



A Different Take on Selling the Business

Brass Ring buys companies and retains their founders to lead them.

The objective of most small business owners is to strive for the “brass ring” of growth. But it’s an achievement many can’t reach without the help of a deep-pocketed and business-savvy partner with the know-how to make it happen.

That’s where David Raffel and his seven-year-old private equity firm, Brass Ring Capital, say they can help, and they have the track record to prove it.

The firm buys entrepreneur-owned Midwestern business-services and manufacturing companies with proven business models and founders who want to remain involved or to retire. More specifically, the firm looks for companies with annual revenues of between \$5 million and \$25

million, and earnings before interest, taxation, depreciation, and amortization (EBITDA) of between \$1 million and \$3 million or more. A candidate company must have an operating history of at least five years and a stable customer base, with no single customer accounting for more than 25 percent of the total revenues. Not surprisingly, Brass Ring investigates about 100 possible investments for each one it completes.

So far, Brass Ring has invested in five companies. They have included American Finishing Resources of Chilton, Wisconsin, which removes paint coatings from steel production parts; Infinity Precision Systems, LLC, of Chanhasen, which targets the solar, computer peripheral, and medical device fields with process engineering

services; and Franklin Energy Services, LLC, of Port Washington, Wisconsin, a renewable energy and energy efficiency company.

Founded by Raffel in Minneapolis and Steven Peterson in Milwaukee, Brass Ring is one of only a handful of private equity firms looking for such investment opportunities. It’s kind of a lonely field, Raffel says, because not many private equity players are interested in such niche-market, entrepreneur-driven companies in these industries.

Perhaps more should be. As of December 31, 2010, Brass Ring had returned \$3.96 for every dollar pro-

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“We have 67 investors in our fund, with about a third of them from the greater Minneapolis area and a third from the greater Milwaukee area,” says Raffel, a former vice president at Edina-based Agio Capital Corporation. “Most of the investors are investment managers in something other than private equity, such as hedge funds, real estate, or public equities. Some are small-business owners. Those are the people that can really judge an investment manager; they know what it’s like to run money. And they’re willing to give us some money.”

“They have an interesting blend

of personalities in terms of how they work with entrepreneurs,” observes Rick Brimacombe, a veteran Twin Cities venture capitalist and founder of Brimacombe and Associates. “Both Raffel and Peterson have valuable experience at the kind of private equity deals that calls for a more hands-on approach.”

Franklin Energy provides a good example of what a private equity partner can do for an entrepreneur who’s in need of a backer, and also of how Brass Ring can make a return for its own investors, according to Paul Schueller, Franklin’s founder and CEO.

tioning company with new accounting, payroll, and invoice-tracking systems, he says: “With their help, we created a better structure for growth and added a new level of sophistication to the business.”

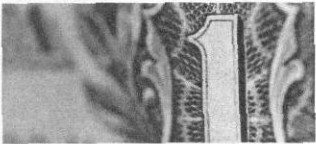
Franklin Energy has grown fast, adding 70 employees in the last two years to more than 200 operating out of 17 offices. Schueller says its 2009 revenues were \$20 million; its growth has necessitated the leasing of a new headquarters facility in the Milwaukee suburb of Port Washington.

While not revealing the numbers involved, Raffel says Brass Ring “exited” Franklin Energy through an October 2010 sale of its stake after nearly three years of involvement. (The firm’s stated exit strategy calls for achieving a liquidity event within four to eight years.) Frank-

lin’s rapid growth, and the resulting higher valuation, made the call to sell its ownership share an easy one, Raffel says.

The buyer was New York private equity firm Cortec Group, which today refers to Franklin as “one of the leading energy-efficiency program-management companies in the United States.” **TCB**

Don Jacobson (donjac1414@yahoo.com) is the former senior editor of Profits Journal, a monthly magazine and research business focusing on venture capital and private placement opportunities in the Upper Midwest. More recently, he served as an editor of the Minnesota Real Estate Journal. He writes for UPI, the Star Tribune, and other publications.



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— Paul Schueller, founder and CEO, Franklin Energy Services, LLC