FORCE PROTECTION INC
Form 10-K/A
October 15, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(Mark One)

x **ANNUAL REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

o **TRANSITION REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-33253

FORCE PROTECTION, INC.

(Exact name of issuer 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, SC (Address of principal executive offices)	**29456** (Zip Code)

Registrant s telephone number, including area code: **(843) 740-7015**

Securities registered under Section 12(b) of the Exchange Act:

Common Stock, par value $0.001 per share. (Title of class)	**NASDAQ Stock Market** (Name of Each Exchange On Which Registered)

Securities registered under Section 12(g) of the Exchange Act: **None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past twelve months (or 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 x No o

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained in this form, and no disclosure will 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 o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (Check one).

Large accelerated filer o Accelerated filer x Non-accelerated filer o

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of March 14, 2007 was $1,102,410,688 based on a total of 66,934,468 shares of our common stock held by non-affiliates on March 14, 2007 at the closing price of $16.47 per share.

We had 67,817,003 shares of common stock outstanding as of March 14, 2007.

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EXPLANATORY NOTE

Management has reassessed the effectiveness of our internal control over financial reporting as of December 31, 2006. As a result, management has concluded that our internal control over financial reporting was not effective as of December 31, 2006, because of certain material weaknesses. Management s revised assessment is contained, and the material weaknesses are described, in Item 9A of this Form 10/KA.

As a result of that reassessment, Jaspers + Hall, PC has revised and reissued its reports with respect to our consolidated financial statements as of December 31, 2006 and with respect to management s assessment of its internal control over financial reporting, and those revised reports appear in Item 8. There are no changes, however, to the financial statements included in Item 8.

We have also made conforming changes to one Risk Factor contained in Item 1A.

PART I

ITEM 1A. RISK FACTORS

An investment in our common stock is subject to risks and uncertainties. Investors should consider the following factors, in addition to the other information contained or incorporated by reference in this Annual Report on Form 10-K, as well as our other filings with the SEC, before deciding to purchase our securities.

We depend on the U.S. government for a substantial amount of our sales. If we do not find acceptance of our products within the U.S. government, our business may fail.

We serve the defense market and our sales are highly concentrated within the U.S. government. The customer relationship with the U.S. government involves certain risks that are unique such as the ongoing development of high-technology products, price, availability and quality of materials and suppliers.

U.S. defense spending has historically been cyclical. Defense budgets have received their strongest support when perceived threats to national security raise the level of concern over the country s safety. As these threats subside, spending on the military tends to decrease. Accordingly, while Department of Defense funding has grown rapidly over the past few years, there is no assurance that this trend will continue. Rising budget deficits, the cost of the Global War on Terrorism and increasing costs for domestic programs continue to put pressure on all areas of discretionary spending, which could ultimately impact the defense budget. Wartime support for defense spending could wane if the country s troop deployments in support of operations in Iraq and Afghanistan are reduced. A decrease in U.S. government defense spending or changes in spending allocation could result in one or more of our programs being reduced, delayed or terminated. Reductions in our existing programs, unless offset by other programs and opportunities, could adversely affect our ability to sustain and grow our future sales and earnings.

U.S. government contracts generally are not fully funded at inception and are subject to termination. If the U.S. government does not order as many vehicles as we anticipate, our business will be adversely affected.

Government contracts and subcontracts typically involve long purchase and payment cycles, competitive bidding, qualification requirements, delays or changes in funding, extensive specification development, price negotiations and milestone requirements. Each government agency also maintains its own rules and regulations with which we must comply and which can vary significantly among agencies. Governmental agencies also often retain some portion of fees payable upon completion of a project and collection of these fees may be delayed for several months or even years, in some instances.

In addition, an increasing number of government contracts are fixed price contracts which may prevent us from recovering costs incurred in excess of our budgeted costs. Fixed price contracts require us to estimate the total project cost based on preliminary projections of the project s requirements. The financial viability of any given project depends in large part on our ability to estimate such costs accurately and complete the project on a timely basis. In the event actual costs exceed the fixed contractual cost, we may not be able to recover the excess costs.

Some government contracts are also subject to termination or renegotiation at the convenience of the government, which could result in a large decline in revenue in any given quarter. Although government contracts have provisions providing for the reimbursement of costs associated with termination, the termination of a material contract at a time when our funded backlog does not permit redeployment of staff could result in a reduction in the number of employees. In addition, the timing of payments from government contracts is also subject to significant fluctuation and potential delay, depending on the government agency involved. Any such delay could result in a temporary shortage in working capital.

We must comply with environmental regulations or we may have to pay expensive penalties or clean up costs.

