



# Aerospace, Defense and Government Services Quarterly Industry Update 2nd Quarter 2016

### Industry News Quarterly Summary

- The Department of Defense announced that it will withdraw a request for legislation to increase focus on proposed mergers' impacts on national security. The DoD's announcement came in response to a joint statement by the FTC and the Department of Justice reiterating focus on innovation and competition for defense contractors. The DoD previously lobbied for such legislation following continued consolidation among defense industry prime contractors, notably Lockheed Martin's acquisition of Sikorsky in 2015.
- The Senate Appropriations Defense Subcommittee approved a new spending bill for 2017 allocating a \$515.9 billion base budget for the Department of Defense and \$58.6 billion for the OCO budget. While the committee recommended cuts in several areas, the bill recommends increased funding for aircraft and ship procurement, as well as additional funding for readiness and maintenance.
- Navy officials released plans to build 38 new ships over the next five fiscal years, including nine new Virginia-class submarines and 10 new guided missile destroyers, to achieve a total fleet size of 308 ships by 2021.
- As an alternative to Lowest Price Technically Acceptable (LPTA) source selection, the DoD introduced a new approach called Value Adjusted Total Evaluated Price (VATEP), that identifies minimum and maximum thresholds for performance requirements and quantifies price increases for measurable performance along a scale.
- Lockheed Martin announced a new partnership with MIT to collaborate on research projects focused on autonomous robotics systems.
- Orbital ATK, a large commercial partner for NASA, tested its upgraded Antares rocket vehicle at the Mid-Atlantic Regional Spaceport in Virginia, priming the upgraded system for commercial cargo flights to resupply the International Space Station this year.

### Notable Quarterly M&A Activity

- Arlington Capital Partners acquired EIOR Technologies, Inc. from The White Oak Group for an undisclosed amount.
- Transdigm Group, Inc. will acquire Data Device Corporation, a portfolio company of Behrman Capital, for \$1 billion.
- Smiths Group will acquire the Morpho Detection unit of Safran for \$710 million.
- OSI Systems, Inc. agreed to purchase American Science & Engineering, Inc. for \$187 million.
- KLX, Inc. acquired Herndon Aerospace & Defense, LLC, a portfolio company of HCI Equity Partners, for \$210 million.
- KBR, Inc. will acquire Wyle Laboratories, Inc., a portfolio company of Court Square Capital Partners, for \$570 million.

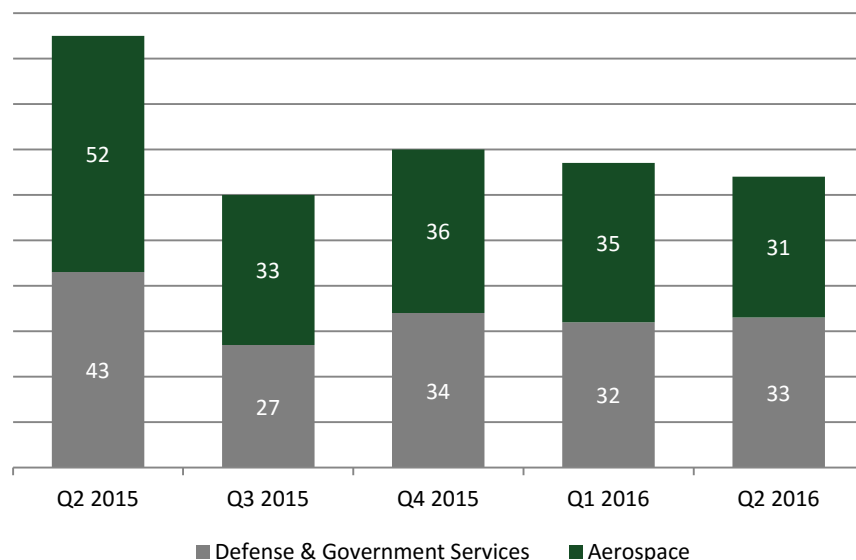
### Capital Markets

	% Change		
	Jun-16	Q2 2016	TTM
Defense Prime Index	2.7%	7.3%	13.0%
Defense Systems Index	2.6%	8.8%	10.7%
Diversified Government Services Index	(1.5%)	(1.8%)	13.2%
Middle Market Government Services Index	3.4%	12.5%	7.6%
Large Cap Aerospace Index	1.2%	2.0%	(7.7%)
Mid Cap Aerospace Index	(3.5%)	4.8%	(16.9%)
Small Cap Aerospace Index	(5.5%)	(2.1%)	(14.1%)
International Aerospace Index	(3.9%)	(5.7%)	(12.0%)
S&P 500	(0.2%)	1.3%	1.0%

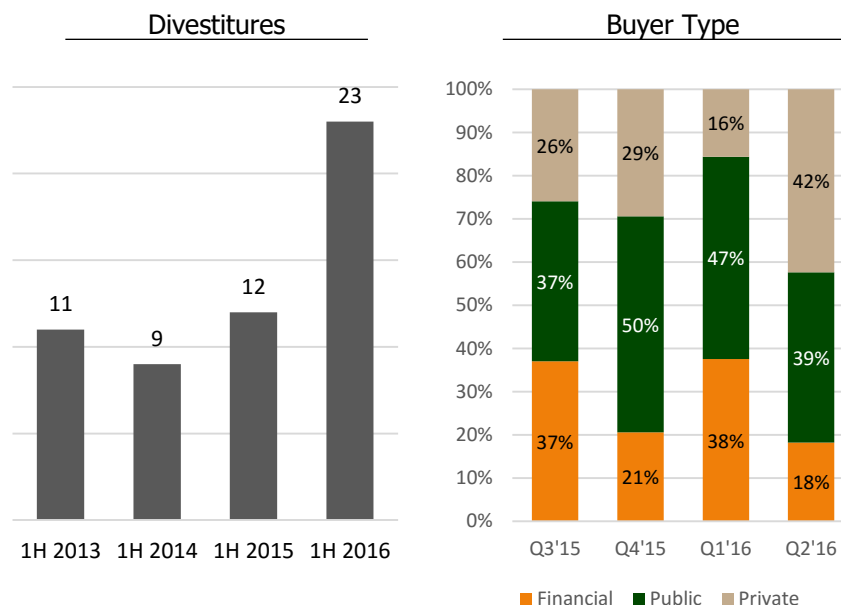
The McLean Group tracked 33 announced Defense and Government Services sector transactions during Q2 2016, down from Q2 2015's forty-three transactions, yet surpassing Q1 2016. Public companies remain the most active buyer category in the second quarter, comprising 43% of all announced transactions in Q2, highlighted by KBR's announced acquisition of Wyle, Inc. from private equity firm Court Square Partners for \$570 million. Arlington Capital Partners demonstrated significant M&A activity in Q2 with acquisitions of EOIR Technologies, Columbia Ultimate Business Systems, Kreisler Manufacturing Corp, and iRobot's Defense & Security Business. As a whole, private equity activity was down when compared to the prior quarter, 18% to 38%. Through the first half of the year we have noted 23 divestitures, almost double the previous year, as companies continue to shed non-core assets and shape their portfolios.

