

BB&T

Defense & Government Services



BB&T Capital Markets | Windsor Group

NDIA
National Defense Industrial Association

John Allen

Co-Head, Defense & Government Services

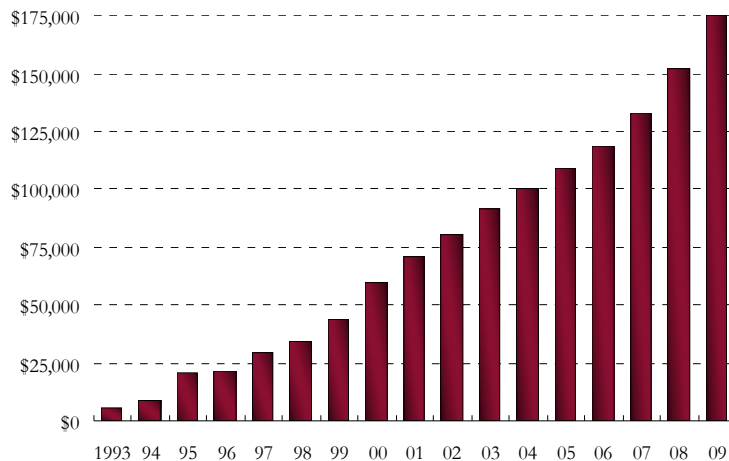
May 26, 2010

BB&T Corporation

- Founded in 1872; headquartered in Winston-Salem, NC
- 10th largest U.S. bank holding company based on more than \$165 billion of assets
- Enterprise value in excess of \$40 billion – doubled in size over the last four years
- More than 1,500 banking offices and 30,000 employees

BB&T's Growth in Total Assets

(\$ in millions)



BB&T's Market Success

- Despite overall market uncertainty in the financial services industry, BB&T continues to have success
- BB&T significantly outperformed both its peer regional banks as well as larger, national banks in the Government led "Stress Tests". #1 ranking in Tier 1 Common Capital / Risk Weighted Assets
- Enhanced loan commitments to facilitate our client's growth objectives (e.g. Triumph Group, DynCorp, Sierra Nevada)
- Recently acquired Colonial BancGroup, the Company's largest acquisition in its history
- BB&T wins 25 Greenwich Excellence Awards for 2009
 - More than any other financial institution in the nation
 - The most excellence citations in the award's history

BB&T Capital Markets

- \$350 Million Investment Banking division of BB&T Corporation
- More 160 transactions with an aggregate value of more than \$174 billion since 2007
- Industry focused and consistently ranked as a leading middle-market M&A advisor
- Based in Richmond, VA, with investment banking professionals in Reston, VA; Boston, MA; and La Jolla, CA

Industry Expertise

<i>Aerospace & Defense Group</i>	<i>Commercial & Industrial</i>
Aerospace Hardware & Services	<i>Logistics & Transportation</i>
IT, Software & Consulting Services	<i>Financial Services</i>
Communications	<i>Healthcare</i>
Defense / Electronics	<i>Retail & Consumer</i>
Technical / Professional Services	

BB&T Capital Markets: A Full-Service Middle-Market Platform

M&A/Advisory

- Sell- and buy-side advisory
- Fairness opinions
- Middle-market focus
- Industry expertise
- 65 professionals

Corporate Banking

- 17 senior lending officers
- Industry specialization and partners with investment banking
- Over 65 additional banking officers at regional level

Equity Underwriting

- 65 investment banking professionals
- IPOs, follow-on offerings
- Industry-focused and aligned with research

Focused Research

- 40 equity and fixed income analysts
- Insightful, timely research
- Over 270 companies under equity coverage

Debt Capital Markets

- Public offerings of senior, subordinated, and convertible debt
- Asset securitizations
- Specialized tax credits
- Sale/leaseback transactions

Sales and Distribution

- 46 equity traders and institutional salespeople
- 140 fixed income traders and salespeople
- Over 250 retail reps in 45 offices

