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RLJ Credit closes SBIC fund with $135 mln capacity

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Firm: RLJ Credit Management LLC
Fund: RLJ Credit Opportunity Fund I LP
Amount Raised: $135 million, with leverage

Robert L. Johnson, a cable television pioneer turned investment mogul, has added another arrow to his strategic quiver by launching a credit fund targeting lower mid-market companies.

RLJ Credit Management LLC, a unit of Johnson's RLJ Companies, announced the close of its inaugural lending fund with $135 million of lending capacity. RLJ Credit Opportunity Fund I LP, licensed as a small business investment company, raised $45 million primarily from large institutional investors and can leverage its capital two times to reach the $135 million total.

"We now have a full suite of products to take to market," said Trevoir Gregg, co-founder of RLJ Credit Management alongside Johnson and the firm's managing partner. The firm is an affiliate of RLJ Equity Partners LLC, a Bethesda, Maryland-based buyout firm that Johnson founded in 2006 to invest the profit he made from a company he founded, Black Entertainment Television.

Gregg, a former investment banker who was a founding member of The Carlyle Group's mezzanine team, joined the RLJ organization after a stint at Allied Capital Corp, a business development company that was sold in 2010 to rival Ares Capital Corp in the wake of the credit crisis.

RLJ Credit Management will operate independently of RLJ Equity Partners, Gregg said, although the two teams may share prospecting leads "to speak to the entire capital structure" of target companies.

RLJ Credit Management already has made its first two investments, Gregg said, and the firm has publicized one of them: Pivotal 5 LLC, a maker of wellness and handheld fitness products that is based in Chicago. Terms of the deal were not disclosed.

RLJ Credit Management plans to target profitable companies with sales of more than $10 million and operating cash flows of $2 million for subordinated debt or unitranche investments, often sweetened with warrants or an equity co-investment to provide the fund's investors with capital appreciation as well as current income. Gregg said the firm is industry-agnostic but has expertise in industries such as manufacturing, business services, value-added distribution and consumer products. The firm will tend to avoid investments presenting technology risk or regulatory risk.

The firm will invest no more than 10 percent of its capital, or $13 million, in any given investment, but it will have the capacity to do larger deals with co-investments from its limited partners. Banks are among the firm's investors, he said without identifying any by name; as an SBIC, the firm is exempt from Volcker Rule limitations on bank investments in private equity, and as a minority-owned firm, it can help regulated institutions meet their obligations under the Community Reinvestment Act.

Geographically, the firm will focus on the Midwest, the Northeast, the MidAtlantic and Southeast regions, Gregg said as a winter storm pounded the Eastern Seaboard. "Just follow the snow and cross over to Chicago. That's where we'll spend the bulk of our time."