North American Aerospace M&A activity receded in Q2, falling to 31 announced transactions. Acquisitions by buyer were spread fairly evenly across the board, with private equity buyers outpacing public and private company buyers 35% to 32% and 32% respectively. The largest reported transaction of the quarter was TransDigm's acquisition of ILC Holdings, Inc. the parent company of Data Device Corp. from private equity group Behrman Capital for \$1 billion, representing a five times multiple of revenue. Many of the large primes have stated that they are still pursuing transformational M&A, such as Honeywell even after it cancelled its \$90.7 billion offer to buy United Technologies earlier in the year.

### Recent Transaction Activity by Quarter



### Gov. Services - Notable Trends



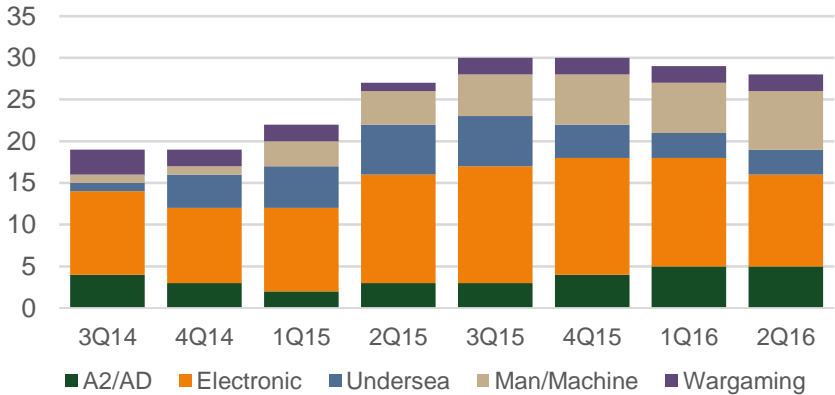
# Industry Trends (Defense and Government Services)

Second Quarter 2016

Since World War II, the U.S. military periodically undertakes large-scale strategic initiatives to “offset” perceived deficiencies in its conventional forces. Most recently, the DoD launched the Defense Innovation Initiative (“DII”) to develop a “third offset strategy” that counters adversarial advances in Anti-Access/Area Denial (“A2/AD”) capabilities. Components of the DII budget include **cyber and electronic warfare, submarine and undersea warfare, autonomous systems and human-machine teaming, A2/AD and anti-A2/AD capabilities, and war gaming and concept development.** A2/AD threatens to disrupt the military’s ability to deploy forces and establish air, space and maritime superiority. Threats include ballistic missiles designed to pinpoint key ground facilities, as well as counter-maritime and counter-air systems targeting mobile assets, including space and cyber assets.

M&A activity suggests that some companies already positioned themselves for these developments. Transactions relating to these capabilities can be found more than three years ago, with the A2/AD, Undersea Warfare, and Man/Machine categories showing an upward trend. For example, Chemring Group acquired missile defense technology from Wallop Defense Systems providing infrared decoy flare countermeasures against both air-to-air and ground-to-air missiles. In Undersea Warfare, Huntington Ingalls Industries acquired the Engineering Solutions division of Columbia Group, which manufactures both manned and unmanned undersea war vehicles, testing of mine warfare systems, and torpedo countermeasures. Additionally, General Dynamics Corp. acquired Bluefin Robotics Corp. for its UUV capabilities in order to integrate UUVs into its existing Naval platforms. The Man/Machine category extends beyond unmanned vehicles to include human-machine collaboration in the form of autonomous systems, robots and artificial intelligence. Arlington Capital’s recently acquired iRobot Corp.’s Defense & Security business brings capabilities including behavior-based robots that can be deployed in hostile environments to provide warfighters with invaluable situational awareness while replacing human casualties.

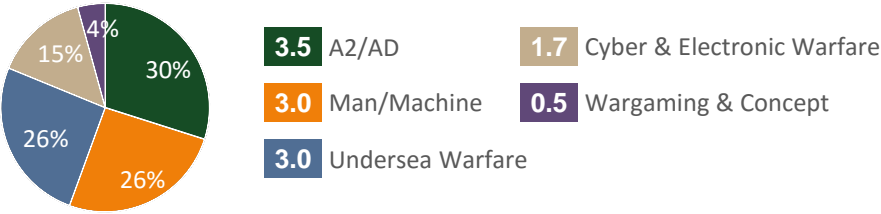
LTM 3<sup>rd</sup> Offset Deals by Category



Noteworthy M&A Activity

Buyer	Target	M&A Close Date and Strategic Rationale
Chemring Group	Wallop Defense Systems [Assets]	<b>May '16:</b> Infrared decoy flare countermeasures against air-to-air and ground-to-air missiles
Arlington Capital Partners	EOIR Technologies	<b>Jun '16:</b> Electromagnetic Maneuver Warfare Command & Control, among other capabilities
J.F. Lehman & Co.	API Technologies	<b>Apr '16:</b> RF, microwave, millimeterwave, and electromagnetic systems for electronic warfare
Huntington Ingalls Industries	Columbia Group [Engineering Solutions]	<b>Jan '15:</b> Manned/unmanned undersea war vehicles, mine warfare systems, torpedo countermeasures
Kraken Systems Inc.	Sonar Marine Robotics	<b>Nov '15:</b> World-class underwater robotics technology and related intellectual property rights
Arlington Capital Partners	iRobot Corp. [Defense Security]	<b>Apr '16:</b> Behavior-based robots providing warfighters with invaluable situational awareness
Braxton Science & Tech. Group	Space/Ground System Solutions	<b>Mar '16:</b> Combine expertise to foster innovations in human-machine collaboration
Veritas Capital Fund Mgmt.	Alion Science and Technology	<b>Aug '15:</b> Modeling, Simulation, Training, and Analysis for explosives, robotics and AI

DoD DII Estimated Annual Budget (\$ in Billions)



The Internet of Things (IoT) creates compelling opportunities to improve efficiencies across a wide range of industries, specifically in the commercial aviation sector. The IoT connects physical devices to a network that uses sensors and software to collect and analyze data in real-time. This enormous amount of data can be mined to determine patterns and cycles that improve the power of prediction and boost efficiencies. Specifically, engine manufacturers, OEMs, and operators can improve operating efficiencies, thus expand margins, by implementing connected technologies throughout their operations and product lines.

At the 2015 Paris Air Show, many vendors displayed cutting-edge technologies, such as aircraft engines that have 5000 sensors, compared to 250 sensors in a non-connected engine. These IoT engines have the ability to generate 10 TB of data per flight. With data loads of this size, engineers can produce artificial intelligence models that predict engine demands and optimize flight paths to optimize fuel consumption. IoT engines, such as Pratt & Whitney's GTF, also have the potential to reduce fuel consumption by 10-15%, produce less engine noise, and lower emission levels.

Similar to the industrial and consumer IoT space, we predict consolidation in the IoT aerospace industry as larger firms weigh the benefits of acquiring new technologies over developing these technologies organically.