Private Placements

- Senior debt, subordinated debt, and equity
- PIPEs
- Second-lien notes









Other Financial Services

















- Insurance, Trust & Treasury services
- Wealth management
- Investment services

31 transactions aggregating over \$2 billion of value in 2007- 2010

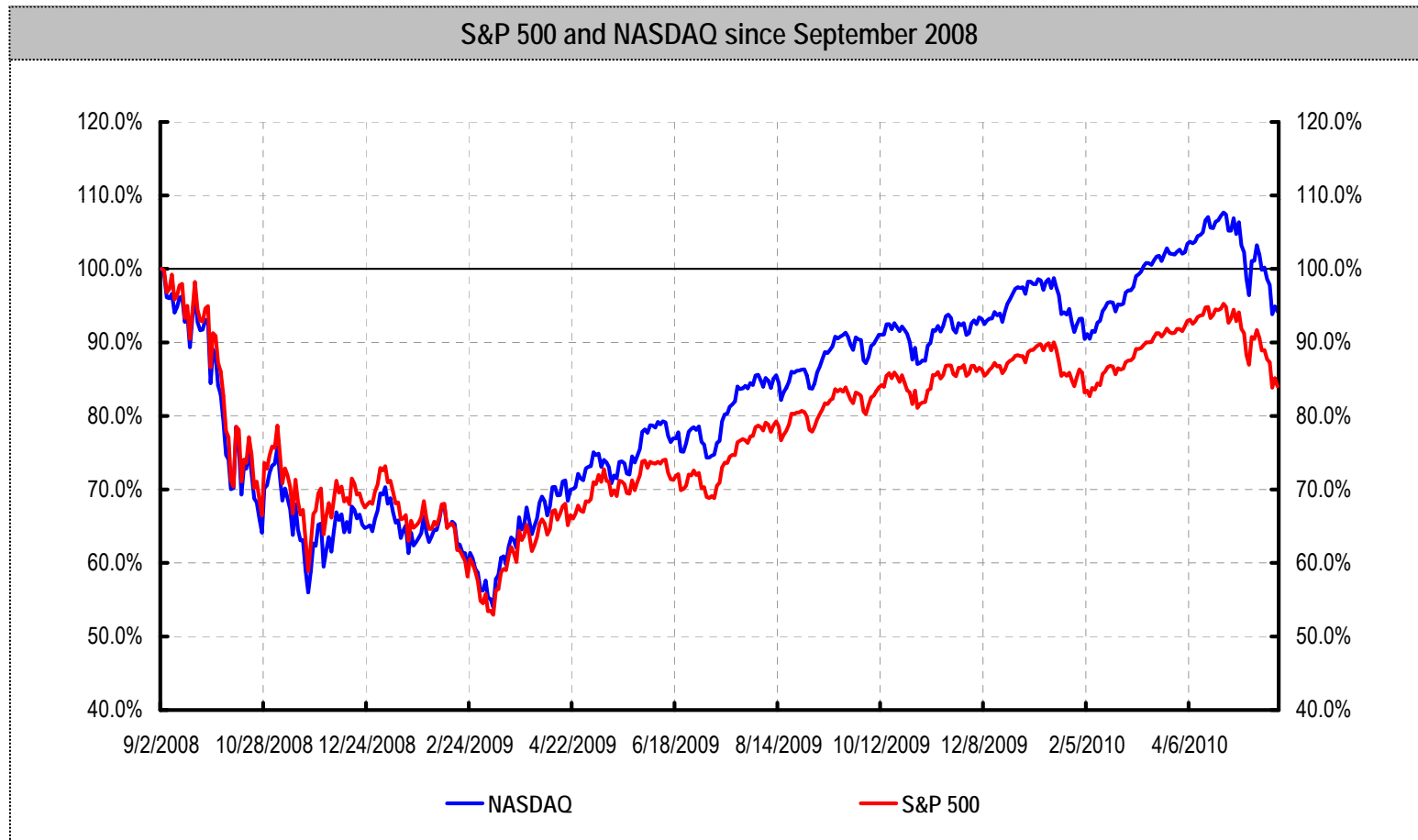
 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>a Portfolio Company of the edgewater funds</p> <p>has been acquired by</p> 	 <p>a subsidiary of</p>  <p>has been acquired by</p> 	<p>Kroll Government Services, Inc.</p> <p>a subsidiary of</p>  <p>has been acquired by</p> 	 <p>has been acquired by</p> 
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 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has acquired</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p>  <p>a Lake Capital Portfolio Company</p>
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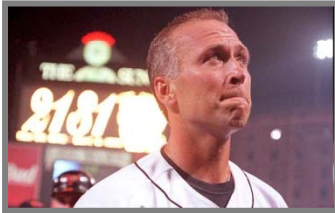
 <p>has been acquired by</p>  <p>a company controlled by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p>  <p>a company controlled by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p>  <p>a company controlled by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
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 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>a Portfolio Company of the edgewater funds</p> <p>has acquired</p> 	 <p>a wholly-owned subsidiary of Dimensions International, Inc.</p> <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p>  <p>BB&T Capital Markets rendered a fairness opinion to the Special Committee of the Board of Directors of SFA, Inc.</p>	 <p>has been acquired by</p> 
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- In recent years, broader markets have experienced extreme volatility:



- Volatile times in the broader markets have validated longstanding beliefs about the government contracting sector:



Consistent performance



Safe / low-risk industry



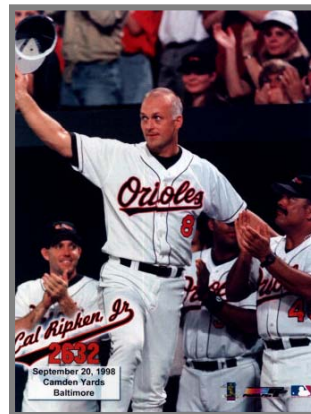
Variety of niche markets to pursue



Experienced industry leadership

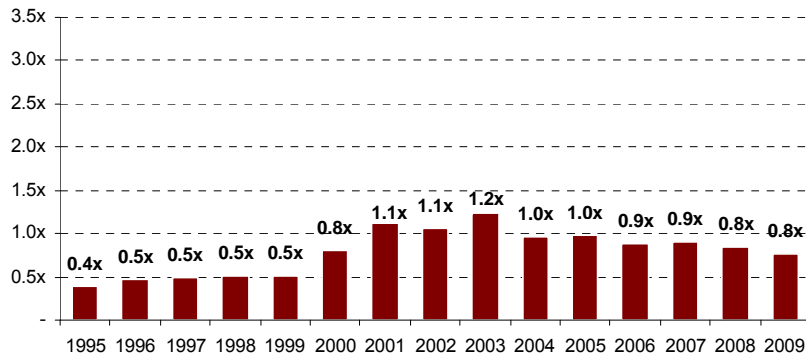
Consistent Performance

- Government IT services valuation multiples have maintained consistency following historic post 9/11 highs and traditionally trade in the 0.8x to 1.0x Total Enterprise Value (TEV) to Revenue range
- Government IT services companies traded within a range equivalent to 106% of the mean TEV/Revenue multiple of 0.8x
- Commercial IT services companies traded in a much broader range over this time period, equivalent to 143% of the mean TEV/Revenue multiple of 1.6x