We are subject to federal, state, local and foreign laws, and regulations regarding protection of the environment, including air, water, and soil. Our manufacturing business involves the use, handling, storage, and contracting for 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. We do not maintain insurance for pollutant cleanup and removal. If we are found responsible for any hazardous contamination, we may have to pay expensive fines or penalties or perform costly clean-up. Even if we are charged, and later found not responsible, for such contamination or clean up, the cost of defending the charges could be high. If we do not comply with government regulations, we may be unable to ship our products or have to pay expensive fines or penalties. We are subject to regulation by county, state and federal governments, governmental agencies, and regulatory authorities from several different countries. If we fail to obtain regulatory approvals or suffer delays in obtaining regulatory approvals, we may not be able to market our products and services, and generate product and service revenues. Further, we may not be able to obtain necessary regulatory approvals. Although we do not anticipate problems satisfying any of the regulations involved, we cannot foresee the possibility of new regulations, which could adversely affect our business. Further our products are subject to export limitations and we may be prevented from shipping our products to certain nations or buyers.

Our earnings and margins depend on our ability to perform under our contracts and if we do not perform our margins may erode.

Our contracts require management to make various assumptions and projections about the outcome of future events over a period of several years. These projections can include future labor productivity and availability, the nature and complexity of the work to be performed, the cost and availability of materials, the impact of delayed performance, and the timing of product deliveries. If there is a significant change in one or more of these assumptions, circumstances or estimates, or if we are unable to control the costs incurred in performing under these contracts, the profitability of one or more of these contracts may be adversely affected.

If the pricing and availability of subcontractor performance and raw materials change, our profitability may be adversely affected.

We rely on subcontractors and other companies to provide raw materials, major components and subsystems for our products or to perform a portion of the services that we provide to our customers. Occasionally we rely on only one or two sources of supply, which, if disrupted, could have an adverse effect on our ability to meet our commitments to customers. We depend on these subcontractors and vendors to fulfill our contractual obligations in a timely and satisfactory manner in full compliance with customer requirements. If one or more of our subcontractors or suppliers are unable to satisfactorily provide on a timely basis the agreed-upon supplies or perform the agreed-upon services, our ability to perform our obligations as a prime contractor may be adversely affected.

Some of our product components are manufactured in other foreign countries and if any of those become unstable or government regulations change, our costs may increase or we may become unable to source certain parts.

Some of our product components are manufactured in and supplied from other foreign countries. If import tariffs or taxes increase for any reason, our cost of goods would increase. Our financial performance may be affected by changes in political, social and economic environment. The role of the central and local governments in the economy is significant. Policies toward economic liberalization, and laws and policies affecting foreign companies, foreign investment, currency exchange rates and other matters could change, resulting in greater restrictions on our ability to do business with suppliers based in other countries. The government could impose surcharges, increase tax rates, or revoke, terminate or suspend operating licenses without compensating us. Also, other countries, from time to time, experience instances of civil unrest and hostilities. Confrontations have occurred between the military, insurgent forces, and civilians. If for these or any other reason, we lose our ability to sub-contract or manufacture the components to our products, or the cost of doing business increases, our business, financial condition, and results of operations would be materially and adversely affected.

We may be subject to personal liability claims for our products and if our insurance is not sufficient to cover such claims, our expenses may increase substantially.

As a result, a significant lawsuit could adversely affect our business. We may be exposed to liability for personal injury or property damage claims relating to the use of the products. Any future claim against us for personal injury or property damage could materially adversely affect the business, financial condition, and results of operations and result in negative publicity. Even if we are not found liable, the costs of defending a lawsuit can be high. We do not currently maintain insurance for this type of liability. Additionally, even if we do purchase insurance, we may experience legal claims outside of our insurance coverage, or in excess of our insurance coverage, or that insurance will not cover.

We must develop new technologies and maintain a qualified workforce in order to remain competitive.

Virtually all of the products we produce and sell are highly engineered and require sophisticated manufacturing and system integration techniques and capabilities. Government markets in which the company operates are characterized by rapidly changing technologies. The product and program needs of our government customers change and evolve regularly. Accordingly, our future performance in part depends on our ability to identify emerging technological trends, develop and manufacture competitive products, and bring those products to market quickly at cost-effective prices. In addition, because of the highly specialized nature of our business, we must be able to hire and retain the skilled and appropriately qualified personnel necessary to perform the services required by our customers. If we are unable to develop new products that meet customers changing needs or successfully attract and retain qualified personnel, future sales and earnings may be adversely affected.

We rely on proprietary designs and rights and if we have to litigate those rights, our expenses could substantially increase.

