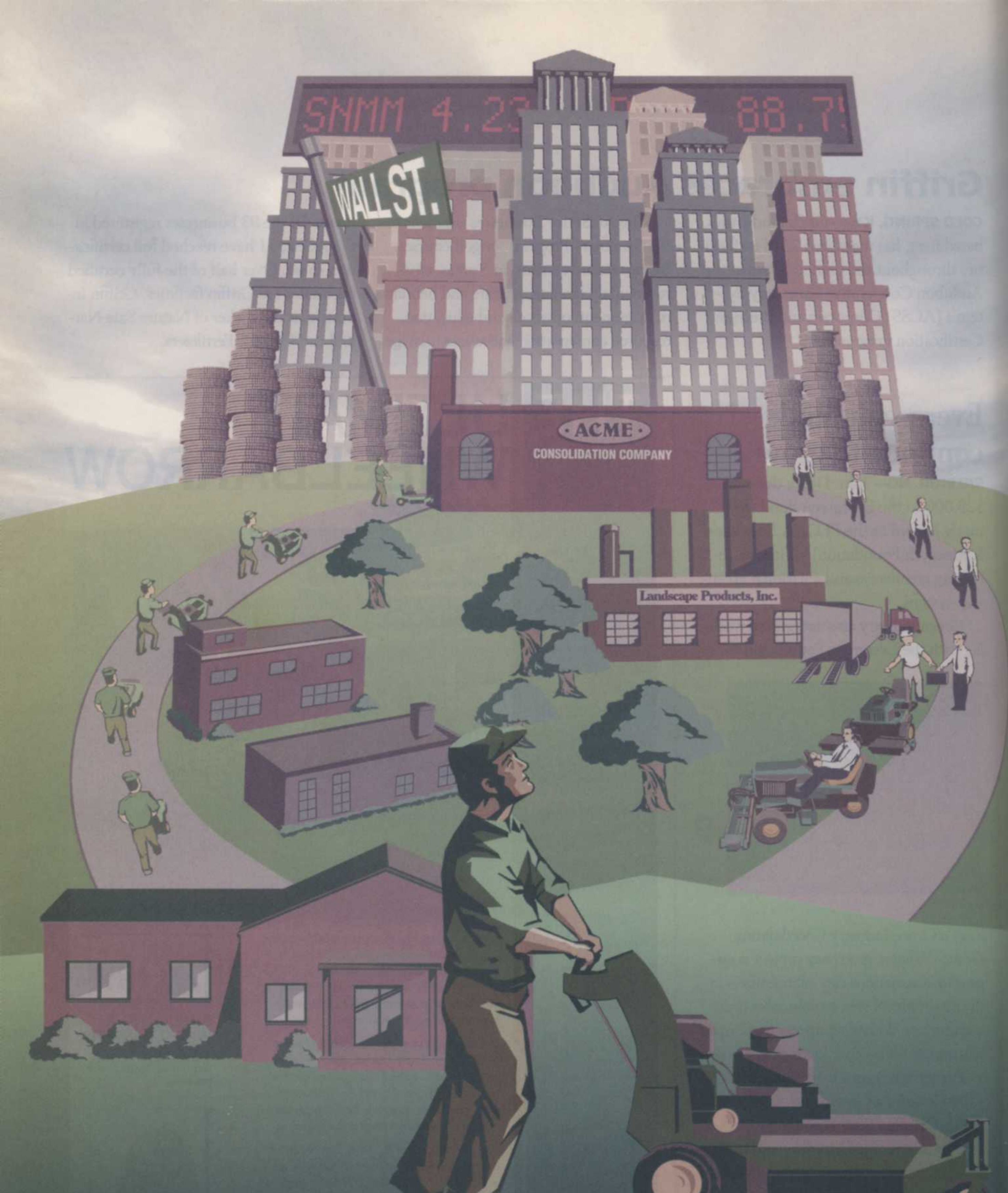

Make consolidation work for you...

first of a three-part series

New players, new rules

Consolidation in the landscape industry is here to stay. How you respond is what counts.

