

# Strength Capital Partners, LLC

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This brochure provides information about the qualifications and business practices of Strength Capital Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 248-593-5800 or [mark@strengthcapital.com](mailto:mark@strengthcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Strength Capital Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## Item 2: Material Changes

The following changes have occurred since our last annual update in March, 2013:

Liquidation and sale of assets in Strength Capital Partners, L.P. on May 2<sup>nd</sup>, 2013. Creation and inception of Strength Capital Partners-III, Special Situations, L.P., Strength Capital Partners III-Special Situations (AIV), L.P. and Strength Capital Liquid Value, L.P.

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## Item 4: Advisory Business

Strength Capital Partners LLC provides investment supervisory services for its clients, Strength Capital Partners II, LP; Strength Capital Partners III-Special Situations, LP; Strength Capital Partners III-Special Situations (AIV), LP; and Strength Capital Liquid Value, LP (the “Funds”) on a discretionary basis. The total value of the four client accounts is \$241,936,646 as of December 31, 2013. We have been in business since June, 2000. Our principal owners are Mark McCammon and Michael Bergeron. We currently make private equity investments through Strength Capital Partners II, LP; Strength Capital Partners III-Special Situations, LP and Strength Capital Partners III-Special Situations (AIV), LP. The majority of these investments are control buyouts of private US-based lower middle market businesses. A small portion of the Funds’ investment capital has been invested in minority interests in private US-based lower middle market businesses to be used as growth capital. Strength Capital Liquid Value, LP is a hedge fund investing in publically traded securities.

## Item 5: Fees & Compensation

We charge the Funds a fee of 0.5 of the amount of average invested capital for the immediately preceding quarter which will be paid quarterly in advance of the first day of each calendar quarter. This fee is deducted from the Funds' assets. Assets of accounts which have a family or business relationship to each other may be aggregated for purposes of determining the percentage fee applicable to each account. Fees are negotiable. Investment Advisory Agreements may be terminated by either us or the client with at least 90 days prior written notice. In the event of termination, fees paid in advance are refunded on a pro-rata basis according to the terms of the Investment Advisory Agreement. We may enter into fee arrangements which are based upon a share of capital appreciation of managed accounts over a period of time. Any such fee arrangement will be made in compliance with applicable state securities laws and regulations thereunder.

As the Investment Advisor of Strength Capital Liquid Value, LP, we will receive a quarterly management fee of 0.25% of each Limited Partner's capital account, calculated at the annual rate of 1.0%. The management fee will be paid quarterly in arrears based on the value of each Limited Partner's capital account as of the last day of such calendar quarter (adjusted for contributions and withdrawals made during the quarter). The management fee will be prorated for any period that is less than a full fiscal quarter. The General Partner, in its sole discretion, may waive or reduce the Management Fee with regard to Limited Partners. Fees are negotiable.

## Item 6: Performance-Based Fees and Side-by-Side Management

Although we have the authority to enter into such an arrangement, we do not charge advisory fees based on a share of the capital appreciation of the funds or securities in a client account (so called performance based fees) at this time. Our advisory fee compensation is charged only as disclosed in Item 5.

At the end of each fiscal year, an incentive allocation of 20 percent of the limited partners' net profit will be allocated to the General Partner, subject to a "loss carryforward" provision and a required return threshold. Under the "loss carryforward" provision, the fiscal year's net profit subject to an incentive allocation will be reduced by all prior fiscal year net losses that were not subsequently offset by net profits. In addition, the incentive allocation will only be paid if the limited partners' net profit (before the incentive allocation) exceeds an annual return of 6.0 percent for the current fiscal year. Both the "loss carryforward" provision and the 6.0 percent annual return threshold must be met in the current fiscal year for an incentive allocation to be made to the General Partner. To date, the General Partner elected to not assess the incentive allocation for all limited partners.

## Item 7: Types of Clients

We manage three private equity funds; namely Strength Capital Partners II, LP, Strength Capital Partners III-Special Situations, LP and Strength Capital Partners III-Special Situations (AIV), LP. We also manage a hedge fund, Strength Capital Liquid Value, LP.

## Item 8: Method of Analysis, Investment Strategies and Risk of Loss

We have a fundamental approach to our securities analysis, relying on the inspection of corporate activities as an information source. When implementing our investment advice given to clients, our investment strategy involves long-term purchases. Please note that investing in securities does include the risk of loss that a client should be prepared to bear.