Our success and ability to compete depend, in part, on the protection of our designs and technology. In addition, our technology could infringe on patents or proprietary rights of others. We have not undertaken or conducted any comprehensive patent infringement searches or studies. If any third parties hold any conflicting rights, we may be required to stop making, using or selling our products or to obtain licenses from and pay royalties to others. Further, in such event, we may not be able to obtain or maintain any such licenses on acceptable terms, if at all. We may need to engage in future litigation to enforce intellectual property rights or the rights of customers, to protect trade secrets or to determine the validity and scope of proprietary rights of others, including customers. This litigation could result in substantial costs and diversion of resources and could materially and adversely affect our results of operations.

We have identified material weaknesses in our internal control over financial reporting, which could adversely affect our ability to report our financial condition and results of operations accurately or on a timely basis. As a result, current and potential stockholders could lose confidence in our financial reporting, which could harm our business and the trading price of our stock.

As required by Section 404 of the Sarbanes-Oxley Act of 2002, our management has conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006. We previously restated our financial statements in our annual reports on Form 10-K for the fiscal years ended 2003, 2004 and 2005 and we amended our annual report on Form 10-K for the 2006 fiscal year. Following our restating and amending of our prior annual reports, we identified a number of material weaknesses in our internal control over financial reporting and have now concluded that, as of December 31, 2006, we did not maintain effective control over financial reporting. For a discussion of our internal control over financial reporting and a description of the identified material weaknesses, see Item 9A: Controls and Procedures - Management s Report on Internal Control over Financial Reporting of this Form 10-K/A.

Each of our material weaknesses results in more than a remote likelihood that a material misstatement of the annual or interim financial statements that we prepare will not be prevented or detected. As a result, we must perform extensive additional work to obtain reasonable assurance regarding the reliability of our financial statements. Even with this additional work, there is a risk of additional errors not being prevented or detected, which could result in additional restatements. Moreover, other material weaknesses may be identified.

Material weaknesses in our internal control over financial reporting could adversely impact our ability to provide timely and accurate financial information. If we are unsuccessful in implementing or following our remediation plan, or fail to update our internal control over financial reporting as our business evolves, we may be unable to report financial information timely and accurately or to maintain effective disclosure controls and procedures. Any such failure in the future could also adversely affect the results of periodic management evaluations and annual auditor attestation reports regarding disclosure controls and the effectiveness of our internal control over financial reporting required under Section 404 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. If we are unable to report financial information in a timely and accurate manner or to maintain effective disclosure controls and procedures, we could be subject to, among other things, regulatory or enforcement actions by the SEC and NASDAQ, including a delisting from the NASDAQ Stock Market, securities litigation, and a general loss of investor confidence, any one of which could adversely affect our business prospects and the valuation of our common stock.

We also have extensive work remaining to remedy the identified material weaknesses in our internal control over financial reporting and this work will continue through the balance 2007 and perhaps beyond. There can be no assurance as to when all of the material weaknesses will be remedied. Until our remedial efforts are completed, management will continue to devote significant time and attention to these efforts, and we will continue to incur expenses associated with the additional procedures and resources required to prepare our financial statements. Certain of our remedial actions, such as hiring additional qualified personnel and implementing a new operating system, will be ongoing and will result in our incurring additional costs even after our material weaknesses are remedied.

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Force Protection, Inc.

We have audited the accompanying consolidated balance sheets of Force Protection, Inc. and subsidiary as of December 31, 2006, 2005 and 2004, and the related consolidated statements of income, stockholders equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2006. These financial statements are the responsibility of the company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Force Protection, Inc., and subsidiary as of December 31, 2006, 2005 and 2004, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, certain errors resulting in adjustments to the Company s accounting for preferred stock and warrants issued to investors, accounting for stock-based compensation to employees and non-employees and accounting for rent expense on a straight-line basis as of December 31, 2006, 2005 and 2004, were discovered by management of the Company during the current year. Accordingly, the 2006, 2005 and 2004 financial statements have been restated to correct these errors.

