

Letter to the Executive Board

By

Richard C. Davis, Company President

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R.C. Davis
K.W.

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Subject to Protective Order

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Second Chance Body Armor is currently facing two problems:

1. Zylon® seems to be degrading much faster than Twaron® or Kevlar®.
2. New ammunition, faster and harder than regular ammunition, is being promoted "en masse" to the public for the first time.

Soon, both these problems will manifest themselves primarily with level 2A vests in general, and 100% Zylon® 2A Ultima® vests in particular.

Possible Solutions

Solution #1) We continue operating as though nothing is wrong until one of our customers is killed or wounded, or Germany, Japan, Dupont, or some other entity exposes the Zylon® problem.

Downfalls) Either a Law Enforcement Officer will be killed wearing one of our vests, or an involuntary exposure will lead to gross exaggeration. In either case, we will be forced to make excuses as to why we didn't recognize and correct the problem. In the eyes of law enforcement we will either be stupid for not knowing, or greedy and uncaring for knowing and not doing anything about it.

How many of us are willing to sign the following statement:

"I the undersigned, knowing full well about the problems with Zylon® and Level 2A vests want to continue to produce and sell Level 2A vests, and 100% Zylon® vests to unsuspecting American Law Enforcement Officers, without telling them about these problems?"

Signed _____

If you are unwilling to sign the above statement, then do not expect Richard Davis to continue this policy as President of Second Chance Body Armor.

Solution #2) We publish and circulate an ad denouncing all 2A vests and decline to make them anymore, unless it's a bid situation for an all Kevlar® or Twaron® product and the customer is fully aware of the 2A shortcomings.

Yes, we will make 2A Aramid vests on special order, but we will not make 2A Zylon® vests. All current level 2A and level 2 Zylon® vest orders will be filled with Bi-Flex® level 2 vests at no increase in price. A letter of explanation will be included with each vest. Customers who object to this policy will speak with me, President Richard C. Davis, personally.

Facts

On average, Kevlar® and Twaron® loose about 1% per year V-50. On average, Zylon® seems to be loosing about 4% per year! Therefore, after 5 years many Zylon® vests will have lost 20% of their V-50! Over the same time span the new Bi-Flex® vest (60% Zylon®, 40% Twaron®) would loose approximately 12% of its V-50. This is just barely acceptable in Levels 2 and 3A, but it is not acceptable in level 2A. Thus, we should not make a Level 2A Bi-Flex®.

Strategy

"Operation Lifeboat"

Within 6 to 18 months it is likely that the German V-50 will fall below the acceptable level (it is fortunate that we elected to upgrade all German vests to 36 layers; had we not, it is likely that our vests would have already failed). We need to be proactive with this know fact. We need to develop an orderly plan to correct this inevitable dilemma. We must begin negotiation with the Germans on the basis that we want to work together to solve the problem. If we have an orderly plan in place, there will be no trouble getting to the "lifeboat" when the "Zylon® ship" begins to sink.

Some possible solutions that we can bring to the table in Germany include, but are not limited to:

1. Convince the German's to lower their V-50.
2. Provide them with a 3 year trade-in deal for an affordable Twaron vest.
3. Provide them with free "upgrade pads" for all 71,000 vests.

The Good

"Bi-Flex®!"

- On average Zylon® costs about \$9 per layer, whereas Twaron® only costs about \$4.50 per layer.
- Although Zylon® is lighter and thinner, each layer is roughly equal in stopping power.
- In the production of a 30 layer, level 3A, Bi-Flex® vest (18 layers Zylon®, 12 layers Twaron®) we would save $12 \times \$4.50 = \$54!$
- In the production of a 24 layer, level 2, Bi-Flex® vest (16 layers Zylon®, 8 layers Twaron®) we would save $8 \times \$4.50 = \$36!$
- Though a few hundredths of a pound / ft² heavier, the Bi-Flex® vests are softer than the all Zylon® vests, and just as wearable!
- Bi-Flex® vests are virtually the same weight as the all Zylon® "Ultima® +6."