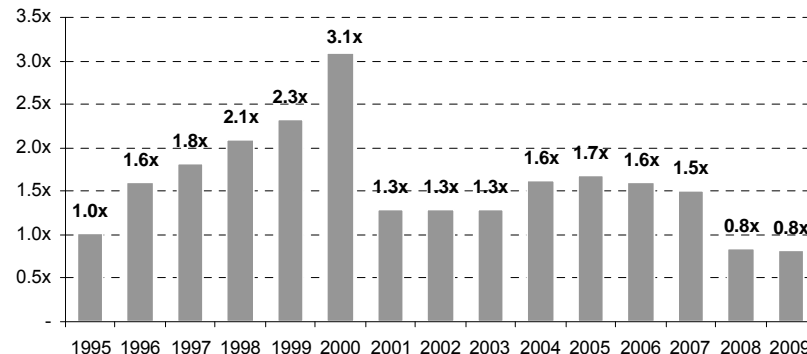


Year	Team	Rev. Growth	EBITDA Margin
1996	Government IT ¹	0.122	0.071
1997	Government IT	0.222	0.069
1998	Government IT	0.264	0.076
1999	Government IT	0.308	0.074
2000	Government IT	0.080	0.074
2001	Government IT	0.152	0.082
2002	Government IT	0.184	0.085
2003	Government IT	0.251	0.087
2004	Government IT	0.255	0.088
2005	Government IT	0.208	0.095
2006	Government IT	0.141	0.091
2007	Government IT	0.144	0.088
2008	Government IT	0.231	0.089
2009	Government IT	0.116	0.090

Government IT¹ TEV / Revenue Multiples



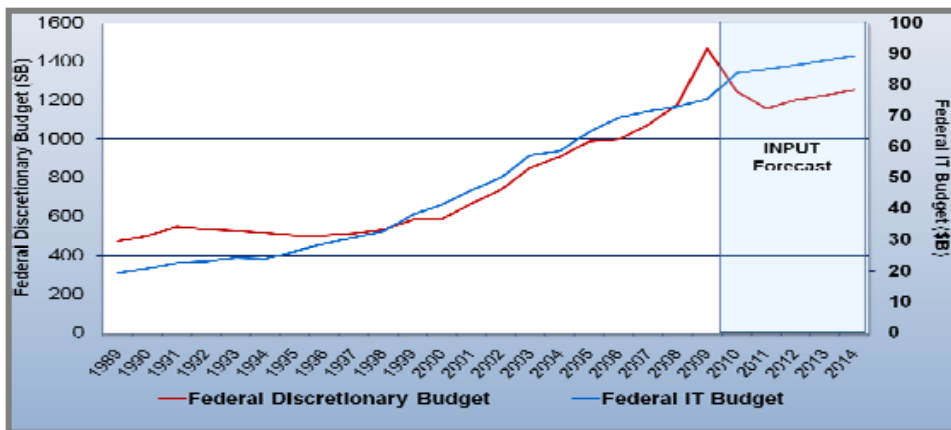
Commercial IT² TEV / Revenue Multiples



¹ - BBTCM|WG Government IT Index includes: Analex Corp., Analysis & Technology, Inc., Anteon International Corporation, BDM International, Inc., BTG, Inc., CACI International Inc., DigitalNet, Inc, Dynamics Research Corp., ICF International Inc., Kratos Defense & Security Solutions, Inc., ManTech International Corporation, MTC Technologies, Inc., Nichols Research Corporation, SI International, NCI, Inc., Stanley, Inc., SRA International Inc., Titan Group, and Veridian Corporation.

² - BBTCM|WG Commercial IT Index includes: Accenture plc, Affiliated Computer Services, Inc., Bearingpoint Inc., CIBER, Inc., Cognizant Technology Solutions Corp., Computer Horizons Corp., Computer Sciences Corporation, Diamond Management & Technology Consultants, Inc., Electronic Data Systems, LLC, Keane, Inc., and Perot Systems Corporation.

- Federal spending on information technology has grown steadily for over 20 years:



- Low level of capital intensity – Government customer funds development

Team	Cap Ex / Revenue ¹	Cap Ex / EBITDA ¹
CACI International Inc.	0.40%	4.04%
ManTech International Corp.	0.43%	4.96%
SAIC, Inc.	0.91%	11.35%
Stanley, Inc.	0.94%	12.88%
Government IT Average	0.67%	8.31%
Government IT Median	0.67%	8.16%