Our primary investment strategy is that of leveraged buy-outs of lower middle market companies located in the United States. Virtually all investments are made in the form of equity and therefore have a risk of a 100% loss. Additionally, most companies that are purchased are done so using significant leverage. This leverage increases the chance of loss. It is generally a certainty that some loss will occur in the investments of any individual fund. With respect to private equity in general, however, we do not have a strategy of assuming unusual risks. Our risk level and risk tolerance could be characterized as standard.

Regarding Strength Capital Liquid Value, LP, we perform fundamental research and security analysis, relying on corporate SEC filings as an information source. Please note that investing in securities does include the risk of loss that a client should be prepared to bear. Our primary investment strategy includes purchasing common equity of public companies located in the United States. Virtually all investments are made in the form of equity and therefore have a risk of 100% loss. With respect to hedge funds in general, we do not have a strategy of assuming unusual risks. Our risk level and risk tolerance could be characterized as standard.

## Item 9: Disciplinary Information

There have been no disciplinary actions against us or any of our principals or employees within the last ten years by any domestic, foreign or military court; the SEC, any other federal regulatory agency; any state regulatory agency or any foreign financial regulatory authority; or any self-regulatory organization (SRO).

## Item 10: Other Financial Industry Activities and Affiliations

We receive our revenues from investment management fees and in some cases, performance fees paid by the Funds. Mark McCammon and Michael Bergeron serve as sole managers of the Funds.

## Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We have adopted a Code of Ethics and Professional Standards (the “Code”) for avoiding prohibited acts and designed to eliminate potential conflicts of interest. The Code works in conjunction with our written Statement of Policy and Procedures (the “Statement”) designed to detect and prevent insider trading and to govern personal securities trading. Such statement, among other things, forbids any member or employee from trading, either personally or on behalf of others (such as a hedge fund and private accounts managed by us), on material non-public information or communicating material non-public information to others in violation of the law (i.e. insider trading).

We, our principals and employees, may buy or sell securities that we also recommend to our clients. Therefore, our Code sets forth our policy that clients’ interests are always placed ahead of our personal interests. Our policy requires our personnel to do their buying and selling after transactions have been completed for clients and includes procedures requiring all of our principals and employees to report their personal securities transactions to the designated supervisor on a periodic basis. We believe that the Code and Statement designed to detect and prevent insider trading and to govern personal securities trading are appropriate to prevent or eliminate potential conflicts of interest situations between us, our employees and our clients. However, clients should be aware that no set of rules can possibly anticipate or relieve all potential conflicts. We will provide a copy of their Code of Ethics to any client or prospective client upon request.

## Item 12: Brokerage Practices

We do not use the services of a broker-dealer for the securities that we buy and sell for Strength Capital Partners II, L.P., Strength Capital Partners III-Special Situations, L.P. or Strength Capital Partners III-Special Situations (AIV), L.P.

We generally determine which securities are bought or sold and the total amount of the securities to be bought or sold. However, in making the decision as to which securities are to be bought or sold and the amount thereof, we are guided by the general guidelines which are set up at the inception of the adviser-client relationship in cooperation with the client. These general guidelines cover such things as relative asset allocation, the degree of risk which the client wishes to assume, and the types and amounts of securities to constitute the portfolio. We then endeavor to manage the portfolio in accordance with these guidelines.

Regarding Strength Capital Liquid Value, L.P., we have selected Interactive Brokers as our prime broker. We selected our prime broker based on best execution, reputation and the low commission costs. We do not receive research or client referrals from our broker and we do not engage in any directed brokerage. The reasonableness of our prime broker's compensation was determined by evaluating several brokerage firms for their best rates per trade.

### Item 13: Review of Accounts

Our Portfolio Manager and sole reviewer, Mark R. McCammon, continually reviews all of our client accounts in light of individual client needs and may look to such factors as movements in the securities markets, including particular securities in which the client's assets are invested, sector exposure and asset allocation in connection with any such review. All accounts have a very detailed review on a quarterly basis.

## Item 14: Client Referrals and Other Compensation

We do not directly nor indirectly compensate any person for client referrals.

## Item 15: Custody

The investors in the Funds receive a copy of the Funds' annual audited financial statements within 120 days of the Funds' fiscal year end. Investors also receive quarterly statements directly from us which describe the transactions and performance of the Funds. Investors should review such statements carefully.

## Item 16: Investment Discretion

We have the authority to determine on behalf of the Funds the securities to be bought and sold and the quantity of said securities. The investments we make on behalf of the Funds are governed by the investment guidelines established for each of the Funds.

## Item 17: Voting Client Securities

Not applicable.

## Item 18: Financial Information

There are no financial issues that are likely to impair our ability to meet our contractual commitments to clients.