LM STAFF REPORT

Consolidation, mergers and acquisitions, and even popularity on Wall Street aren't new to the green industry, but the dollars available for investment in our market is new. Before this year's end, there may be upwards of a billion dollars or more invested in landscape and related services.

A similar trend of growth in the late 1960s and early 1970s encouraged several firms to go public. According to Burton Sperber, president, CEO and founder of Environmental Industries Inc., Calabasas, CA, that was the time that "Wall Street investment analysts discovered the potential of the landscape industry." EII, The Toro Company, American Garden Products in Boston, Leisure Gardens in Texas and Bonanza Steakhouse of Dallas (which owned Lambert's Landscape) all went public.

Few of those are around today, he notes. EII bought back its stock and went private again. Only Toro is still a public company.

Maybe the time just wasn't right. The industry fragmented again into small, medium and large regional firms handling a variety of lawn, landscape maintenance, design/build, tree, irrigation and related services. Until 1997, the largest industry companies included Asplundh Tree Expert Company, the Davey Tree Expert Company, EII, The Brickman Group, the F.A. Bartlett Tree Expert Co. and TruGreen-ChemLawn.

Big-ticket buyers

According to James Hermann, M&A Advisor with The Geneva Companies, Irvine, CA, the United States is on the crest of a consolidation wave last seen in this powerful form in the 1890s. Some experts estimate "trillions" of dollars are available in the market searching for growing firms. Reports that green industry firms typically grow faster than the stock market are music to investors' ears.

What's driving consolidation

So why are all the dollars heading your way? There are a number of trends that contribute to the consolidation movement:

Economic boom. It may have been the Asian economic crisis, America's long-standing bull market, consistently low interest rates and low levels of inflation or just creative financiers looking for a new glamour stock, but someone became interested in the green industry as a serious, lucrative source of growth.

Formation of REITs. The same economic growth that has driven the economy also contributed to the formation of real estate investment trusts (REITs), where investors purchase real estate for high return on their investment. Is this important to the green industry? You bet. According to Hal Cranston, president and CEO of LandCare USA, half of all multifamily developments in the United States will be owned by REITs by the year 2005.

Related industry consolidations. Close on the heels of the REITs trend are consolidations in industries serving real estate: builders, contractors, roofing, plumbing companies, HVAC, etc.

Make a killing on fragmentation. The stunning impact of unifying a fragmented group of companies into powerful, national service firms has tremendous potential to be profitable.

Economies of scale. For the past few years, the trend in consolidation has accelerated to the point that you can hardly turn on the television without hearing about a new mega-merger which is consolidating an industry: automotives, banking, telecommunications, internet, even publishing. It makes economic sense for many industries to consolidate, use their resources more efficiently and get strategic advantage from natural economies of scale.

Great economic outlook. Cranston and others point to studies documenting the value of landscaping, municipalities requiring landscaped open areas in new building developments, the trend toward outsourcing and overall economic growth that spurs new construction as factors influencing consolidation.

Miscellaneous benefits. Consolidators point out that the new, widespread organizations will offer better employee benefits and career opportunities, more professional operations, more sophisticated marketing, comprehensive services for large regional and national clients and opportunities for additional business with other corporate divisions (TruGreen/ChemLawn lawn care, for example) or within certain market segments (golf course management, growers, property managers).

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ILLUSTRATION: BARRY EDWARDS

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Who's investing?

Money flows into our industry at an amazing pace, in several ways:

* Established consolidations like Tru-Green-ChemLawn/LandCare USA purchase firms with funds from public stocks

* New rollups like GreenScape LLC form, funded by venture capital and investment banks

* Landscape companies form their own consolidations and finance their purchases with equity

* Brokers purchase firms with money from institutional investors

* Venture capital groups either bankroll new rollups or become financial and strategic partners with established firms (like The Brickman Group).