Recall the anti-2A ad:

On a \$1,200, retail, level 2 vest, a dealer with a 57% discount would pay \$516. If he makes a sale due to the "50% discount with a 2A trade in" he grosses \$600 and nets \$84!¹ Plus, he can earn another \$50 (credit) if he sends us the trade-in. A \$134 total profit, not bad!

The \$1200, retail, level 2 vest, sells to the dealer for \$516 and generates a \$51.60 commission to the field rep. If we cut the commission to 5% on these trade-ins we would save \$25.80. If you add this \$25.80 to the \$36 we save on material in the level 2 Bi-Flex®, and then subtract the \$50 for the trade-in, we would come out with an \$11.80 extra profit!

On a \$1400, retail, level 3A vest, our extra profit is \$34.10. The dealer would profit \$148, and the field rep would profit \$30.10.

Our extra profit can be applied to the added customer service costs.

Upgrade pads of 750 Denier Twaron® can be offered in the low, low price range of \$100 to \$175 (depending on how many layers our data² determines we will need).

"We can do all this if we stop making 100% Zylon® Ultimas® and change our Ultima® product to Bi-Flex®, yet keep the Ultima® name. Perhaps we could call it something creative such as the Ultima® Bi-Flex® (ooohhh, ahhhh)." -R.C.D.

The Bad

The German Contract:

- Germany may want to sue us. If they do, it will take 5 to 10 years and (after Second Chance files for chapter 11 bankruptcy protection) they'll get nothing. Everyone will look bad cops won't have body armor for a while.
- If our negotiations lead us to the "upgrade pad solution," Second Chance will most likely incur a \$2,500,00 to \$3,000,000 warranty liability in the form of 71,000 "free" upgrade pads for Germany.
- Double that warranty liability to \$5,000,000 or \$6,000,000 to include upgrade pads for all of our domestically sold 100% Zylon® 2A vests.

¹ These are sales that would not normally occur (for a few years, if ever). And dealers always want "customer volume" going through their stores.

² 'Our data' refers to data we have already collected in addition to data we will begin gathering on V-50's from used German vests.

The Ugly

Toyobo:

- Toyobo *should* admit that they have sold us a semi-defective product. *They won't!*
- They *should* take care of their customer by at least providing us with free Zylon® cloth for the upgrade pads. *They won't!*

In spite of Toyobo's dishonorable lack of corrective action and customer service, Second Chance Body Armor *will* take corrective action and provide service to *our* customers. That way they *will* stay our customers.

If Toyobo will not provide free Zylon® cloth for the upgrade pads, we will be forced to buy Twaron®. We'll be damned if we are going to pay "big money" to Toyobo so that they will profit from their own shoddy production!

Next Steps

- It is only honorable that we inform Toyobo of all these facts so that they can make their decision. Again it is very unlikely from what we have seen of their evasive actions that they will do anything beyond a token price cut.
- We begin testing used 36 layer German vests for V-50's with various Twaron® upgrade pads. This will give us at least some data to help us decide how we want to make the upgrade pads. Question: "Would Twaron make us a low-low-low price deal on upgrade pad cloth?" That would give them bragging rights that Twaron® saved Zylon®.
- Mark Pickett should spearhead the German negotiations with the goal of developing an orderly plan to correct the low V-50 dilemma.

Conclusion

If we work together the low V-50 problem will be solved before the German Press can make a big stink about it. Isn't it ironic that the 36 layer German vests are the strongest soft body armor ever issued yet they will be deemed as not being strong enough.

It is nice to take many possible solutions to the negotiating table in Germany. In reality however, the upgrade pad solution is the only feasible alternative. Who knows, maybe we'll get lucky and the Germans will agree to lower their V-50 (maybe we should even prepare an argument supporting that). Don't bet on it though. After 30 years of saving lives, we've seen many crisis come and go. The important thing is that we stick together and develop an action plan that everyone can agree too. That way it will all work out in the end.

Signed: _____