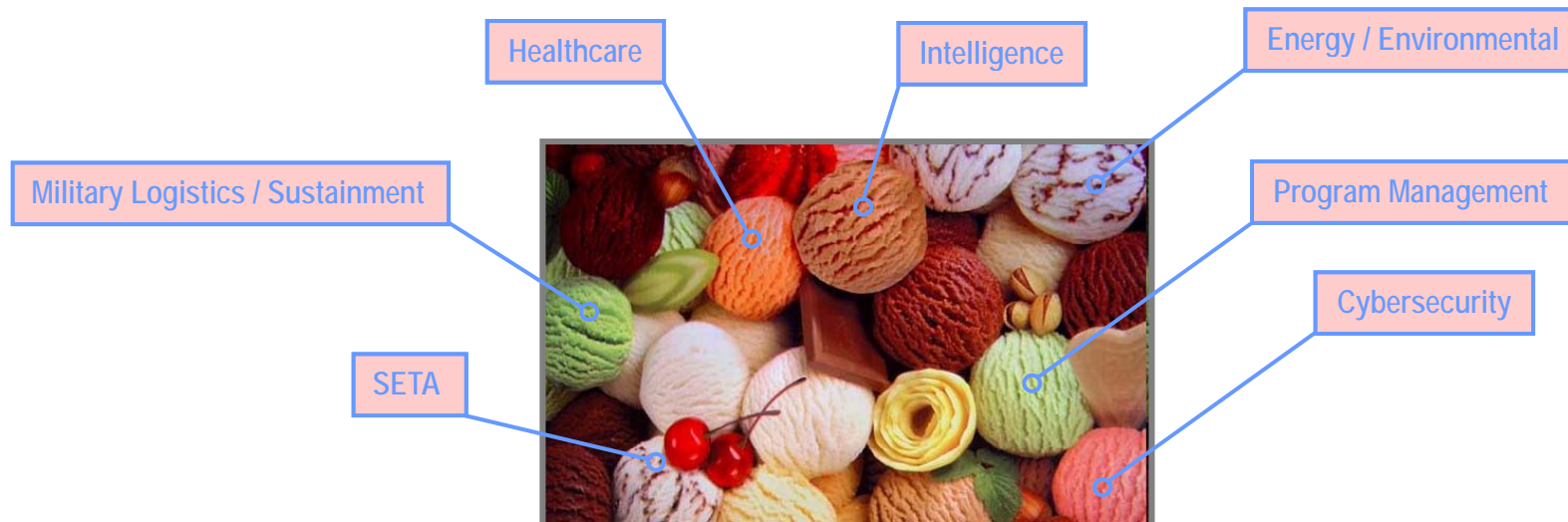
Team	Cap Ex / Revenue	Cap Ex / EBITDA
Computer Sciences Corp.	4.62%	31.02%
Electronic Data Systems	3.24%	31.52%
Perot Systems Corp.	4.13%	39.43%
Keane Inc.	1.17%	12.57%
Commercial IT Average	3.29%	28.63%
Commercial IT Median	3.69%	31.27%

¹ – TTM through March 31, 2007

- A broad market with many markets within markets; ability to build “portfolios” to create balanced and consistent growth
- Highly fragmented at the bottom of the industry; creates consolidation opportunities
- Mid-tier of the industry recycles with new, growing companies
- Government-sponsored small business incubation
- Divestiture cycle will create new opportunities
 - Government pressure to resolve OCI issues
 - Non-core business lines will be jettisoned



Government Market Overview

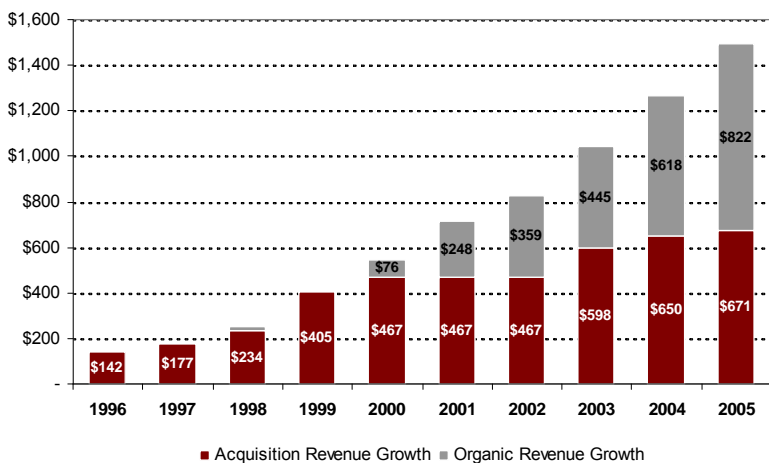


- Executives who have “been there, done that”
- Large contractors with business unit managers ready to run entire companies
- Industry leaders characterized by high levels of ethics, deep experience, humility and dedication to the mission
- Government contracting executives: They stay in the league and they don’t retire...
 - Walter Batson
 - Phil Odeen
 - Bob Stevens
 - Mike Daniels
 - George Pedersen
 - Bill Swanson
 - Jack London
 - Ralph Shrader
 - John Toups