Consolidation discussion at the ALCA Conference last November drew a full house. (l. to r.): Ed LaFlamme, Bill Murdy, Ron Schmoyer, Bruce Wilson, Craig Ruppert, and Scott Brickman.

Landscape Management has heard there are nearly 20 different consolidation or buying groups active in the green industry. Some have been widely publicized and others still forming. While large players like EII, The Brickman Group and The Davey Tree Expert Company will try to build and continue growth internally, most of the new consolidations grow through acquisitions of other companies.

This will have some strange effects in certain markets, at least temporarily. For example, one panel at the San Francisco seminar discussed how the rollups have already radically changed bidding in Atlanta.

"I look at a market like Atlanta, where consolidation took five companies off the bid list and made just one, and I think it's just great," joked Scott Brickman, president of The Brickman Group, Langhorn, PA. "We hope they come to all of our major markets and do the same thing because the competitors they bought were all great competitors and now, there's just one. This is an advantage for the smaller guys."

"The smaller companies can grow in a market like that because the competition is less," agreed Richard Sperber, senior vice president of EII.

Asked if less competitors means lower prices, David Minor, chief development officer for TruGreen/ChemLawn, Memphis, disagreed. "There is an issue of less competitors but the competition will be stronger," he maintained.

"The larger companies bring best practices to the table and have their systems in place...it takes up the level of service that small companies will have to deliver."

Participants at the seminar agreed the inconsistent nature of landscape design/build and the entirely different nature of residential services make those areas less desirable for consolidation right now.

Some things won't change

No matter if a firm is a large consolidation or a single firm servicing residential customers, some constants remain: managing customer relationships, managing labor and growing profitably.

Consolidators and other contractors who are forward-thinking talk of incorporating "best practices" and staying close to the customers. Some companies like TruGreen-ChemLawn will organize around a strong central management. And it will be different from the company's lawn care operation. According to Dave Slott, president, it will be an organization "based on collaboration, not domination."

Other groups will pattern themselves after Brickman's "model branch" or Valley Crest's decentralized branch operations. Some will focus on attracting the best people, others on providing the best return.

Because larger organizations will provide extensive employee benefits, defined career paths, opportunities to transfer to other markets and a variety of new responsibilities, smaller firms may feel an even harsher labor pinch. Then again, "economies of scale" also means "eliminating duplication" in the form of administrative and middle management at consolidating firms. This can be a great chance for independent firms to grab experienced employees.

"Our focus is to give high quality service, keep our prices down and constantly grow the business," said Scott Brickman, echoing most contractors, large or small. **LM**

Who's consolidating?

TRUGREEN-CHEMLAWN /LANDCARE USA,

Memphis, TN—$650 million

By combining assets with LandCARE USA, TG-CL currently ranks number one, with an annual revenue run rate of approximately $650 million. When the deal closes in mid-March, it will look like this:

Characteristics:

- Platform companies include highly successful and visible firms in their markets
- Operated by ServiceMaster Corp., referred to as "the next best thing to cash"
- Coverage in major Sun Belt and other northern metropolitan markets, building density in those markets with acquisitions of many tuck-ins
- Plans to take advantage of existing TG-CL operations, branch structure, marketing, integration methods

Target goals: $3 billion to $4 billion in commercial landscape services in five years

Looks for: Opportunities to build a complete one-stop shop for services on a national account basis, leverage existing operations, acquire leading platform and tuck-in firms

Questions:

▶ Even for a firm used to acquisitions, integration will be a large and complex task.

▶ Will this division develop a separate identity, reputation, customer focus than other areas of business? Platform companies' high-end commercial clients are not the same people buying chemical lawn care. And landscape contracting operations are very different from lawn care services.

ENVIRONMENTAL INDUSTRIES INC.,

Calabasas, CA—$450 million

Former number one in revenues. Established and respected, EII knows how to sell green industry services: landscape design/build, installation, maintenance, arbor care, golf course management.

Characteristics:

- Strong family orientation and traditions
- High profile and tenure in the industry
- Innovative and successful operation and service delivery systems
- Experience selling to large national/regional property management buyers
- U.S. Lawns franchises smaller landscape maintenance operations in many markets.

