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## Strength Capital launching third fund with \$250M target

By [Tom Henderson](#)

**Strength Capital Partners L.L.C.**, a private-equity firm based in Birmingham, will launch fundraising today for its third and largest investment fund, with a target of \$250 million.

The firm hopes to have a first close of \$125 million to \$150 million by Jan. 1 and to finish fundraising before the end of June.

The company has dramatically grown the size of its funds and accelerated the pace of investing. Its Fund I, at \$30 million, closed in June 2000. Fund II, at \$140 million, closed in June 2006 and is more than 75 percent invested.

As the first two funds did, the new one will target healthy Midwest-based companies with between \$20 million and \$200 million in revenue, which have strong local brand recognition and need capital or management help to grow.

Managing partner Mark McCammon said he expects to raise at least half the money from institutional investors in previous funds and from previous high-net-worth accredited investors.

"We'll be looking to add new institutional investors for the remainder. There were a number of institutional investors we approached for Fund II who said, 'Get back to us for Fund III,' " he said. He said he is not soliciting investments from the general public.

Investors in the second fund included state employee pension funds in Michigan, Ohio, New Jersey, Virginia, Texas and Illinois; **Mass Mutual Insurance Co.**; **JPMorgan Chase**; and **ABN Amro**.

Melford Carter is in-state investment specialist in the Columbus, Ohio, office of New York-based **Credit Suisse**, which has invested in both Strength Capital funds on behalf of its institutional clients, including the **Ohio-Midwest Fund**.

"We're return-oriented, of course, and they bring good returns," said Carter. "But what I like about them is they are hands-on when it comes to building companies in their portfolio. They look for real growth opportunities where they can step in and make a difference with their financial strengths and with their Rolodex.

"There are a lot of good deals they've executed on, and they have a number of good deals in the pipeline. ... We'll obviously be looking at investing in Fund III."

"It's a good time to be fundraising," said Brian Demkowicz, managing partner of Detroit-based **Huron Capital Partners L.L.C.** "There is some turmoil in the credit markets and concerns with the housing market and the auto industry, but investors seem to be upbeat about the private-equity markets, particularly the markets both Strength Capital and Huron are in, which is the lower middle market, where companies can still be purchased at a good price.

"They've got a good reputation and a good base of investors. I'm confident they'll be successful hitting their target," said Demkowicz of the Strength Capital management team. "It's always good to have a larger private-equity base in Michigan, and it's always good to have more capital coming into the state."

Demkowicz said his firm likely will launch its third fund, also of \$250 million, soon after the first of the year. Its current fund of \$185 million is more than 60 percent invested "and we hope to have a handful of closings in the next 45 days."

"It's interesting, isn't it? Here's a Detroit business that's booming," said Rick Williams, managing partner in the Birmingham-based law firm of **Williams Williams Rattner & Plunkett P.C.**, who has invested personally in both funds.

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Strength Capital's last deal was in October, a \$76 million acquisition of **Smith Mountain Industries Inc.**, a Virginia-based maker of candles and other scented products.

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