Notable Acquisitions and Consolidations

Buyer	Target
	
	
	
	
	

New contract awards in Q2 were dominated by the awards of the SPARC contract for the Department of Health and Human Services and the HCaTS vehicle for the GSA/OPM, representing a combined ceiling value of approximately \$36.5 billion. Presented below are selected contract awards in Q2 2016, by publicly announced ceiling value:

Customer / Vehicle	Award Value	Award Recipient	Overview	Total PoP
Dept. of Health and Human Services (SPARC)	\$25,000,000,000	81 total recipients (27 large business awardees and 54 small business awardees)	Providing strategic, technical and program management advice, guidance and support services for modernization efforts to support the Centers for Medicare and Medicaid Services	10 years
General Services Administration / Office of Personnel Management (Human Capital and Training Solutions)	\$11,500,000,000	109 Recipients (72 Unrestricted Awardees, 37 Small Business Awardees)	Providing tailored training and development, human capital strategy, and organizational performance improvement services to multiple federal agencies.	10 years
U.S. Navy (Naval Air Systems Command)	\$1,012,928,257	Raytheon	Providing design, manufacturing, integration, demonstration and testing of Next Generation Jammer (NGJ) systems in support of the NGJ program, in addition to aero-mechanical test pods.	5 years
U.S. Navy (Naval Supply Systems Command Business Systems Center)	\$809,500,000	Herd Consulting, PSI Pax, SAIC	Providing process management and data services supporting Navy requirements for business system engineering and integration, data governance and analysis, and business process re-engineering.	5 years
U.S. Navy (Office of Naval Research)	\$800,000,000	Lockheed Martin, ArgonST, Northrop Grumman, Raytheon, EOIR Technologies, SI2 Technologies, S2 Corp., Sea Corp., Leidos, Rockwell Collins, Physical Optics Corp., TiCom Geomatics,	Researching and developing prototype components to integrate radio frequency functionality electronic warfare, radar, communications and information operations utilizing scalable architecture.	5 years
U.S. Navy (Space and Naval Warfare Systems Center Atlantic)	\$750,000,000	21 total awardees (4 large business awardees and 17 small business awardees)	Providing commercial-off-the-shelf, Command and Control (C2) equipment and related support services for the Navy, including video systems, imagery systems, and tactical displays and workstations	5 years
U.S. Army (SS-AISR task order under R2-3G)	\$733,000,000	Lockheed Martin	Sensor Systems - Aerial Intelligence, Surveillance and Reconnaissance (SS-AISR) task providing personnel to manage, operate, train and maintain reliable and efficient systems, equipment, facilities and infrastructure, in addition to training services	3 years
Missile Defense Agency	\$455,096,167	Parsons Government Services Inc.	Providing weapons and missile systems engineering advisory and assistance services under technical engineering, advisory and management support	5 years
U.S. Air Force	\$445,900,000	CACI International Inc. (L-3 National Security Solutions)	Providing operations, maintenance, and sustainment support for the Air Force Satellite Control Network.	7 years
U.S. Strategic Command (USSC ITCC II)	\$443,200,000	HP Enterprise Services	Providing performance-based IT services including IT infrastructure, mission-critical systems and other applications.	10 years



acquired



**Closed**

June 25, 2016

**Notes**

Arlington Capital Partners acquired EOIR Technologies, Inc. from private equity firm The White Oak Group, Inc. Fredericksburg, Va.-based EOIR Technologies, Inc. provides advanced solutions in cloud computing, big data analytics, advanced visualization, C4ISR, spectrum-related information dominance, smart sensing, training and simulation, and rapid prototyping to the Department of Defense and Intelligence Community. EOIR has approximately 400 employees.



acquired



Cyber Network Operations Practice

**Closed**

June 13, 2016

**Notes**

ManTech International Corp. acquired the cyber business of privately-held Oceans Edge, Inc. The Oceans Edge Cyber business is a vulnerability research, development and analysis capabilities business unit. The acquisition of Oceans Edge Cyber brings highly-qualified cyber security professionals to ManTech's Mission, Cyber and Intelligence Solutions (MCIS) Group. Terms of the transaction were not disclosed.



acquired

**TSM Corporation**

**Closed**

June 13, 2016

**Notes**

Privately-held Xator Corp. acquired privately-held TSM Corp., a provider of training, engineering and logistics to the special operations, defense and law enforcement communities. The acquisition expands Xator's current offerings to its National Security clients in the C4ISR arena, and adds operationally relevant capabilities and entry into the special operations community. Terms of the transaction were not disclosed.



# FEDDATA

acquired



Intelligence and Counterintelligence  
Business Units

**Closed**

May 24, 2016

**Notes**

Privately-held Federal Data Systems, Inc. (FedData) acquired two business units from privately-held Intelligent Decisions, Inc. The business units – both Maryland-based – provide counterintelligence and intelligence services. FedData stated that the acquisition enables it "to expand threat insider and critical infrastructure support services for commercial and government organizations." Terms of the transactions were not disclosed.

# KBR

will acquire

# wyle



**Announced**

May 23, 2016

**Notes**

KBR, Inc. entered into a definitive agreement to acquire Wyle Laboratories, Inc., a portfolio company of Court Square Capital Partners for \$570 million. Wyle is a provider of specialized engineering, and professional, scientific and technical services primarily to the U.S. federal government. This acquisition will combine KBR's strengths in international, large-scale government logistics and support operations with Wyle's specialized technical services, largely focused in the contiguous U.S.

# ALTAMIRA

acquired



**Closed**

May 6, 2016

**Notes**

Altamira Technologies Corp., owned by venture capital firms Columbia Capital and Razor's Edge Ventures and company management, acquired privately-held Prime Solutions, LLC. Prime Solutions is a cyber operations company supporting various customers in the U.S. Intelligence Community. Prime Solutions brings a team of professionals who are experts in tools, tactics and techniques used in Cyber Warfare. Terms of the transaction were not disclosed.



# Notable Announced M&A Transactions

Second Quarter 2016



will acquire



**Announced**

April 21, 2016

**Notes**

Smiths Group plc agreed to acquire Morpho Detection, LLC and related activities from Safran S.A. for an enterprise value of \$710 million (£493 million) on a cash free debt free basis. Morpho Detection, which has operated as part of Safran's Morpho business within its Security segment, will become part of Smiths Group's Detection division, which designs and manufactures sensors that detect and identify explosives, weapons, chemical agents and other contraband.



acquired



**Closed**

April 12, 2016

**Notes**

Jacobs Engineering Group, Inc. acquired privately-held The Van Dyke Technology Group, Inc., a provider of advanced cybersecurity services and solutions designed to protect sensitive information within classified networks, with a focus on supporting the U.S. Intelligence Community (IC). The Van Dyke Technology Group, Inc. has 180 employees. Terms of the transaction were not disclosed.



