Technologies.

### **Parts and Service as an Annuity**

We have described how various DoD departments are in a land-grab assault mode to acquire more of the Buffalo/Cougar IED proof vehicle...it really is more a problem of production and budget rather than any other bottleneaking factors. On the other hand, we have also discussed how the parts and service business is playing a greater role in FRPT's future and that has some particularly interesting aspects.

Of the nearly 200 FRPT vehicles shipped and in the field, only one truck has been unable to be repaired and placed back into service. This is a distinguishing statistic since the average vehicle is "attacked" five times each year. Yes, the axles or wheel or exterior accoutrements may be ripped off in a blast or attack; but in all cases, the soldiers inside were uninjured in the attack and the vehicle was repaired.

What is most interesting to me about FRPT is the growing annuity the operation faces with every vehicle placed into action. Given the several decade life expectancy of the trucks and the number of repair cycles each must face, this provides the Company with incredible revenue security. Moreover, the parts business enjoys a richer gross margin - roughly a 20% premium - compared to the margin on the trucks. In addition, service/repair personnel are being deployed by the Company into the field adding a lucrative service element to the income statement.

### **Pennies from Heaven**

Our revenue/earnings model indicates that Force Protection is on the cusp of turning profitable with the close of Q12006 and actually shows a profit for the second quarter and the year. It is too bad that a few, "catch-up" items all occurred in a quarter when the building of operating infrastructure was also occurring.

If this were a more mature defense contractor, the modeling would be an easier task (both for insiders and outside observers alike)—not that operations like this are ever easy given the size of the contract, the complexity of the manufacturing and the Herculean task of managing the whole production. On the other hand with larger, established contractors, there is a pre-determined, understood and accurately targeted profit rate placed on the revenue line. It is outlined as to what costs are appropriate to be included in the expense categories. Proper delivery instructions and forms are also understood. Investors have to understand that FRPT is barely an “adolescent” when it comes to operating as a real defense contractor...it appears that they are emerging from that awkward change in life but still remain inelegant and pimply-faced.

Our work shows how the improved operating run-rate is beginning to have effect not only on the top-line but certainly having a positive effect on corporate contribution. In the second quarter, we only used a modest pick-up in the production of Cougars as well as a start of an additional opportunity that we are “betting” that management succeeds in securing. Over the Easter Weekend, the US Government issued an RFP for 750 vehicles, essentially a Request for Proposal for more Cougar-like vehicles, that would be issued to the new Iraqi police/military. It is interesting as to the “rush” the government seems to be in regarding this particular contract—we happened to be there just after the announcement and could not help but notice the torrid pace of activity management was at assembling the bid. Our model assumes that this contract is partially won by FRPT. We think that there is another Cougar contract in the wings but are willing only to include the ‘Easter’ contract at this time. Also note for 2007 that we have shown a pick-up in MUV-R production. Again, this is a real leap-of-faith on our part regarding new contract opportunities.

Margins begin to show some respectful improvement with the first quarter. Throughout the remainder of our modeling timeframe, we are indicating an improved rate of gross and operating margin contribution. Please note that our upper limit for the company is 16% operating margin, which as we understand the business is the targeted “profit” that the Government will allow.

### **Imbalanced Sheet**

If only the FRPT Balance Sheet was as impenetrable as the Company’s vehicles. As of the end of 2005, the Company had \$1.7 million in equity supporting a \$40 million asset structure and the Current Ratio was around 1-to-1. As such, the modest equity level makes the operating business shaky...Let’s face it, every investor should be cognizant of the risk. Now we understand that various shareholders and convertible preferred holders may be “in for a penny, in for a pound,” therefore there is a potential supply of fresh capital if an emergency warranted the need. We still recognized that we are considering a Company that can’t afford too many mistakes. This goes double for shareholders: Who given the prospects for the operation are probably faced with dilution if any operating parameter goes way out of awry.

Given our earnings thoughts and the caliber of their customer—we often forget that cash is supplied by the Government as contracts and certain production objectives are met, that either additional bank financing or earned capital could help alleviate the need and eventually minimize the problem. So, yes the balance sheet is something to consider...worry about, but we can see our way through the problem at this time.

### **Acquired Price Target**

As I survey our work, remember our impressive and eventful tour, and think about our model, I have to mention as an analyst that our earnings figures are untaxed. From one standpoint, it should not matter given the size of NOL at \$50 million, but “real” valuation work would deduct 40% in taxes. Honestly, I’m tossing the concept away because I don’t think the Firm will be independent before the booked losses run out.

