



The McLean Group's Government Contracting | News Update

Feature News:

The Stimulus Plan: What's Real and What's Not: Details Emerge

The American Recovery and Reinvestment Act has been passed by Congress and was signed into law by President Obama on February 17th, 2009. The Act is designed to quickly combat the continuing economic downturn: an economic crisis of this magnitude has not been seen since the Great Depression. The final \$787 billion stimulus plan enacted by Congress is touted by its proponents to enhance the country's energy efficiency, increase educational opportunities, provide increased access to health care, and provide levels of tax relief across the board. Additionally, The Act is designed to create 3.5 million jobs over the next two years, while providing \$150 billion to low-income and vulnerable households. On the other hand, it has many detractors, including House Minority Leader John Boehner, who stated that many "are concerned about the potential for abuse of taxpayer funds in the massive trillion-dollar spending bill that the president signed into law this week." Only three Republicans voted in support of the bill, a sign that there remains no clearly agreed upon path to deal with this crisis.

For businesses focused on serving the federal government, it is imperative to understand which industries will be awarded future contracts, what new initiatives contain short-term versus long-term expenditures, and what areas are expected to see major future growth as a result of the stimulus plan. This massive bill went through multiple iterations and committees before winning approval by both Houses of Congress, and many programs were added and dropped before the final draft was completed, leaving many uncertain as to what was actually in the final bill that was signed into law. To provide some insight, detailed below some stimulus plan's allocations for spending, grouped by major initiatives, individual departments, and/or agencies:

Agriculture Department

- \$650 million for Forest Service projects, including road, bridge, trail and facilities maintenance
- \$500 million for Forest Service wildfire management, of which \$250 million would be devoted to federal land
- \$50 million to modernize Farm Service Agency computer systems, and
- \$24 million for repairs and security enhancements at USDA headquarters

Army Corps of Engineers

- \$4.6 billion for environmental restoration, flood protection, hydropower and navigation infrastructure improvements.



Defense Department

- \$4.2 billion for energy efficiency projects and to repair and modernize Defense facilities
- \$1.3 billion for construction of medical facilities for service members and their families
- \$890 million to improve base housing for troops
- \$300 million for research on using renewable energy for weapons systems and on military bases
- \$240 million for child development centers, and
- \$150 million for a temporary increase in claims processing staff.

Energy Department

- \$50 billion for energy programs, focused on efficiency and renewable energy, including:
 - \$11 billion toward a so-called “smart electricity grid” to reduce waste
 - \$6.4 billion to clean up nuclear weapons production sites
 - \$6 billion to subsidize loans for renewable energy projects
 - \$6.3 billion in state energy efficiency and clean energy grants
 - \$5 billion to weatherize modest-income homes
 - \$4.5 billion make federal buildings more energy efficient
 - \$2 billion in grants for advanced batteries for electric vehicles, and
 - \$2 billion for research and improvements to the

department’s laboratories and facilities.

Environmental Protection Agency

- \$600 million to clean up hazardous waste at Superfund sites, and
- \$200 million for enforcement and cleanup of petroleum leaks from underground storage tanks.

General Services Administration

- \$4.5 billion for repairs and renovations to make federal buildings more energy efficient
- \$300 million to make the fleet of government vehicles more fuel efficient, and
- \$720 million for construction of GSA and Customs and Border Protection land ports of entry to the United States, to improve border security (also listed under the Homeland Security Department).

Health and Human Services Department

- \$86.6 billion to help states with Medicaid across the following:
 - \$24.7 billion for 65% subsidy of health care insurance premiums for unemployed under COBRA
 - \$19 billion to computerize health records in an effort to reduce medical errors and cut costs
 - \$10 billion for health research and construction of National Institutes of Health facilities
 - \$1 billion for prevention and wellness programs, and
 - \$500 million for the Indian Health Service to modernize hospitals and health clinics and to upgrade technology.

Homeland Security Department

- \$2.8 billion in programs includes (not a comprehensive list):
- \$1 billion for the Transportation Security Administration to install explosives detection and checkpoint screening systems in airports
- \$720 million for construction of General Services Administration and Customs and Border Protection land ports of entry to the United States, to improve border security (also listed under GSA), and
- \$240 million for the Coast Guard to make infrastructure improvements and remove obstacles to navigation.

Interior Department

- \$750 million for National Park Service projects
- \$500 million for the Bureau of Indian Affairs to address maintenance backlogs
- \$320 million for Bureau of Land Management initiatives

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- \$280 million for national wildlife refuges and national fish hatcheries, and
- \$140 million to repair and modernize U.S. Geological Survey science facilities and equipment.

NASA

- \$400 million to hire more scientists to study climate change
- \$400 million for exploration
- \$150 million for research, development and demonstrations to improve aviation safety and modernize the air traffic control system, and
- \$50 million to repair NASA centers damaged by hurricanes and floods in 2008.

