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Bring in the broker

Want the deal to go smoothly? Sounds like you need a professional

BY CYNTHIA HANSON

When it came to starting and selling a business, Julie Northcutt had the benefit of good timing.

Eight years ago, Ms. Northcutt read a magazine article about Home Instead Inc., a home-care provider for seniors that had recently opened 300 franchise locations nationwide but had none in downtown Chicago.

Sensing a business opportunity, she researched the local home-care market and found that no Chicago-area providers had Web sites—a hole she knew how to fill.

"My background was in Internet advertising, and I was looking for a business to run that would provide fulfillment beyond a paycheck," says Ms. Northcutt, 41, who was the national advertising sales man-



JOHN R. BOEHM

"It will be worth every penny," Julie Northcutt says of hiring the right experts.

ager for Morningstar.com.

The following year, Ms. Northcutt left Morningstar to launch Chicagoland Caregivers Corp., which helps seniors with daily activities like getting dressed and preparing meals, and she created a Web site to attract clients.

By mid-2006, Chicagoland Caregivers had \$2 million in annual revenue, 85 clients and 90 employees. That's when business brokers started calling.

"Since the market was heating up, I realized I had two choices: expand Chicagoland Caregivers so that we'd be large enough to buy smaller companies, or sell immediately," she says.

BRING IN THE EXPERTS

Many entrepreneurs face this dilemma when their businesses start to take off: cash in or hold on. How do you know which way to go? Look at what's happening in your market.

"If a high-profile merger and acquisition has been announced in your industry and your business could help one of the major players expand, you can count on your phone ringing," says Dave Kauppi, president of MidMarket Capital Inc., a Hinsdale firm that advises small businesses on M&A. "In a hot market, a major player may pay more than the true economic value of your company because of the competitive environment. It could be an indication it's time to sell—or at least consider it."

For guidance, Ms. Northcutt turned to her board of advisers, who analyzed Chicagoland Caregivers and confirmed it was ready to be sold. What's more, they encouraged her to move quickly.

"It never was my intention to grow bigger to acquire other businesses in the home-care industry," she says.

Last winter, she began organizing the mountains of required documents, including financial statements, client and employee histories, a list of referral sources, revenue by each source and an overview of the firm's procedures

SELLING OUT

► Wondering if now's the time? **Look to the market** to assess how hot your business is.

► Brokers typically take a commission of 3% to 7% of the sale price. But you can **negotiate a flat rate.**

for everything from staffing to billing. She also hired two experts: business broker Roland Cleneay of Wyatt Matas & Associates in Washington, D.C., and attorney Steve Thayer of Handler Thayer & Duggan LLC in Chicago.

MAKING A CHOICE

Ms. Northcutt received solid offers from ResCare Inc., a public company, and LivHome Inc., a private firm that's the largest at-home senior care company in the United States. She chose LivHome.

"The offers were in the same financial ballpark, but ResCare's track record showed that deals take much longer to finalize than what we wanted," Ms. Northcutt says. "Plus, ResCare wanted a 10-year non-compete clause in all of the markets where they had a presence."

She and LivHome negotiated a sale price of \$1.2 million, with \$765,000 paid at the closing in July and the remainder paid over three months—a deal that went smoothly, for which she credits Mr. Cleneay and Mr. Thayer.

Many brokers take a commission of 3% to 7% of the sales price, but Ms. Northcutt negotiated a flat fee of \$50,000 for Mr. Cleneay on a sale price of less than \$2 million; Mr. Thayer earned \$21,000 for reviewing the contracts.

"It was extremely helpful to have a broker who understood how to position our financial data," says Ms. Northcutt, who is launching a Web site for a senior care provider this month. "Entrepreneurs should hire a broker who has a history of selling in their industry. It will be worth every penny."

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