will acquire



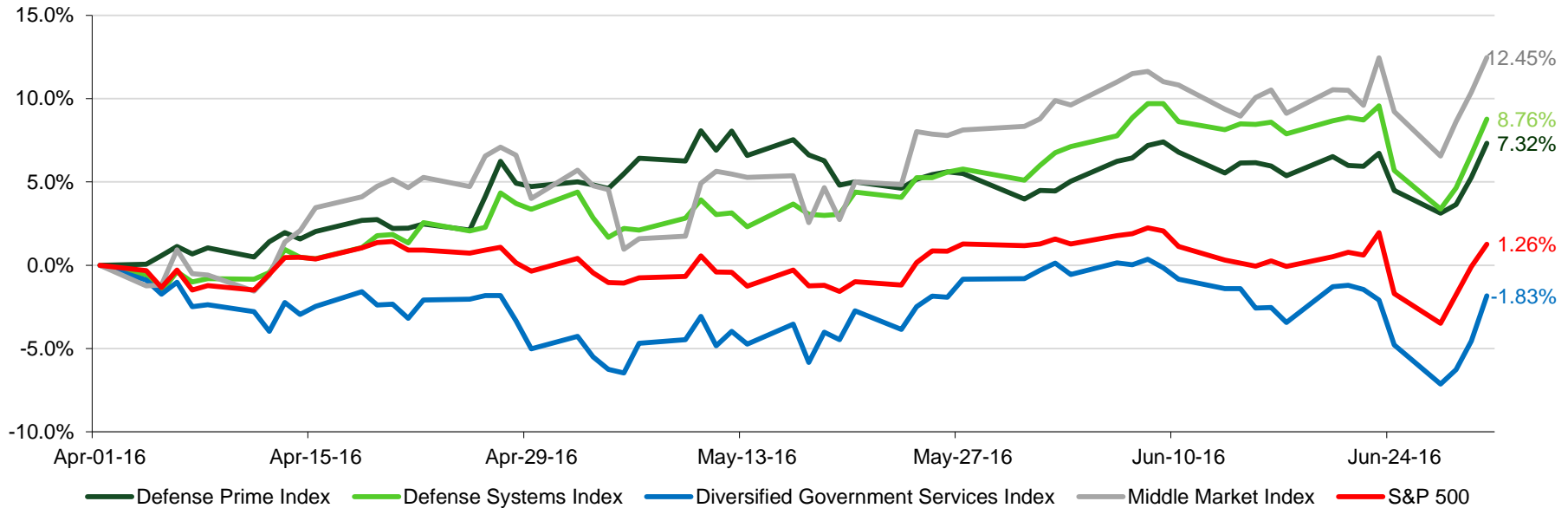
**Announced**

April 8, 2016
























**Notes**

Teledyne Technologies, Inc. announced it will acquire privately-held CARIS and its international affiliates. CARIS, headquartered in Canada, is a developer of geospatial software designed for the hydrographic and marine community. The acquisition of CARIS complements Teledyne's marine instrumentation and digital imaging businesses. Terms of the transaction were not disclosed.

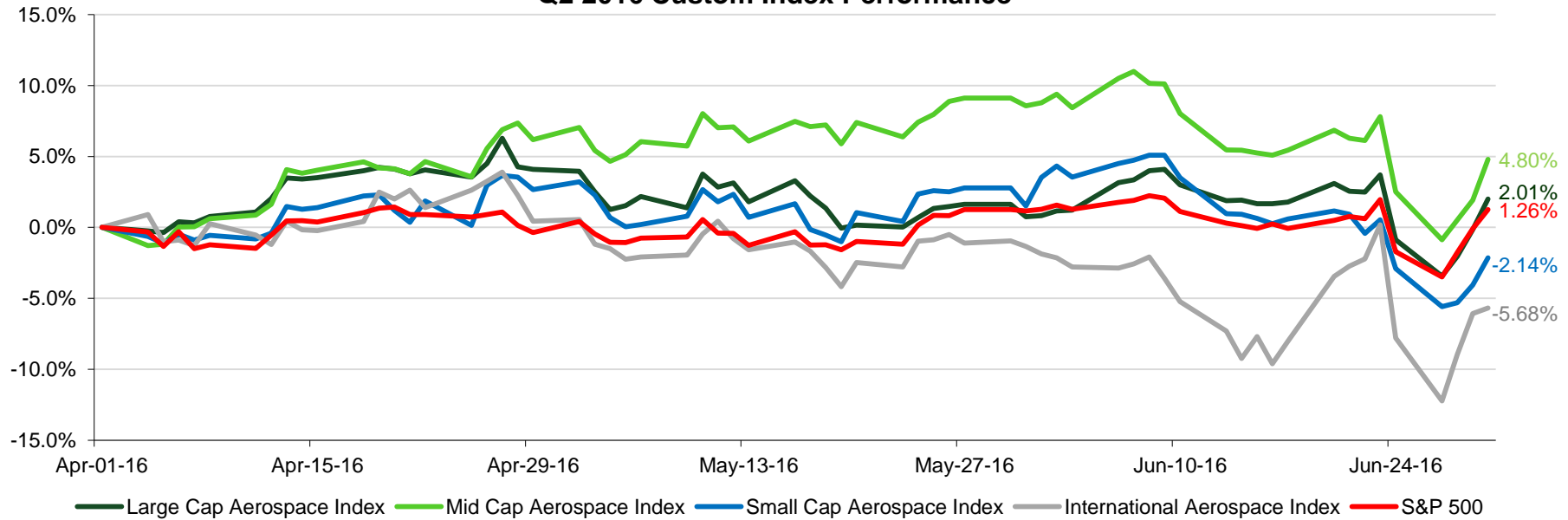
### Q2 2016 Custom Index Performance


































### Index Constituents and Stock Price as a % of 52 Week High

Defense Prime Index						
	82%	86%	98%	100%	97%	
Defense Systems Index						
	77%	90%	83%	100%	90%	78%
Diversified Government Services Index						
	96%	96%	49%	86%	92%	98%
Middle Market Index						
	82%	51%	70%	81%	77%	82%

### Q2 2016 Custom Index Performance

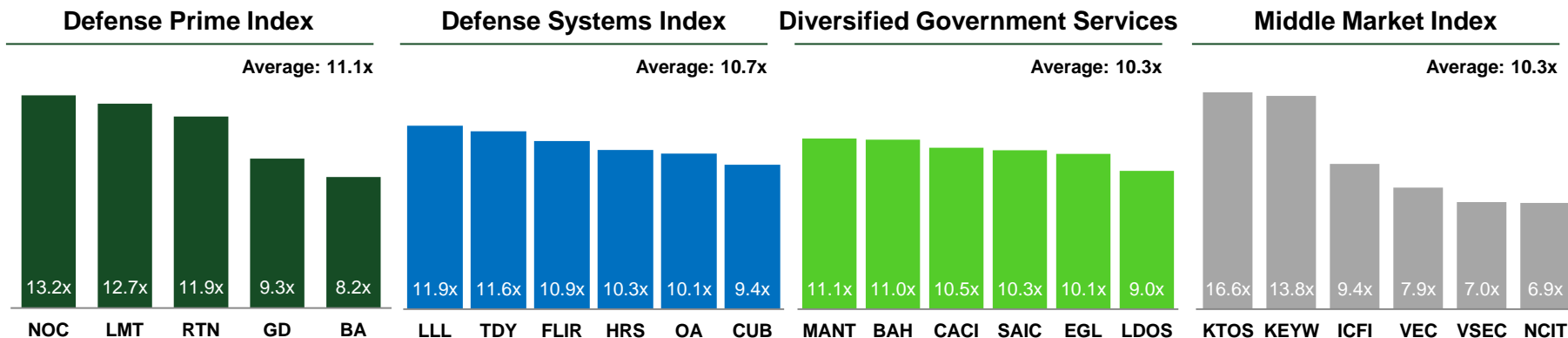


### Index Constituents and Stock Price as a % of 52 Week High

Large Cap Aerospace Index								
	85%	70%	82%	93%	78%	90%	83%	
Mid Cap Aerospace Index								
	96%	48%	54%	91%	78%	57%	79%	44%
Small Cap Aerospace Index								
	71%	90%	49%	64%	19%	69%	91%	87%
International Aerospace Index								
	82%	46%	77%	100%	68%	61%	82%	98%