/s/ JASPERS + HALL, PC

Denver, Colorado
June 5, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Force Protection, Inc. and Subsidiary

We have audited management s assessment, included in the accompanying Management s Report on Internal Control over Financial Reporting, that Force Protection, Inc. and subsidiary did not maintain effective internal control over financial reporting as of December 31, 2006, because of the effect of the material weakness identified in management s assessment, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO). Force Protection, Inc. and subsidiary s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weaknesses have been identified and included in management s assessment. Force Protection, Inc. and subsidiary s financial and accounting organization was not adequate to support their financial accounting and reporting needs. Specifically, they did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience with the Company and training in the application of GAAP commensurate with our financial reporting requirements. Force Protection, Inc. and subsidiary did not maintain effective policies and procedures related to the accounting for specific equity issuances, including accounting for stock-based compensation in accordance with Statement of Financial Accounting Standard (SFAS) No. 123, *Share-Based Payment*, and accounting for convertible and redeemable preferred stock and warrants. In addition, Force Protection, Inc. and subsidiary did not maintain effective controls to ensure the accuracy of disclosures in their financial statements and classification of certain financial transactions in the financial statements.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2006 financial statements, and this report does not affect our report dated June 5, 2007 on those financial statements.

In our opinion, management s assessment that Force Protection, Inc. and subsidiary did not maintain effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Force Protection, Inc. and subsidiary has not maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of Force Protection, Inc. and subsidiary as of December 31, 2006, 2005 and 2004, and the related consolidated statements of income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2006, and our report dated June 5, 2007, expressed an unqualified opinion thereon.

/s/ JASPERS + HALL, PC

Denver, Colorado
June 5, 2007

FORCE PROTECTION INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
For the Years Ended December 31, 2006, 2005 and 2004

	2006	2005 Restated	2004 Restated
Net Sales	$ 196,017,446	$ 49,712,829	$ 10,272,757
Cost of sales	158,994,626	46,428,615	11,266,998
Gross Profit	37,022,820	3,284,214	(994,241)
General and administrative expense	27,183,093	17,256,359	9,614,052
R & D expense	3,204,165	1,657,918	1,230,290
Operating Profit (Loss)	6,635,562	(15,630,063)	(11,838,583)
Other income	963,390	102,941	569,760
Interest expense	(1,728,500)	(1,708,291)	(684,980)
Realized gain on derivative liability		2,830,791	
Earnings (Loss) from Operations	5,870,452	(14,404,622)	(11,953,803)
Deferred Tax Benefit	12,326,491		
Net Earnings (Loss)	$ 18,196,943	$ (14,404,622)	$ (11,953,803)
Net earnings (loss)	$ 18,196,943	$ (14,404,622)	$ (11,953,803)
Accretion of Series D 6% convertible preferred stock	(1,297,134)	(2,041,697)	
Preferred Dividends	(325,685)	(778,530)	
Net Earnings/(Loss) available to common shareholders	$ 16,574,124	$ (17,224,849)	$ (11,953,803)
Basic earnings (loss) per common share	$ 0.37	$ (0.51)	$ (0.62)
Diluted earnings (loss) per common share	$ 0.36	$ (0.51)	$ (0.62)
Weighted-average shares used to compute:			
Basic earnings (loss) per share	44,786,083	33,926,573	19,357,939
Diluted earnings (loss) per share	50,428,466	33,926,573	19,357,939

The accompanying Notes are an integral part of these financial statements.

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FORCE PROTECTION INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2006, 2005 and 2004

	2006	**2005 Restated**	**2004 Restated**
ASSETS			
Current Assets:			
Cash	$ 156,319,004	$ 1,217,509	$ 2,264,406
Accounts receivable, net of allowance for contractual adjustments of $6,068,087 for 2006, $1,018,051 for 2005, and $0 for 2004	36,011,568	3,666,358	1,053,973
Inventories	60,396,297	32,486,776	9,029,913
Other current assets	374,051	267,189	241,910
Current Portion of Deferred Taxes	9,562,500		
Total current assets	262,663,420	37,637,832	12,590,202
Investment in Challenger Powerboats Inc, net of valuation allowance			
Long Term Portion of Deferred Taxes	2,763,991		
Property Plant and equipment, net	8,963,901	2,138,703	1,036,994
Total Assets	$ 274,391,312	$ 39,776,535	$ 13,627,196
LIABILITIES & SHAREHOLDERS EQUITY			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 38,653,813	$ 14,688,855	$ 1,867,363
Other accrued liabilities	2,968,859	1,898,020	1,354,466
Contract liabilities	1,850,000	1,686,062	729,461
Loans payable		7,500,000	360,975
Line of Credit			4,000,000
Current portion of long term liabilities	71,685		
Deferred revenue	12,824,211	12,598,921	2,645,716
Total Current Liabilities	56,368,568	38,371,858	10,957,981
Long-term debt:			
Other long term liabilities	167,937		110,732
Total Liabilities	56,536,505	38,371,858	11,068,713
Commitment and Contingencies (See Note 7)			
Preferred stock series D, $0.001 par value, authorized: 20,000 shares, issued and outstanding: 0,13,004, 0 shares; for the years 2006, 2005 and 2004 respectively;		7,901,438	
SHAREHOLDERS EQUITY			
Preferred stock: $0.001 par value, authorized: 10,000,000 shares			
Preferred stock series B, $0.001 par value, authorized: 25 shares issued and outstanding 0, 0, 19.5 shares; for the years 2006, 2005 and 2004 respectively;			
Preferred stock series C, $0.001 par value, authorized: 150 shares, issued and outstanding 0,0,0 shares; for the years 2006, 2005 and 2004 respectively;			
Common stock, $0.001 par value, authorized: 300,000,000, issued and outstanding: 66,762, 566, 36,114,216, 19,357,938 shares; for the years 2006, 2005 and 2004	66,763	36,114	19,358
Warrants		5,780,952	2,602,800
Shares to be issued	31		
Beneficial Conversion Feature			19,102,306
Additional Paid-in Capital	249,694,850	38,714,893	35,874,565
Accumulated deficit	(31,906,837)	(51,028,720)	(55,040,546)
Total Shareholders Equity	217,854,807	(6,496,761)	2,558,483
Total Liabilities and Shareholders Equity	$ 274,391,312	$ 39,776,535	$ 13,627,196

