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Brian Mitchell, owner, Brian A. Mitchell Construction



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Brian Mitchell, engineer and president of Brian A. Mitchell Construction Co. and Choice Construction Co., watches as Choice Construction iron worker Jerry Sayre installs railing supports on a section of the Teutonia Ave. bridge, near W. Mill Road in Milwaukee on Tuesday. With the help of a private equity fund, Mitchell recently purchased Choice Construction.

Opportunities



Tannette Johnson-Elie

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Entrepreneur breaks into world of private equity

After years of struggling to raise capital to build his small construction business, Brian Mitchell has acquired a Menomonee Falls-based steel erector by using a financing tool often overlooked by minority entrepreneurs.

With the help of private equity financing, Brian A. Mitchell Construction Co., an African-American-owned bridge builder based in Madison, has acquired Choice Construction Co., a competing, unionized steel erector, becoming one of the largest minority-owned specialized construction companies in the state.

The acquisition, which closed last month, was financed by Generation Growth Capital Inc., a private equity fund newly launched by Cory Nettles, a prominent local African-American attorney and former secretary of

the state Department of Commerce.

Mitchell, 53, has owned and operated Brian A. Mitchell Construction for 25 years and has worked hard to survive the cyclical nature of construction and the cash flow problems that come with slow business cycles. Lack of capital and resources made it difficult for Mitchell to expand and grow.

"We've had up-and-down growth. I was always with my back so close to the wall," said Mitchell, who graduated with a bachelor's degree in civil and environmental engineering from the University of Wisconsin-Madison. "We ran into money struggles. I've been at places where I considered giving up."

The acquisition of Choice will enable

EQUITY

Funds were used to buy competitor

Mitchell to tackle bigger and varied construction projects, and more than triple his company's annual sales from \$1.5 million to \$5 million. Mitchell Construction typically employs five to 15 workers, while Choice employs from 20 to 60 people, he said. Mitchell anticipates expanding his workforce as he takes on more projects.

"We won't have to stay in one niche of the market. If we have more work, we will be looking to hire more people," he said.

The acquisition allowed Mike Owsley to retire from the company he built and protect the jobs of longtime Choice employees. Owsley started Choice in 1994 with business partner Jeff Pe-reles, a Madison-area accountant.

"We decided to search around for a viable person

or business to purchase us. We ended up talking with Cory Nettles, who referred us to Brian," said Owsley. "You like to have somebody like Brian, who's familiar with the industry, so that the likelihood of the new venture succeeding is much higher."

Untapped market

This is the kind of deal we need to see more of in this market, one in which an undercapitalized minority-owned business is able to turn to private equity or venture capital to grow.

Private equity is investment made in privately owned companies. The money raised through private equity is used to develop products and technologies, for working capital, to make acquisitions or build up a company's balance sheet. Venture capital

is a type of private equity provided by professional investors to young, growing businesses.

Private equity is largely untapped by minority entrepreneurs, which limits their growth opportunities, according to the Ewing Marion Kauffman Foundation, which works to advance entrepreneurship.

This may be why we see few minority-owned firms in the Milwaukee-area acquiring a much larger competitor, as in Mitchell's case. Such opportunities mainly have been limited to white entrepreneurs who traditionally have had more connections in the capital markets, the Kauffman Foundation reports.

But that's changing. "What we're starting to see nationally and regionally, is the private equity community is starting to appreciate the fact that minority communities and entrepreneurs are not getting their fair share of capital," Nettles said. "Whenever you have that kind of inefficiency in the marketplace, it creates opportunity."

But even as investors become more willing to put money into minority-owned



Cory Nettles, head of Generation Growth Capital Inc., a private equity fund that is working with Brian Mitchell

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ventures, many minority entrepreneurs don't know where to find venture capital and miss out on these growth opportunities

Mitchell said he had previously discussed with Nettles his interest in expanding his construction business and his limitations as a minority entrepreneur. Mitchell said Nettles later approached him with the idea of buying Choice.

After several meetings with members of Nettles' fund, a deal was structured in which Generation Growth Capital and Mitchell Construction would purchase Choice using seller financing, in which the seller agrees to partially finance the transaction.

Mitchell says he welcomes the added help and management expertise provided by Generation

Growth.

"I've been head cook and dishwasher. I've done everything in this business, so I welcome having the ability to work with somebody else," he said.

Mitchell's story illustrates how minority entrepreneurs can use venture capital to overcome hurdles to growth and serve a broader market.

While capital markets could do more to support minority ventures, minority entrepreneurs will need to be better prepared to grab onto private equity financing as it starts to flow into underserved markets.

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