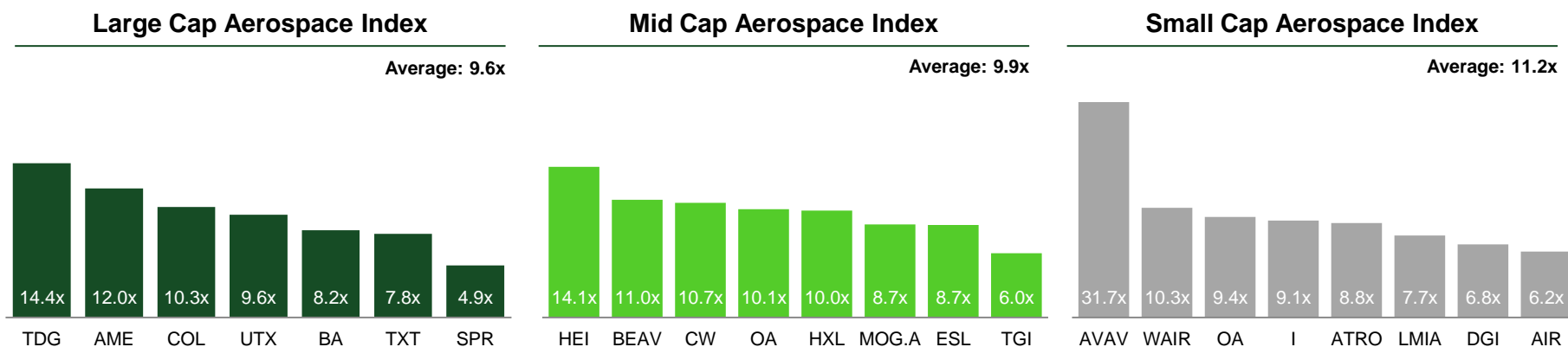
## Defense and Government Services

Average: 10.6x  
Median: 10.3x

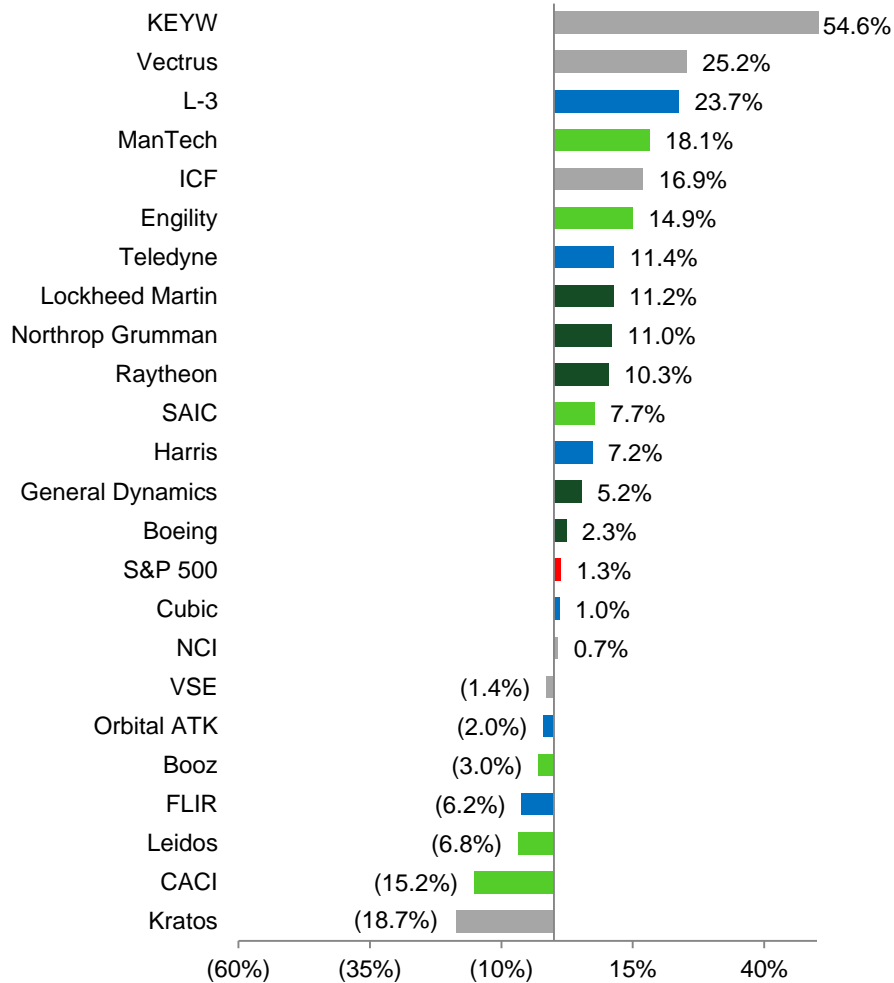


## Aerospace

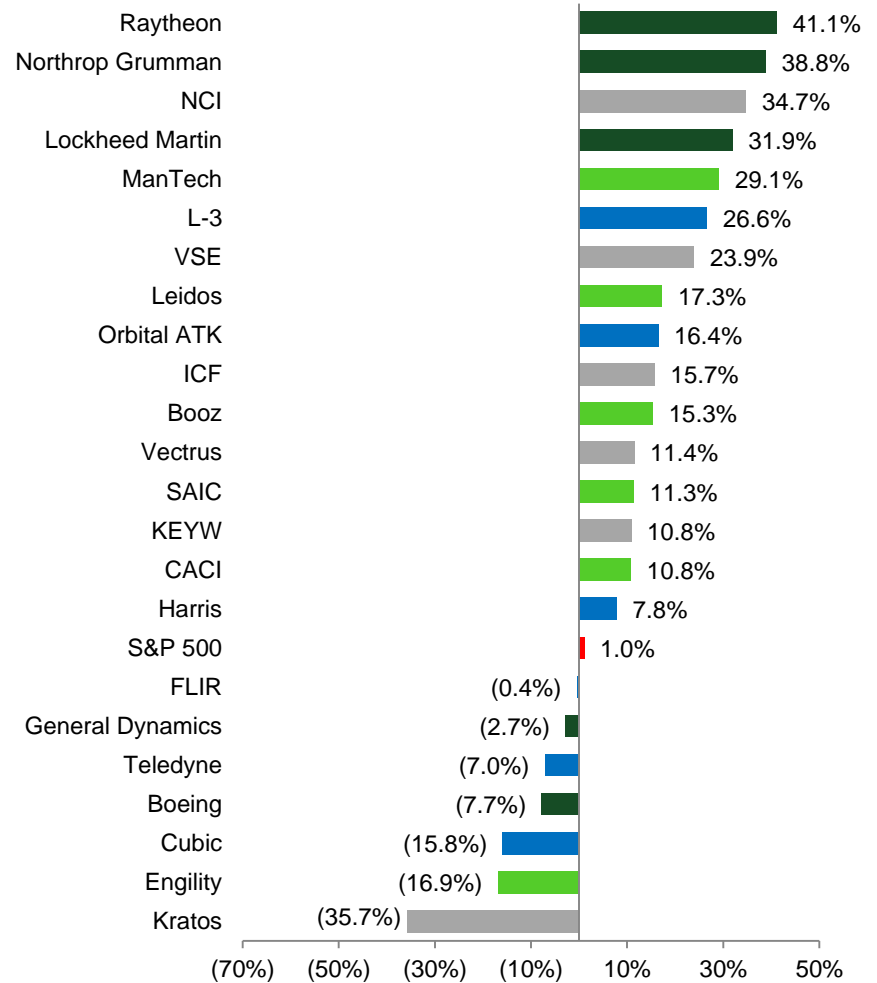
Average: 10.3x  
Median: 9.4x



