

BLUESTONE CAPITAL PARTNERS ASSISTS VERSAR, INC. IN SECURING DEBT FINANCING TO SUPPORT ITS ACQUISITION OF JOHNSON CONTROLS SECURITY SYSTEMS

On October 1, 2015, Versar, Inc. ("Versar" or the "Company") (NYSE MKT:VSR) announced the closing of its acquisition of Johnson Controls, Inc.'s (NYSE:JCI) specialized Federal security integration business, known as Johnson Controls Security Systems ("JCSS"). Versar, Inc. is a global project management company, based in the Washington, DC metropolitan area, with 22 locations around the world. Versar provides global project management services in engineering and construction management, environmental management services, and professional staff augmentation services worldwide.

Headquartered in Gaithersburg, Maryland, JCSS is a security systems integrator focused on designing, installing, and supporting complex physical security, network security, and facility management systems. JCSS designs and deploys systems that protect high profile, mission critical facilities and national security assets within the Intelligence Community ("IC"), the Department of Defense ("DoD"), and various Federal Civilian agencies.



Versar's acquisition of JCSS highlights several important trends in today's government services M&A market:

- **Credit markets continue to support M&A activity in the government services sector:** The current lending environment, characterized by ample availability and low interest rates, provides companies a ready source of capital to complete acquisitions. The low cost of capital offers a compelling rationale for management teams to complement their internal business development investments with increasing M&A activity in order to diversify into new clients and add differentiated offerings. Furthermore, the low cost of capital makes most acquisitions immediately accretive to earnings.
- **Portfolio shaping is accelerating and creating value enhancing opportunities for both buyers and sellers:** The unique dynamics of contracting with the Federal Government, coupled with a more competitive overall Federal contracting environment, are driving many large diversified companies to take a hard look at their portfolio of businesses. Divestitures of non-core, Federally-focused business units offer the potential of a "win-win-win" situation: the seller is able to unlock value and reinvest in its core business units; the buyer has the opportunity to acquire assets at a favorable valuation with the potential to realize significant revenue and customer synergies; and the divested management team and employees are provided an environment that is more supportive of their overall growth and success. Several recent announcements (e.g. CSC spinoff of its government business and Lockheed Martin announcement to "strategically review" its IT infrastructure business) confirm that portfolio shaping strategies are not only limited to divesting smaller assets but also include transformational spinoffs as companies seek to unlock and maximize shareholder value.

The acquisition of JCSS, with a contract base of primarily full and open prime contracts and a highly cleared employee base, will enable Versar to both generate additional business with existing clients and more effectively compete for new projects and customers.

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