



United States Department of State

Washington, D.C. 20520

April 1, 2009

Mr. Mark Carruthers
Vice President
Armor Group North America, Inc.
Dulles Plaza I., 1420 Spring Hill Rd
Suite 300
McLean, VA 22102

Subject: TCN Senior Guards Resume Approval

Refs: a) AGNA letters of March 9, 2009, Serial 09-035
b) CO letter dated 3/12/2008
c) CO letter dated 11/2/2007

Dear Mr. Carruthers:

This letter is in response to your letter of March 9, 2009, regarding the resume approval status of Gurkhas who have been standing post as Senior Guards on the USE Kabul Guard Force.

First of all I would like to point out that the Government identified this gross oversight, which impresses upon the need for ArmorGroup North America, Inc. (AGNA) to improve upon your internal quality assurance/quality control plan. It is a matter of record that failure to meet language requirements under the contract is a recurring issue. Therefore, I strongly urge AGNA to act responsibly in directing its immediate attention to address and bring final resolution to systemic issues that has caused the failure to meet language requirements set forth in the contract.

Secondly, at the start up of contract performance, the former Contracting Officer (CO) granted a general 90-day waiver regarding MRPTs, language requirements, and other training requirements for incumbent guards in order to support AGNA's endeavor in meeting its contractual obligations in the first year of performance under the contract. Subsequently, on November 2, 2007, the former CO granted a waiver for the level 2 language requirements for thirty-eight (38) Gurkhas for one-hundred twenty (120) days. Furthermore, on March 12, 2008, the former CO issued a second letter due to AGNA's inability to meet the level 2 language requirements for these thirty-eight 38 Gurkhas. AGNA responded proposing the U.S. Government would only have to pay for 60% of the Gurkhas' hourly rate, as stated in Section B of the contract. The March 12, 2008 letter also defined the Government's right under the contract to enforce deducts for each unqualified Gurkha and further levied a severe deduct schedule since AGNA did not live up to its promise to meet the 120-day waiver timeframe to rectify the language requirement deficiency. If the level 3 language requirement goes back as far as contract award then certainly there has been more than

enough time to have addressed and finally resolved any level 2 or level 3 language requirements.

While the Government is however sensitive to the morale issues this might create and further understands that these Gurkhas are among the most experienced of your Gurkha guard force, we are quite dismayed to learn that after nearly two years of contract performance AGNA still has language deficiencies among the Gurkha guard force. The Government also must wonder when this issue would have been discovered and addressed by AGNA, had the Government not brought it up.

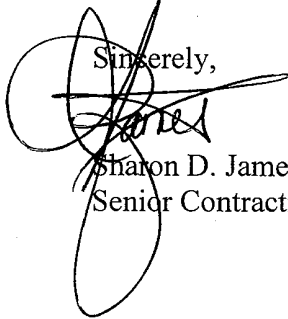
Therefore, at this juncture, the Government will not grant AGNA a waiver due to AGNA's inability to effectively establish and maintain quality control measures that would support its endeavor to fully meet contractual requirements. AGNA took a huge risk in placing these individuals in positions for which they did not meet the full qualifications, had more than enough time to satisfy the requirement for level 2 or level 3 language training and must act immediately to finally correct this deficiency.

The Government hereby takes the position that while these personnel may continue to serve in the capacity of TCN supervisors, contractually it would be improper for AGNA to bill for and be compensated at the TCN guard supervisory rate in section B of the contract until such time these employees fully satisfy level three language requirements. Furthermore the Government draws your attention to and request that you immediately provide responses to the following concerns:

- What is your corrective action plan to have these employees fully meet level three language requirements? In your letter you state that additional language training has been implemented since 2007, and that you have recruited another English teacher, but you do not state how many hours per week these TCN supervisors attend English classes as well as when you expect them to meet the level three language requirements.
- How many hours these personnel have worked on the contract after 10/01/2007 (90 days after contract performance start up).
- Where are these TCN Senior Guards currently posted?
- We also request a copy of AGNA's current Quality Assurance/Quality Control Plan for Employee Training and continuous skills maintenance and improvement.

The Government hereby directs AGNA to fully address the TCN Senior Guard issue and requires a response to the aforementioned concerns by written correspondence no later than April 6, 2009, 5:00 p.m. Eastern Time. Please contact me directly at (703) 875-7320 or jamesd@state.gov if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Sharon D. James", is written over the word "Sincerely,". The signature is stylized with large loops and a long horizontal stroke extending to the right.

Sharon D. James
Senior Contracting Officer