

## PS Capital Partners closes first deal

*Pair will position Menomonie firm for pharmaceutical market*

**M**ilwaukee private equity investors Paul Stewart and Paul Sweeney have inked their first acquisition deal since launching PS Capital Partners in mid-2001.

The pair of Pauls leading a group of Wisconsin-based investors, along with two outside managers, closed June 23 on the purchase of Midwest Stainless, a Menomonie, Wis.-based stainless steel fabricator with about \$10 million in annual revenue.

According to the partners, the company, which employs about 35, has been a stable performer, thanks to strong operations in the food, beverage and dairy industries.

their toe," Stewart said. "The tactics will include setting up a sales network to target that industry. The other challenge is that in order to provide equipment to this industry — the industry has its own set of criteria — you need to be able to track where all of your components were sourced from and when. This is not difficult to set up, but will be time- and labor-intensive."

Sweeney said that even though Midwest Stainless possesses no proprietary products and is essentially a job shop, the rising tide in the pharmacy industry provides growth opportunities.

"It is a pretty large market," Sweeney said. "And Midwest Stainless does have a pretty good reputation in the markets it does serve."

"It will be a basic blocking and tackling execution," Stewart said, adding that the two outside managers, who will be involved in day-to-day management of the company along with the former owner, are prominent in the biopharmaceutical and pharmaceutical industries. "It will take time."

Time is exactly what these private equity investors have. While many leverage buyout (LBO) firms structure deals assuming a fixed liquidity event so investors can get their money back when the company is sold again, Stewart and Sweeney structured their firm to allow PS Capital to hold onto companies into the intermediate term.

"If we want to stay invested in a company for 15 years, we can," Stewart said.

Sweeney said the ability to buy and hold comes from the fact that unlike many capital funds, Milwaukee-based PS Capital is designed to allow investments directly into a business rather than a blind limited partnership fund.

"At some point in the future then, individual investors will have an opportunity for liquidity based on a predetermined formula on the value of the company," Sweeney said. "The distinction

is that in most buyout funds, if an investor wants to get out (before a liquidity event), they can't."

This strategy is key to allowing PS Capital to pursue its niche of acquiring and growing Midwestern firms over the long-term, according to the partners.

*This story has been modified from its original printed version.*  
**BY CHARLES RATHMANN, of SBT**



CHARLES RATHMANN

**FIRST ACQUISITION** Paul Sweeney and Paul Stewart of PS Capital Partners have added the first of what will hopefully become several companies to their investment portfolio.

The investors' strategy will be to grow the company into the pharmaceutical industry slowly so as to avoid sacrificing existing markets. In 10 years, the two hope to see the size of the company double.

Stewart stressed that taking it slow will be key to a successful entry into the pharmaceutical market.

"If we went in there and said we wanted to get there in two years, the pressure would be so high they would probably stub