The defense industry now sells at a 20-times multiple. This includes the like of Boeing, Lockheed, General Dynamics, Raytheon, etc, which is a brotherhood of defense contractors that is world-class and in their own

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rights unbelievable operations. FRPT, as exciting as we think the future could be, should receive a multiple nowhere near this level.

So, we are using a 10-times P/E Multiple on 2007 per share earnings of \$0.75. That produces a \$7.50 target price as we approach the fourth quarter of 2006 and the first quarter of 2007. Our feeling is that given the blistered balance sheet, that lack of current profitability, the previously mentioned “adolescent” framework of the operation (offset by the nifty technology opportunities as upside), we believe that a conservative, first-blush swipe at valuation makes the most sense leaving us the opportunity to adjust earnings and raise the valuation multiple as the year unfolds.

<b>FORCE PROTECTION, INC.</b>			
Consolidated Balance sheets			
	<u>12/31/2003</u>	<u>12/31/2004</u>	<u>12/31/2005</u>
<b>Current assets:</b>			
Cash	\$ 278,777	\$ 2,264,406	\$ 1,217,509
Accounts receivable	144,932	1,053,973	4,033,581
Other current assets	827,337	9,029,913	267,189
Inventories	60,000	241,910	32,486,776
<b>Total Current Assets</b>	<b>1,311,046</b>	<b>12,590,202</b>	<b>38,005,055</b>
Fixed assets, net	309,068	1,036,994	2138703
<b>Total assets</b>	<b>\$ 1,620,114</b>	<b>\$ 13,627,196</b>	<b>\$ 40,143,758</b>
<b>Current liabilities:</b>			
Account payable	\$ 715,066	\$ 1,867,363	\$ 14,546,915
Other accrued liabilities	30,911	1,229,893	1,618,451
Contract liabilities	180,384	729,461	2,053,285
Loans payable	536,162	360,975	7,500,000
Line of Credit	176,961	4,000,000	-
Deferred revenue	209,175	2,645,716	12,598,921
<b>Total Current Liabilities</b>	<b>1,848,659</b>	<b>10,833,408</b>	<b>38,317,572</b>
Long-term accounts payable	32,461	110,732	141,940
<b>Total Liabilities</b>	<b>1,881,120</b>	<b>10,944,140</b>	<b>38,459,512</b>
<b>Shareholders' equity</b>			
<b>Preferred stock:</b>			
Series B convert.	25,000	1,508,000	-
Series C convert.	1,294,000	-	-
Series D convert.	-	-	12,597,390
Common stock	-	-	36,114
Warrant 2,994,167 outstanding	689,726	1,500	1,500
Shares committed to be issued	30,924	-	122,000
Additional paid-in-capital	19,403,349	33,135,369	38,232,994
Accumulated deficit	(21,704,005)	(31,961,813)	(49,305,752)
<b>Total shareholders' equity</b>	<b>(261,006)</b>	<b>2,683,056</b>	<b>1,684,246</b>
<b>Total liabilities and shareholder equity</b>	<b>\$ 1,620,114</b>	<b>\$ 13,627,196</b>	<b>\$ 40,143,758</b>

**Force Protection, Inc.**

(\$ in millions, except EPS)