### Second Quarter 2016

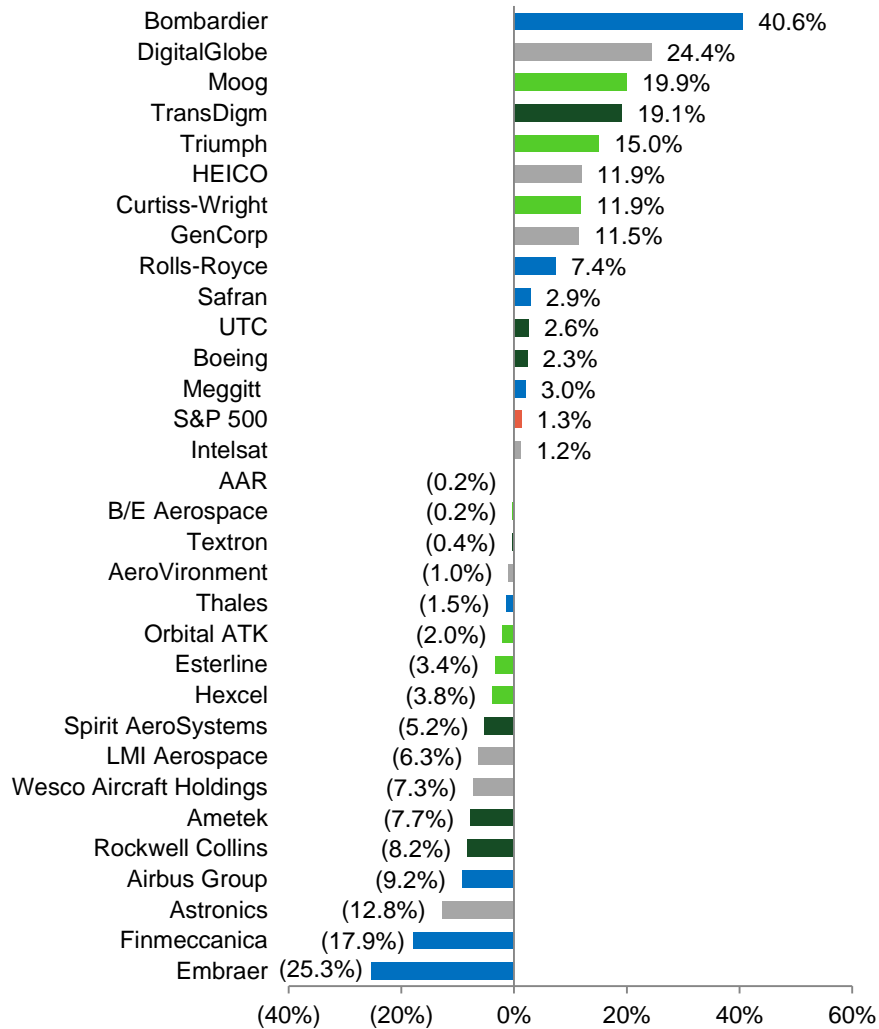


### Last 52 Week Performance

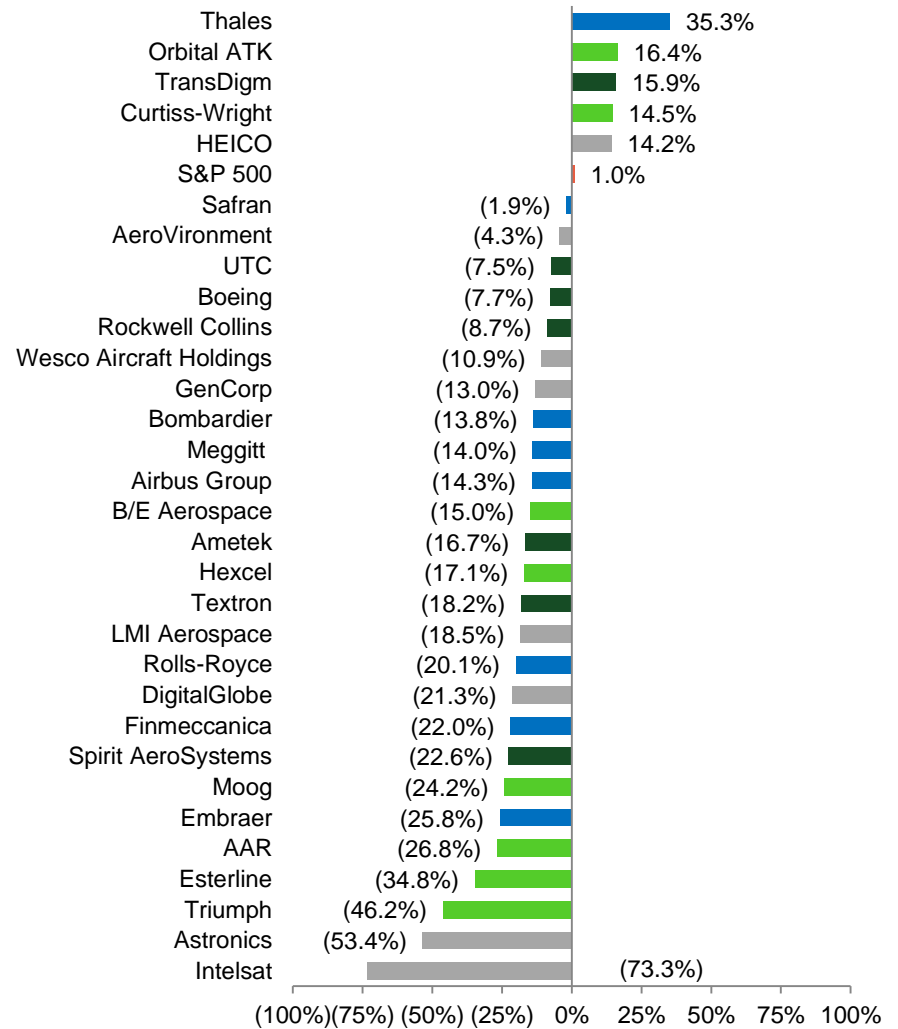


■ Defense Prime Index   
 ■ Defense Systems Index   
 ■ Diversified Government Services Index  
■ Middle Market Government Services Index   
 ■ S&P 500 Index

