



## BLUESTONE CAPITAL PARTNERS ADVISES MERLIN INTERNATIONAL IN ITS RECAPITALIZATION

On December 15, 2014, Merlin International (“Merlin” or the “Company”), headquartered in Vienna, Virginia, completed a recapitalization providing the Company with a new working capital line of credit as well as additional capital to support future growth initiatives. Merlin explored a range of financing alternatives, and, through a competitive process, decided upon a structure consisting of a senior revolving credit facility coupled with a subordinated second lien loan to provide operational flexibility through limited mandatory payments of principal. Merlin selected Capital One as the senior lender and Capitala Group, a Business Development Company (“BDC”) based in Charlotte, NC, as the subordinated lender.



With over \$150 million in annual revenue, Merlin focuses on designing and implementing information technology solutions primarily for healthcare-focused federal government agencies in the areas of cyber security, network performance management, data center infrastructure, and enterprise applications. Merlin’s strategic partnerships with industry leading OEM’s enable the Company to design cost effective solutions for its customers’ most demanding mission requirements.

Merlin’s recapitalization highlights the wide range of financing options available to middle-market companies in the defense and government services marketplace. Companies contemplating a broad range of strategic alternatives and objectives requiring external capital, ranging from supporting working capital needs to shareholder liquidity needs to merger and acquisition financing, currently have a broader and more diverse range of financing options available than at almost any time in recent history. Companies exploring the utilization of external financing to support their critical growth and operational requirements should consider the following key financing trends and dynamics impacting the availability of capital in today’s market:

- The cost of capital remains extraordinarily low and traditional commercial banks, including several new entrants to the government contracting market, continue to provide attractive terms for senior secured and unsecured credit facilities;
- In addition to traditional commercial bank lending options, middle-market companies have access to a broad range of BDCs, stretch senior, and mezzanine lenders that offer more creative credit solutions including options that can sometimes offer a more flexible solution than traditional senior financing alternatives; and
- Increased regulatory scrutiny on the portfolios of commercial banking institutions, combined with more stringent “guidelines” regarding the credit attributes of loans in their portfolios, have, in some cases, provided an avenue for other lending sources to provide alternatives that may not be available through traditional senior debt financing solutions.

Bluestone has routine and regular interaction with a wide range of financing sources and institutions and is well equipped to counsel middle-market companies on the financing alternatives that are best suited to helping them to achieve their desired strategic and operational objectives.

Contact Us  
1650 Tysons Boulevard, Suite 1530  
McLean, Virginia, 22102  
p. (703) 462-5600  
f. (703) 852-4496  
e. [info@bluestonecapitalpartners.com](mailto:info@bluestonecapitalpartners.com)

John Allen  
CEO

Michael Ivey  
Senior Vice President

Susan Gabay  
Managing Director

Bob Kwaja  
Vice President

Greg Van Beuren  
Managing Director

Garrett Asta  
Associate Vice President