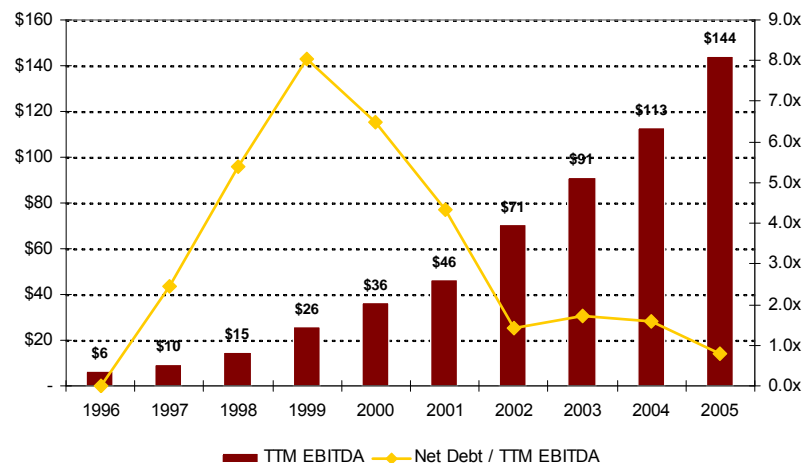


- **Caxton-Iseman** began the creation of **Anteon International** in 1996 with the acquisition of **Ogden Professional Services**
- Completed nine subsequent acquisitions between 1996 and 2005
 - Added approximately \$700 million of revenue via acquisition
- Issued \$100m in senior subordinated notes in 1999 to finance acquisitions
- Completed \$270 million IPO in 2002
 - Offering valued Anteon at approximately \$630 million, 13.6x 2001 EBITDA of \$46.4 million
- **General Dynamics** acquired Anteon International for \$2.2 billion in cash in 2006
 - Approximately 15.7x EBITDA

Acquired & Organic Revenue Growth



EBITDA Growth & Leverage



- **CM Equity** backed a management buyout of **ICF Kaiser International's** Consulting Group in 1999
 - Consulting Group provides energy, information technology, environmental, economic, and community development consulting services to governmental and commercial clients
 - Total transaction value of \$70.6 million
 - Business had trailing revenues of \$105.4 million

- ICF has completed ten acquisitions since 1999

- Completed \$56 million IPO in 2006

- Completed \$76 million secondary offering in 2009

- ICF currently valued at approximately 9.0x estimated 2010 EBITDA of \$73.9 million (\$663 million enterprise value)
 - Net Debt / EBITDA of approximately 3.0x trailing EBITDA

- Successfully used public equity markets and bank credit lines to finance acquisition growth

- Veritas acquired **MZM, Inc.** in September 2005 to be the core of the new **Athena Innovative Solutions**:

- Subsequent acquisitions included:
 - **IPA International, Inc.**
 - Provider of technical and analytical services in the areas of counter-terrorism, counter-proliferation, counter-narcotics, advanced technology assessment, WMD trade and transfer analysis
 - Founded as a public-policy research institute at the University of Oregon in 1976
 - **Business & Defense Security Corp.**
 - Specialists in threat analysis and risk management for the private and public sectors

- Developed into attractive mid-size company with five focus areas:
 - Human Intelligence
 - Counterintelligence
 - Counterterrorism
 - All-source analysis
 - Strategic Policy Development