### Second Quarter 2016

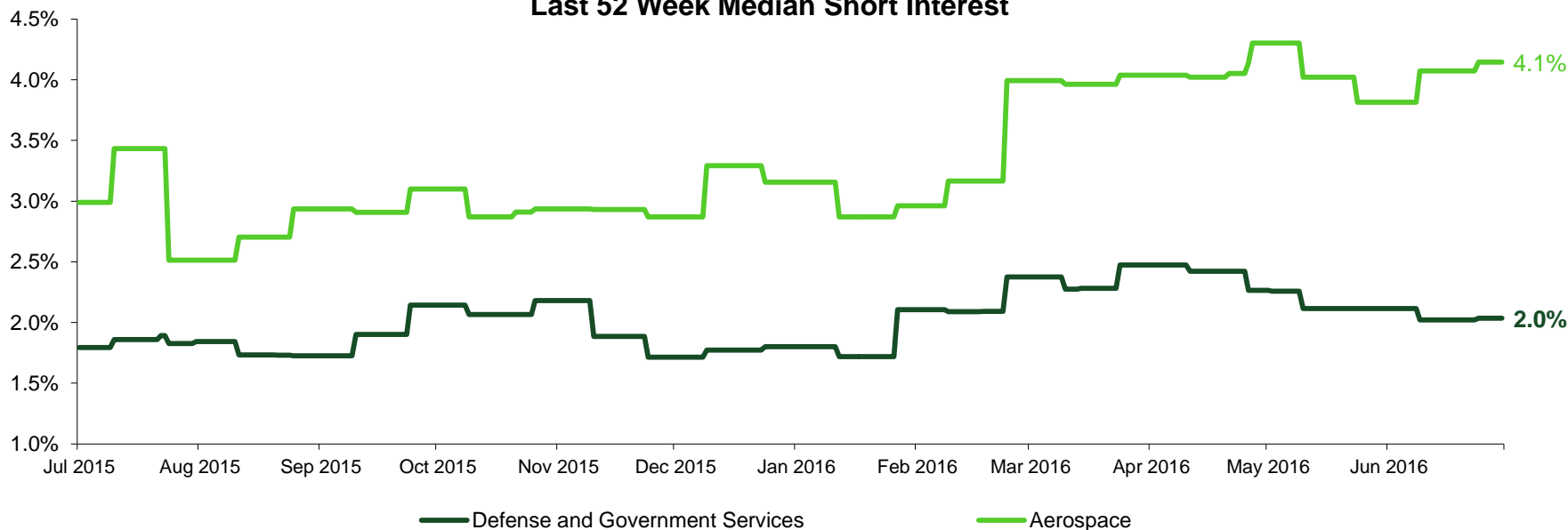


### Last 52 Week Performance



■ Large Cap Aerospace 
 ■ Mid Cap Aerospace 
 ■ Small Cap Aerospace 
 ■ International Aerospace 
 ■ S&P 500

### Last 52 Week Median Short Interest



### Short Interest as of June 30, 2016

#### Defense and Government Services

<b>BOEING</b> 4.7%	<b>GENERAL DYNAMICS</b> 1.0%	<b>LOCKHEED MARTIN</b> 0.8%	<b>NORTHROP GRUMMAN</b> 1.3%	<b>Raytheon</b> 1.2%	<b>Booz   Allen   Hamilton</b> 1.5%	<b>CACI</b> 2.4%	<b>ENGILITY</b> 4.0%
<b>leidos</b> 2.5%	<b>ManTech</b> International Corporation 1.1%	<b>SAIC</b> 2.5%	<b>ICF</b> 2.0%	<b>KEYW</b> 20.4%	<b>KBR</b> 13.1%	<b>nci</b> 0.2%	<b>VECTRUS</b> 1.7%
<b>VSE CORPORATION</b> 1.5%	<b>Orbital ATK</b> 1.4%	<b>CUBIC</b> 5.6%	<b>FLIR</b> 1.6%	<b>HARRIS</b> 3.3%	<b>L3</b> 2.1%	<b>TELEDYNE TECHNOLOGIES INCORPORATED</b> 3.7%	

#### Aerospace

<b>AMETEK</b> 2.3%	9.1%	<b>BOEING</b> 4.7%	<b>Rockwell Collins</b> 4.1%	<b>TEXTRON</b> 1.5%	<b>TRANSDIGM GROUP INC.</b> 9.5%	<b>United Technologies</b> 1.5%	<b>CURTIS WRIGHT</b> 2.7%
<b>DigitalGlobe</b> 8.5%	<b>Esterline</b> 2.9%	<b>HEICO</b> 3.1%	<b>HEXCEL</b> 6.1%	<b>MOOG</b> 1.8%	<b>SPIRIT AEROSYSTEMS</b> 5.3%	<b>Triumph Group, Inc.</b> 9.0%	<b>AAR</b> 2.3%
<b>AUV</b> 5.2%	<b>ASTRONICS CORPORATION</b> 2.9%	<b>AEROJET ROCKETDYNE</b> 10.5%	<b>INTELSAT</b> 4.7%	<b>LMI AEROSPACE, INC.</b> 0.5%	<b>Orbital ATK</b> 1.4%	<b>Wesco Aircraft</b> 4.9%	








# Dry Powder Calculations (Defense and Gov. Services)







Second Quarter 2016

(\$ millions)

## Defense Prime Index

	 <b>BOEING</b>	 <b>GENERAL DYNAMICS</b>	 <b>LOCKHEED MARTIN</b>	 <b>NORTHROP GRUMMAN</b>	 <b>Raytheon</b>
3x LTM EBITDA	\$26,334.0	\$14,037.0	\$19,227.0	\$10,518.0	\$9,759.0
Less LT Debt	9,964.0	3,400.0	15,276.0	6,387.0	5,332.0
Plus Cash	7,886.0	1,907.0	1,452.0	1,277.0	1,934.0
<b>Dry Powder</b>	<b>\$24,256.0</b>	<b>\$12,544.0</b>	<b>\$5,403.0</b>	<b>\$5,408.0</b>	<b>\$6,361.0</b>



## Middle Market Defense & Government Services Index

	 <b>Orbital ATK</b>	 <b>CUBIC</b>	 <b>FLIR</b>	 <b>HARRIS</b>	 <b>L3</b>	 <b>TELEDYNE TECHNOLOGIES INCORPORATED</b>
3x LTM EBITDA	\$1,870.3	\$245.3	\$1,048.3	\$4,686.0	\$3,477.0	\$1,090.8
Less LT Debt	1,595.8	441.4	355.4	4,793.0	3,636.0	719.5
Plus Cash	73.5	158.8	510.6	302.0	534.0	83.2
<b>Dry Powder</b>	<b>\$348.0</b>	<b>(\$37.3)</b>	<b>\$1,203.5</b>	<b>\$195.0</b>	<b>\$375.0</b>	<b>\$454.5</b>

## Middle Market Defense & Government Services Index








	 <b>Booz   Allen   Hamilton</b>	 <b>CACI</b>	 <b>ENGILITY</b>	 <b>leidos</b>	 <b>ManTech International Corporation</b>	 <b>SAIC</b>
3x LTM EBITDA	\$1,518.4	\$972.7	\$657.3	\$1,350.5	\$355.8	\$1,023.0
Less LT Debt	1,597.3	1,501.7	1,096.4	1,091.0	0.0	1,072.0
Plus Cash	187.5	34.8	39.4	609.0	60.4	154.0
<b>Dry Powder</b>	<b>\$108.6</b>	<b>(\$494.2)</b>	<b>(\$399.7)</b>	<b>\$868.5</b>	<b>\$416.2</b>	<b>\$105.0</b>

