

**BANKING CENTER**

- Business Accounts  
[Login](#) [Demo](#) [More info](#)
- Personal Accounts  
[Login](#) [Demo](#) [More info](#)
- Business Banking Services
- Personal Banking Services
- Online Banking Services
- e-Deposit
- Rates
- Mortgages
- Calculators
- Investor Relations
- News & Events
- Careers

► Search

**Resource Center**

**Extraordinary Access to Capital\*\***

**Government contractors are uniquely able to access low-cost capital to keep pace with their growth imperatives.**

Government contractors often meet their cash needs with conventional bank financing because of the unique creditworthiness of their customer. Ted Lauer of Access National Bank acknowledges the role this distinction plays when he says, "We are often able to arrange financing and lines of credit for early-stage government contractors that would otherwise have no access to such low-cost funds." Non-bank sources of financing, such as finance companies and other asset-based lenders, are also very vibrant in the government-contracting community, which is not always the case in many commercial sectors.

The problem for many commercial early-stage companies has been qualifying for these loans. Government contractors, on the other hand, are able to leverage their consistent, long-term contract payments from the federal government. The reliability of these contract payments and the security provided by their revenue streams eases the credit concerns of the lenders and makes lower-cost financing possible. In terms of the cost of capital, working capital and acquisition financing from a bank averages less than 10 percent in today's market. By comparison, private equity financing can run as much as 35 percent of the amount raised.

Despite the scarcity of angel groups and venture capitalists in some sectors, more and more private equity groups are interested in acquiring government contractors in order to provide added diversification to their portfolios. These investors may be looking for the elusive "platform company" from which they will build their enterprise and expand it in a new market. If the company is too small to fit that role, then its value is driven by the complimentary products and services it offers that allow an existing platform company to broaden its reach. Management teams with proven government-contracting experience are important to financial buyers. Merger and acquisition experience can be a big plus because the investors often plan to do more transactions on the journey to "critical mass" - the point where they can liquidate their investments and maximize returns.

\*\* Brian Craig, Mark Moore and Andy Smith are with The McLean Group, LLC, an investment bank serving the capital, planning, merger and acquisition needs of middle-market businesses. Brian, Mark and Andy can be reached at [bcraig@mcleanllc.com](mailto:bcraig@mcleanllc.com), [mmoore@mcleanllc.com](mailto:mmoore@mcleanllc.com), and [asmith@mcleanllc.com](mailto:asmith@mcleanllc.com), respectively. Additional information about The McLean Group can be found at [www.mcleanllc.com](http://www.mcleanllc.com).