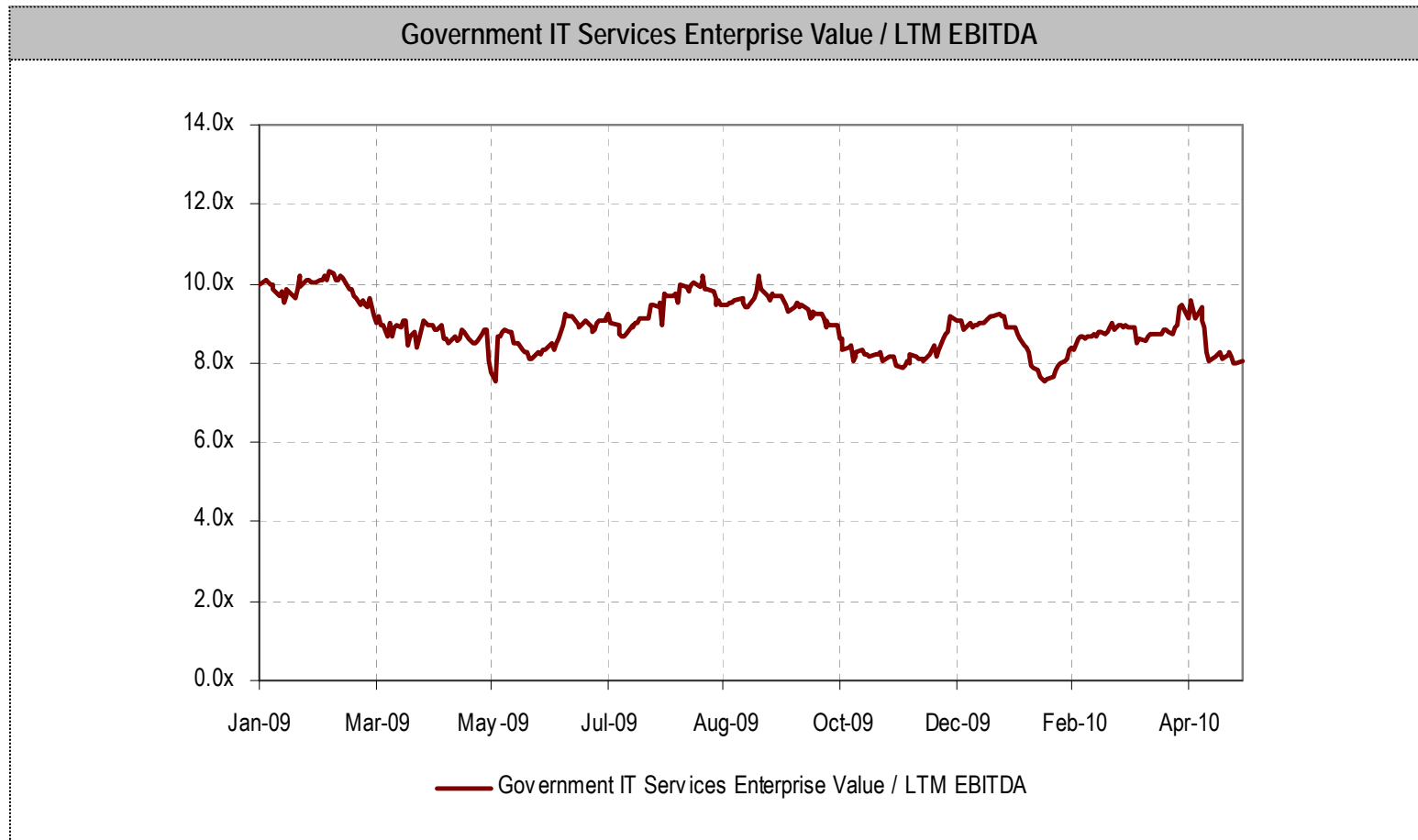
- **CACI International** acquired Athena in September 2007 for \$200 million in cash, almost 2x 2007 revenues

- Combining smaller businesses focused on higher-end intelligence services quickly created a valuable entity