## Middle Market Defense & Government Services Index









	 <b>ICF</b>	 <b>KEYW</b>	 <b>KRAIOS</b> DEFENSE & SECURITY SOLUTIONS	 <b>nci</b>	 <b>VECTRUS</b>	 <b>VSE CORPORATION</b>
3x LTM EBITDA	\$328.1	\$3.4	\$53.7	\$88.7	\$146.2	\$238.0
Less LT Debt	337.9	127.7	444.4	20.5	108.6	243.7
Plus Cash	9.4	31.9	20.1	0.4	38.6	0.6
<b>Dry Powder</b>	<b>(\$0.5)</b>	<b>(\$92.5)</b>	<b>(\$370.6)</b>	<b>\$68.6</b>	<b>\$76.2</b>	<b>(\$5.1)</b>

(\$ millions)









### Large Cap Aerospace Index

							
3x LTM EBITDA	\$3,210.8	\$1,776.9	\$26,334.0	\$3,522.0	\$4,812.0	\$3,981.4	\$30,315.0
Less LT Debt	2,218.4	2,060.2	9,964.0	2,503.0	3,997.0	8,420.1	23,051.0
Plus Cash	386.9	105.0	7,886.0	300.0	723.0	612.0	7,215.0
<b>Dry Powder</b>	<b>\$1,379.4</b>	<b>(\$178.3)</b>	<b>\$24,256.0</b>	<b>\$1,319.0</b>	<b>\$1,538.0</b>	<b>(\$3,826.7)</b>	<b>\$14,479.0</b>

### Mid Cap Aerospace Index

								
3x LTM EBITDA	\$1,183.9	\$1,168.2	\$733.6	\$919.9	\$1,242.9	\$986.1	\$3,052.2	-\$295.6
Less LT Debt	967.8	1,109.9	880.8	562.9	688.9	1,105.6	1,126.3	1,417.3
Plus Cash	337.3	72.8	219.3	36.8	24.2	348.3	822.9	21.0
<b>Dry Powder</b>	<b>\$553.4</b>	<b>\$131.1</b>	<b>\$72.1</b>	<b>\$393.7</b>	<b>\$578.2</b>	<b>\$228.9</b>	<b>\$2,748.8</b>	<b>(\$1,692.0)</b>

### Small Cap Aerospace Index

								
3x LTM EBITDA	\$198.3	\$50.2	\$371.5	\$453.9	\$5,305.5	\$119.8	\$1,870.3	\$256.6
Less LT Debt	195.7	0.8	172.3	652.0	16,056.0	250.9	1,595.8	932.1
Plus Cash	50.4	124.3	15.8	211.1	1,515.3	1.4	73.5	63.0
<b>Dry Powder</b>	<b>\$53.0</b>	<b>\$173.7</b>	<b>\$214.9</b>	<b>\$13.0</b>	<b>(\$9,235.2)</b>	<b>(\$129.7)</b>	<b>\$348.0</b>	<b>(\$612.5)</b>

- The McLean Group's Aerospace, Defense & Government (ADG) industry group is one of the largest, most experienced, and most capable investment banking teams focused exclusively on the defense and government services industry.

## Deep Government Market Expertise

Aerospace Hardware & Services

C4ISR

Cyber Security Products & Services

Defense Electronics

Healthcare IT

Intelligence Community

IT, Software & Consulting Services

Logistics & Training

Technical & Professional Services

## Discriminators

- One of the largest ADG teams in the country – 15 bankers that cover the sector
- Leadership team averages more than 10 years of exclusive focus on the sector
- Longstanding relationships with virtually every strategic and financial buyer in the sector
- As an independent investment bank, we avoid potential conflicts of interest and are able to provide honest advice to best support our clients

- As a core competency and complement to our M&A practice, The McLean Group provides formal business valuation services for a variety of transaction, financial reporting, litigation, and tax purposes.

## Financial Reporting

- Purchase price allocations (ASC 805)
- Goodwill impairment tests (ASC 350)
- Analysis of long-lived assets (ASC 360)
- Stock option expense (ASC 718)
- Fresh start accounting (ASC 852)

## Equity Incentive Plans & Tax Compliance

- Employee Stock Ownership Plans (ESOPs)
- Private company equity incentive plans
- Section 409A valuations
- S corporation conversions
- Estate and gift tax valuations

## Litigation Support

- Dissenting/oppressed shareholders
- Lost profits and lost asset values
- Wrongful death and personal injury
- Buy/sell agreements and dispute resolution

## Transaction Advisory

- Fairness opinions
- Valuation due diligence
- Business modeling and forecasting
- Exit planning



# Recent ADG Advisory Experience

Second Quarter 2016

 <p>acquired by</p>  <p>Federal Contracting</p>	 <p>acquired by</p>  <p>Federal Contracting</p>	 <p>ESOP Buyout</p> <p>Defense and Government Services</p>	 <p>acquired by</p>  <p>Agile Software Development Government Services</p>	 <p>merged with</p>  <p>a company of</p>  <p>Specialized Environmental &amp; Government Services</p>	 <p>ADAMS COMMUNICATION &amp; ENGINEERING TECHNOLOGY</p> <p>recapitalization</p> <p>Defense &amp; Government Services</p>
 <p>acquired by</p> <p>Booz   Allen   Hamilton</p> <p>Agile Software Development Government Services</p>	 <p>Development &amp; Training Services, Inc.</p> <p>acquired by</p>  <p>MAKE IT POSSIBLE</p> <p>Federal Contracting International Development</p>	 <p>ESOP buyout financed by</p>  <p>Federal Contracting</p>	 <p>debt refinancing by</p>  <p>Defense and Government Services</p>	 <p>AGENCY CONSULTING GROUP</p> <p>acquired by</p>  <p>INTELLIGENCE &amp; TECHNOLOGY SOLUTIONS</p> <p>Federal Contracting</p>	 <p>Experts Engaged in Your Success</p> <p>acquired by</p>  <p>PREFERRED SYSTEMS SOLUTIONS</p> <p>a portfolio company of: CM EQUITY PARTNERS</p> <p>Federal Contracting</p>
 <p>acquired by</p>  <p>a portfolio company of: Arlington Capital Partners</p> <p>Data Analytics</p>	 <p>acquired by</p>  <p>a portfolio company of: Arlington Capital Partners</p> <p>Signals Intelligence &amp; Analysis</p>	 <p>acquired by</p>  <p>a portfolio company of: the edgewater funds</p> <p>Network Management &amp; Security</p>	 <p>has acquired</p>  <p>Company Of: FedCap Partners LLC Waud Capital</p> <p>Federal Contracting</p>	 <p>acquired by</p>  <p>Federal Contracting Naval Technology Solutions</p>	 <p>acquired by</p>  <p>Mobile Interoperability for Mission-Critical Communications</p>



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*Disclaimer: The McLean Group does not provide accounting, tax or legal advice. The contents of this document are believed to be reliable, however The McLean Group, LLC makes no representation as to the accuracy or completeness of this information.*