FY: December

	1Q05	2Q05	3Q05	4Q05	1Q06E	2Q06E	3Q06E	4Q06E	1Q07E	2Q07E	3Q07E	4Q07E	Year 2004	Year 2005	Year 2006E	Year 2007E
	31-Mar-05	30-Jun-05	30-Sep-05	31-Dec-05	31-Mar-06	30-Jun-06	30-Sep-06	31-Dec-06	31-Mar-07	30-Jun-07	30-Sep-07	31-Dec-07	31-Dec-04	31-Dec-05	31-Dec-06	31-Dec-07
Vehicle sales					\$28.635	\$41.925	\$45.450	\$50.970	\$67.070	\$74.220	\$77.720	\$77.720	na	na	\$166.980	\$296.730
Parts and Supplies revenues					\$6.053	\$7.525	\$8.350	\$12.125	\$13.350	\$14.150	\$14.350	\$14.700	na	na	\$34.053	\$56.550
Service revenues					\$0.175	\$0.338	\$0.600	\$0.760	\$0.850	\$1.000	\$1.000	\$1.200	na	na	\$1.873	\$4.050
Total revenues	\$5.853	\$18.295	\$9.303	\$16.240	\$34.863	\$49.788	\$54.400	\$63.855	\$81.270	\$89.370	\$93.070	\$93.620	\$10.274	\$49.691	\$202.906	\$357.330
Cost of Goods Sold	\$6.395	\$14.259	\$7.770	\$15.992	\$27.939	\$34.905	\$37.966	\$44.386	\$56.700	\$62.336	\$64.970	\$65.199	\$11.267	\$44.416	\$145.197	\$249.205
Gross Profit	(\$0.542)	\$4.036	\$1.533	\$0.248	\$6.924	\$14.883	\$16.434	\$19.469	\$24.570	\$27.034	\$28.100	\$28.421	(\$0.993)	\$5.275	\$57.710	\$108.125
Gross Profit Margin	-9.26%	22.06%	16.48%	1.53%	19.86%	29.89%	30.21%	30.49%	30.23%	30.25%	30.19%	30.36%	-9.67%	10.62%	28.44%	30.26%
Operating Expenses	\$3.202	\$3.732	\$4.780	\$6.530	\$7.150	\$11.600	\$13.700	\$16.500	\$17.000	\$17.650	\$18.150	\$18.250	\$9.136	\$18.244	\$48.950	\$71.050
Operating Profit	(\$3.744)	\$0.304	(\$3.247)	(\$6.282)	(\$0.226)	\$3.283	\$2.734	\$2.969	\$7.570	\$9.384	\$9.950	\$10.171	(\$10.129)	(\$12.969)	\$8.760	\$37.075
Operating Margin	-63.97%	1.66%	-34.90%	-38.68%	-0.65%	6.59%	5.03%	4.65%	9.31%	10.50%	10.69%	10.86%	-98.59%	-26.10%	4.32%	10.38%
Other Income (Expense)																
Interest income	\$0.039	\$0.029	\$0.019	\$0.016	\$0.010	\$0.015	\$0.020	\$0.030	\$0.040	\$0.050	\$0.060	\$0.070	\$0.570	\$0.103	\$0.075	\$0.220
Interest expense	(\$0.277)	(\$0.204)	(\$0.364)	(\$0.863)	(\$0.800)	(\$0.800)	(\$0.400)	\$0.385	(\$0.355)	(\$0.300)	(\$0.300)	(\$0.200)	(\$0.685)	(\$1.708)	(\$1.615)	(\$1.155)
Non-recurring warranty expense			(\$2.013)										\$0.000	(\$2.013)	\$0.000	\$0.000
Impairment losses-goodwill													\$0.000	\$0.000	\$0.000	\$0.000
Total other income	(\$0.238)	(\$0.175)	(\$2.358)	(\$0.847)	(\$0.790)	(\$0.785)	(\$0.380)	\$0.415	(\$0.315)	(\$0.250)	(\$0.240)	(\$0.130)	(\$0.115)	(\$3.618)	(\$1.540)	(\$0.935)
Income from continueing operations	(\$3.982)	\$0.129	(\$5.605)	(\$7.129)	(\$1.016)	\$2.498	\$2.354	\$3.384	\$7.255	\$9.134	\$9.710	\$10.041	(\$10.244)	(\$16.587)	\$7.220	\$36.140
Net Income/Loss per share					(\$0.02)	\$0.05	\$0.05	\$0.07	\$0.15	\$0.19	\$0.20	\$0.21	(\$0.53)	(\$0.49)	\$0.15	\$0.75

5/2/2006

### DISCLOSURES:

This update report has been commissioned by Force Protection, Inc. (the Company) as part of an on-going research and awareness program contracted between Catalyst Financial Resources LLC (CFR), and the Company. CFR has been paid or promised payment for the production and editorial content of this report. The Company is paying CFR \$6,000 per month for 12 months for services rendered. However, the opinions, forecasts and price targets are based on our examination of company fundamentals, conversations with management, independent analysis of markets, economic conditions, and other publicly available information.

This report has been written in accordance with current SEC regulations and the Standards of Practice developed by the Association of Investment Management & Research (AIMR). Our research has been conducted by employing analytical practices generally accepted as standard within the analytical industry. Our conclusions are, by the very nature of forecasting, speculative, but are also reasonable, supportable and consistent.

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- (1) Catalyst Financial Resources LLC (CFR) does not make markets in any securities and has not managed or co-managed a public offering of securities for the subject company within the past 12 months.
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<b>Accumulate</b>	Purchase of the stock is recommended for above average appreciation over the next 12 to 18 months, but the buyer may have an opportunity to acquire the stock within a 10% trading range.
<b>Hold</b>	Holding the stock is recommended because the share price has moved above the specific "Buy" range and, therefore, appreciation potential is less than or equal to the market.
<b>Sell</b>	The stock has reached the target price objective and/or conditions have changed sufficiently to alter the outlook for the stock.

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