

# State's first SBIC opens in Greenville

*Route 2 Capital Partners will make mezzanine, equity deals*

By **Guest Contributor** - May 30, 2018



**By Neil Cotiaux**

A privately owned investment firm in Greenville that's been licensed by the U.S. Small Business Administration will soon start offering mezzanine and equity financing to lower middle-market companies across the Southeast, including the Upstate.

As South Carolina's first Small Business Investment Company (SBIC), Route 2 Capital Partners will make \$3 million to \$15 million available to individual companies possessing

"sustainable business models with high-quality management teams," said one of the firm's managing partners, Patrick Weston.

By investing private capital that is matched 1-to-1 with SBA-guaranteed funds borrowed at low cost by Route 2, the new SBIC will be able to maximize its financing to qualified businesses while reducing the corresponding risk for Route 2's individual and institutional investors.

Route 2 is targeting firms with \$10 million to \$100 million in annual revenues that generate "predictable and profitable cash flows" and focusing on opportunities in niche manufacturing, business, and health care services and specialty distribution, with Weston citing automobile or aerospace supply-chain firms and specialty telecom providers as examples.

Companies can use investment proceeds for a variety of purposes, including growth and expansion, recapitalization, and a complete or partial sale of the enterprise.

Route 2 will not invest in startups or real estate, Weston said, and will be highly selective in its market picks. "We say 'no' 95 percent of the time," he added, and no more than 10 percent of the firm's total capital will be invested in any one business.

After Route 2 was formed last year, it raised \$35 million from 29 individual, endowment, banking, and institutional investors, and by its next SEC filing, "We'll end up in all likelihood with \$150 million to \$175 million of total capital," Weston said.

Weston sees the state's first SBIC as an alternative to private investment firms in money centers that profit from "the lack of indigenous capital" for lower middle-market deals. With a footprint stretching from "Virginia to Texas to Florida," he said, Route 2 will benefit from the growing popularity of the Upstate as a business location as well as overall economic growth across the Southeast.

Route 2's principals share long-term working relationships and possess diverse operational experience, the firm stated.

Located at 110 E. Court St. in Greenville and in Charleston, Route 2's name derives from "the old colonial road that connects our two offices," explained Jay White Jr., one of Weston's Charleston-based partners.

"Some of the best investments are off the beaten path," White quipped.