- **Arlington Capital** acquired **IT Solutions** in 2003 as a platform for its **Apogen** consolidation strategy
- Was able to acquire companies with predominantly small business set-aside contracts for low multiples (<5x EBITDA)
 - Successfully transitioned IT Solutions' small business set-aside contract base to full & open contracts
 - Transitioned set-aside contracts through recompetes or won transition vehicles
- Followed-up with acquisition of **Science & Engineering Associates** in 2004
- **QinetiQ** acquired Apogen Technologies in 2005 for approximately \$300 million
 - Apogen had 2004 revenues of \$205 million
- Starting with small businesses and aggressively transitioning to full & open created value, allowed for quick exit

- **New Mountain Capital** acquired **Camber Corp.** in December 2008
- Camber, founded in Huntsville in 1990, is a provider of professional and management services, information technology, engineering, and advanced training solutions to federal government agencies
- Camber is ideally positioned to benefit from intensifying government focus on OCI-related issues and the mitigation of potential conflicts
- Subsequent acquisitions have included:
 - **i2S, Inc.**
 - Provider of IT, engineering and professional services to the National Security Agency (NSA), and other intelligence community and law enforcement clients
 - **Veritas Analytics, Inc.**
 - Provider of mission critical all-source intelligence analysis and risk assessment services
- Acquisitions have helped to enhance Camber's National Security Group and establish the Company as a trusted advisor to the government on matters related to cybersecurity

- Despite volatility in the broader markets, valuations in the government services sector have remained relatively stable:



■ Capital Markets Opening

- Recent high yield offerings include
 - ManTech \$200MM high-yield offering
 - Kratos Defense & Security Solutions \$225MM high-yield offering

- Equity Offerings
 - Recent equity offerings include Global Defense Technology & Systems (IPO, Nov '09) and ICF International (Secondary, Dec '09)
 - Upcoming equity offerings could include TASC, KEYW, and Camber

■ M&A Activity Increasing:

Mid-Tier	Cybersecurity	Program Mgmt. / SETA	Energy / Environmental	Private Equity
<ul style="list-style-type: none"> ▪ Stanley / CGI-AMS ▪ DynCorp / Cerberus ▪ BBN / Raytheon ▪ CapRock / Harris 	<ul style="list-style-type: none"> ▪ Seismic / APSPG ▪ Jacob & Sundstrom / ICF ▪ CloudShield / SAIC ▪ Arogték / Cobham ▪ TRS Consulting / NCI 	<ul style="list-style-type: none"> ▪ TASC / KKR ▪ MCR / Harrison Street ▪ Camber / New Mountain 	<ul style="list-style-type: none"> ▪ Perrin Quarles / SRA ▪ R.W. Beck / SAIC ▪ PT&C / Hancock Park 	<ul style="list-style-type: none"> ▪ ITSolutions / Snow Phipps ▪ Booz Allen / Carlyle ▪ KeyPoint / Veritas ▪ SMS / RLH ▪ Six3 Systems / GTCR

- **Current market dynamics have resulted in a “bifurcated” market as acquirers shift their focus to specialized versus generalist businesses**
 - Companies with impressive growth prospects and specialized products or capabilities continue to garner attractive valuation multiples
- **Valuations for less specialized companies have receded from the historic high levels of the past several years**

Highly Specialized Companies

8x - 10x +

- ✓ *Technology Discriminator*
- ✓ *Significant Revenue Visibility and Growth*
- ✓ *Specialized Capabilities*
- ✓ *Hard to Penetrate, Sought-after Customers*

- The robust, streamlined sale processes that have become commonplace over the last several years continue
 - Many strategic buyers do not require outside financing
 - Maximum process leverage

Less Specialized Companies

6x – 8x

- ✓ *Size*
- ✓ *Revenue Concentration*
- ✓ *Less Specialized Capabilities*
- ✓ *Set-aside Revenue*
- ✓ *OCI / Insourcing Risks*
- ✓ *Slower Growth*

- Ability to push valuation into top category requires an extremely disciplined process designed to find the most strategically motivated buyer

- Due Diligence Risks
 - Incorporation status
 - Service Contract Act
 - Inadequate export procedures
 - Set-aside uncertainties
 - Improper employee classification

- Series of individually minor issues can create major “perception” problems

- Preparation is key to avoiding a due diligence catastrophe

- Virtually every issue that can arise during due diligence is solvable – Do not leave things to chance!

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