The accompanying Notes are an integral part of these financial statements.

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FORCE PROTECTION INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
For the Years Ended December 31, 2006, 2005 and 2004

	Series B **Preferred** Stock		**Series** C **Preferred** Stock		**Common** Stock	
	Shares	**Par $.001**	**Shares**	**Par $.001**	**Shares**	**Par $.001**
Balance, December 31, 2003	10	$ 0	132	$ 0	10,190,021	$ 10,190
Issuance of common stock for cash	0	0	0	0	2,982,717	2,983
Issuance of common stock for services Third Parties	0	0	0	0	163,501	163
Issuance of common stock for Compensation Directors & Employees	0		0		616,682	617
Issuance of common stock for cash (Warrant net change)	0		0		2,757,618	2,758
Cancellation of Common shares					(304,167)	(304)
Issuance of common shares for Debt					20,421	20
Conversion of preferred stock to common stock	(1)		(80)		2,931,145	2,931
Conversion between preferred Series B and Series C	11		(105)		0	0
Change in Beneficial Conversion Feature	0		0			
Issuance of Preferred Stock for Cash	0		1		0	0
Issuance of preferred stock for compensation	0		38		0	0
Issuance of preferred stock for conversion of debt	0		20		0	0
Rescinded and Redemption of preferred stock	0		(6)		0	0
Net loss	0		0		0	0
Balance, December 31, 2004	20	$ 0	0	$ 0	19,357,938	$ 19,358
Issuance of common stock for cash	0	0	0	0	185,321	185
Issuance of common stock for compensation	0	0	0	0	51,616	52
Issuance of common stock for settlement agreements	0	0	0	0	53,467	53
Issuance of common stock for interest	0	0	0	0	14,876	15
Issuance of Common Stock as Series D dividend shares	0	0	0	0	281,697	282
Issuance of Common Stock to round up post split shares	0	0	0	0	3,079	3
Issuance of common stock for cash-warrants	0	0	0	0	114,376	114
Warrant issued for Series D placement	0	0	0	0		
Conversion of Series Series D preferred stock to common stock	0	0	0	0	1,331,429	1,331
Accretion of Series D Preferred Stock	0	0	0	0		
Reclassification of Series D Warrants from Liability	0	0	0	0		
Dividends for Series D-cash	0	0	0	0		
Dividends for Series D-accrued						
Conversion of Series B preferred stock to common stock	(20)	0	0	0	14,803,750	14,804
Beneficial Conversion Feature	0	0	0	0		
Common Share Grants cancelled	0	0	0	0	(83,333)	(83)
Stock Based Compensation (FAS 123R)						
Warrants-net (expired & issued) not including Series D	0	0	0	0		
Net loss	0	0	0	0	0	0
Balance, December 31, 2005	0	$ 0	0	$ 0	36,114,216	$ 36,114
Issuance of common stock for cash (PIPE s)	0		0		21,250,000	21,250
Issuance of common stock for stock options exercised					1,000	1
Issuance of common stock for compensation	0		0		313,644	314
Issuance of common stock for settlement agreements	0		0		30,000	30
Issuance of common stock for dividends on Series D	0		0		8,937	9
Issuance of Cash for dividends on Series D					0	0

Accretion of Series D Preferred Stock	0	0	0	0		
Issuance of common stock for cash warrants					2,852,140	2,852
Conversion of Series D preferred stock to common stock						