National Oceanic and Atmospheric Administration

- \$600 million for construction and repair of facilities, ships and equipment, and
- \$230 million for ready-to-go research, restoration, navigation and conservation activities.

Social Security Administration

- \$500 million to replace the 30-year-old National Computer Center, and
- \$500 million for processing disability and retirement claims.

State Department

- \$290 million for information technology improvements.

To learn more about the stimulus plan, visit: www.Recovery.gov.

Sources: FedSources, www.fedsources.com; *Examiner.com* “Republicans attempt damage control over Stimulus”

Government Contracting Trends

Past 3 Years' Performance



Over the past 3 years, GC IT public companies have outperformed the general market...

Past Year Performance



And despite a trying economy, over the past year GC companies have continued this trend.

The McLean Group: Specializing in Government Contracting

The McLean Group's investment bankers can help companies address the challenges ahead. We act as trusted, essential advisors to government contractors considering short-term or long-term sell-side and/or buy-side M&A and capital formation opportunities. The McLean Group's investment bankers leverage their skills in navigating the complex M&A process particular to this industry to maximize their client's value.

The McLean Group's GC practice incorporates:

- An industry-focused team led by highly-experienced investment bankers
- The McLean Valuation Services Group, which annually completes more than 50 valuation engagements involving government contractors
- A Board of Advisors comprised of prominent business leaders, many of whom have extensive experience in government contracting, politics, federal and state government leadership, and various branches of the military.
- An exceptional research staff
- An in-house Exit Strategies Institute for business owners anticipating an exit 18 months to 48 months out.



The McLean Group's Select GC Transactions

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| <p>has been acquired by</p> <p>Federal IT and Communications Solutions Provider</p> <p>As M&A Advisors</p> | <p>has acquired</p> <p>Government Contracting</p> <p>As M&A Advisors</p> | <p>has been acquired by</p> <p>As M&A Advisors</p> | <p>has acquired</p> <p>Purchase Price Allocation Government Contracting IT Services</p> <p>As Business Valuators & Financial Advisors</p> | <p>Business Valuation Government Contracting Engineering and Technical Services</p> <p>As Business Valuators & Financial Advisors</p> |
| <p>Business Valuation Government Contracting Management Consulting</p> <p>As Business Valuators & Financial Advisors</p> | <p>has been acquired by</p> <p>Federal Management Consulting</p> <p>As M&A Advisors</p> | <p>has been acquired by</p> <p>Federal Management Consulting</p> <p>As M&A Advisors</p> | <p>Purchase Price Allocation Government Contracting Services</p> <p>As Business Valuators & Financial Advisors</p> | <p>has been acquired by</p> <p>Government Contracting IT Services</p> <p>As M&A Advisors</p> |

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Chicago, IL
Cleveland, OH
Columbus, OH
Dallas, TX
El Paso, TX
Halifax, Nova Scotia
Los Angeles, CA
Lubbock, TX
Miami, FL
Orlando, FL
Phoenix, AZ
Reno, NV
Sacramento, CA
San Diego, CA
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St. Louis, MO
Tulsa, OK
Winchester, VA
Wooster, OH

Contact Us:

The McLean Group
7900 Westpark Drive
Suite A30
McLean, VA 22102

(703) 827-0200 phone
(703) 827-0175 fax
www.mcleanllc.com

About The McLean Group's National Government Contracting Practice

The McLean Group's GC practice has been a formidable leader in M&A advisory in the government contracting space for more than 10 years. Along with its Business Valuation, Litigation Support and Corporate Finance Practices, The McLean Group has assisted and worked in an advisory capacity to a majority of the region's mid-market government contracting firms since its inception. The McLean Group is a FINRA Registered Broker/Dealer and Member FINRA/SIPC.

- **M&A:** The McLean Group uses its considerable expertise in a wide variety of industries to identify the most probable and suitable candidates in order to complete transactions under the most favorable terms for its clients.
- **Capital Formation:** The McLean Group arranges private equity, venture capital, senior debt and subordinated debt in amounts ranging from \$5 million to \$250 million to support clients' expansion, mergers & acquisitions (M&A), refinancing, recapitalization, leveraged buyout and shareholder liquidity objectives.
- **Market Intelligence:** By leveraging superior competitive analyses, we provide business executives with comprehensive market intelligence reports, which give the market insight and analytical expertise required to reduce risk and uncertainty in strategic decision making.
- **Business Valuation:** As a core competency and complement to its M&A business, The McLean Group provides business valuation services, including intangible asset and financial security valuations for a variety of transactions, financial reporting and tax purposes.
- **Litigation Support:** From quantifying economic damages to valuing a minority interest in a business, the firm has the business valuation experience and credentials to support cases involving a variety of legal issues.
- **Exit Planning Services:** Based on its extensive experience advising owners of middle market businesses, The McLean Group has developed a proprietary process that analyzes more than 60 value/risk drivers that can have a significant impact on the value of a business.

