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## Strength Capital raises \$140 million

Equity fund ready to begin buying companies

By [Tom Henderson](#)

**Strength Capital Partners L.L.C.**, a private equity firm in Birmingham, finished raising its second fund of \$140 million Friday and is about to go on a buying spree.

Five investments totaling about \$50 million have letters of intent, said managing partner Mark McCammon. Two of the proposed purchases involve Michigan companies, which McCammon said he hopes to close on by the end of summer.

The company, which generally acquires a controlling interest, targets middle-market businesses in the Midwest that have strong regional brand recognition and revenue between \$10 million and \$150 million. It has three Southeast Michigan firms in its portfolio. (See box, *this page*.)

"We invest in all kinds of business except high tech. We like stuff that's easy to understand," said McCammon, 34. "Our sweet spot is a good company we can turn into a great company with operational enhancement."

The fund closing continues a trend of sizable equity funds announced recently by Southeast Michigan-based equity funds.

Last year, Detroit-based **Huron Capital Partners L.L.C.** closed on a second round of \$185 million for a total of \$257 million under management, and Southfield-based **Wind Point Partners** closed on \$700 million, for a total of about \$1.8 billion.

In January, Royal Oak-based **Long Point Capital Inc.** finished raising its second fund of \$170 million, giving it \$300 million under management.

Strength Capital's first fund, which closed in 2000, was \$30 million — all of it from high-net-worth individuals. "We were the small kids on the block," he said. "We had the idea in 2000 that there wasn't a lot of private equity in the Midwest. It was underserved. There should be less competition here and we should be able to buy things more economically, at much lower multiples."

The new fund, called **Strength Capital Partners II L.P.**, includes about \$80 million from institutions, including **JP Morgan Chase, ABN AMRO, Masco Corp., North Pointe Insurance Co.**, and state pension funds in Michigan, Ohio, Illinois, New Jersey and Virginia.

The firm began raising the fund early last year. McCammon's partners are Michael Bergeron, whom he met at the **Harvard Business School**, and Jim Wigginton, a turnaround specialist who joined the firm in 2004.

"Their first fund, they were testing out their thesis. Now they've come back with a more institutional-based fund," said Charles Rothstein, senior managing director of Farmington Hills-based **Beringea L.L.C.**, which has \$250 million in three funds. Beringea isn't a direct competitor with Strength Capital because it generally it invests in noncontrolling positions to fund a company's growth.

"It's a tribute to our area and our industry. They could work anywhere in the country and they chose to be here," Rothstein said.

"We're friendly competitors in the market," said Brian Demkowicz, managing partner at **Huron Capital**. "From our point of view, it's nice to see more capital here. It lifts everyone. ... We all have our niches. We're very specific in what we do. So if we run across a deal that doesn't quite fit for us, it's nice to be able to send it to them."

Rick Williams, senior partner at the Birmingham-based law firm of **William William Rattner & Plunkett P.C.** has invested in both Strength Capital funds.

"What they've done well is attack problems with good management decisions, even parachuting in management people if need be," said Williams, who specializes in merger and acquisition law.

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"The easiest part is buying the company. The day after the check clears, you find you've got a different company. They don't let problems linger and hope they get fixed. They fix them. I give them good marks for that."

McCammon said the company has already made four investments from the second fund totaling \$29 million. The most recent came in June, when Strength Capital invested Minnesota-based **Dascom Systems Group**, an integrator of audio and video systems for teleconferencing and distance learning.

He said one pending deal would be the company's largest, involving about \$35 million in Fund II money and substantial additional debt. He hopes to close that deal for an Indiana company this summer.

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### Strength in Southeast Michigan

Strength Capital has three Southeast Michigan companies in its portfolio:

- **Propane Services** of Taylor, a distributor of propane to industrial and commercial customer
- **Omnichem L.L.C.** of Detroit, which treats and recycles nonhazardous paint sludge for automotive manufacturers and parts suppliers
- **Inland Management Inc.** of Detroit, a waste remediation and environmental services company

A June 2002 investment of \$2.4 million in Southfield-based **North Pointe Insurance Co.** made a profit of \$2.4 million in two years, said Mark McCammon, Strength Capital's managing partner. The company's holding company, **North Pointe Holdings Corp.**, has since gone public (Nasdaq: NPTE).

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