Target goals: Strong focus on internal growth for most operations, development of people, building stronger presence in key markets, building strong customer relationships

Looks for: Acquisitions limited to franchises of its U.S. Lawns division — usually smaller landscape maintenance firms or those in specific markets

Questions:

▶ How will EII react as consolidators bring new pressures to the markets they serve?

▶ Will EII get a head start as the consolidators learn to integrate?

▶ What new markets will EII enter?

THE BRICKMAN GROUP,

Langhorn, PA—$175 million

A recent infusion of venture capital, as well as top-notch financial and management input from investors and officers has put Brickman on the fast track. Aggressive growth plans and the means to accomplish it will mean more acquisitions and expansion into new markets.

Characteristics:

- Strong family orientation and traditions
- High profile and tenure in the industry
- Innovative and successful operations and service delivery systems
- Follows customers and builds growth in those markets

Target goals: More than 30% growth (5 to 15% through acquisitions), continue to build customer relationships, overcome bigness, build quality

Looks for: Companies up to $20 million in key markets

Questions:

▶ Will Brickman be able to incorporate expansion and continue to service customer relationships like it wants?

▶ What happens when its venture capital partners leave?

THE DAVEY TREE EXPERT COMPANY,

Kent, OH—$315 million

Davey wants to build on its strong and widespread arbor care and utility line-clearing businesses, in addition to growing its commercial landscape maintenance operations nationally. This also ties in logistically with the company's residential lawn care operations in many markets.

Characteristics:

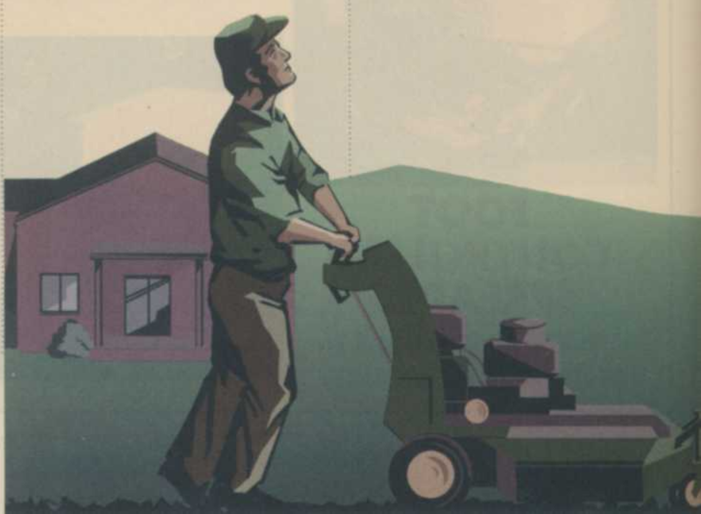
- Long-lived company with strong culture
- Internally generated initiatives in research, education and business development
- Slow-track acquisition mode — integrates new acquisitions carefully
- Experience selling and managing national and large regional property management accounts

Target goals: Growth rate of 8% to 12%, expansion in key residential tree care markets

Looks for: 1 to 3 tuck-in firms yearly, preferably high-end residential tree care experts

Questions:

▶ Will Davey venture into more commercial maintenance segments because of new consolidations, or will it focus more on arbor care?



GROWSCAPE LLC,

Houston, TX—$80 million

New rollup will soon announce its 6 to 12 founding companies. A "buy and build," it targets the same landscape-intensive markets as the rest, but with a vertical twist. This consolidation combines players across the whole green industry spectrum — nurseries, sod growers, garden products, landscape maintenance firms, tree care.

Characteristics:

- Principals are venture capitalists also consolidating in the telecommunications market.
- Expertise in business formation, management, consolidating systems

Target goals: Have a presence in top 25 to 30 metropolitan markets in four years, $250 to $300 million in revenues in the next 12 to 18 months.

Looks for:

- Company with a "specific niche" in the community
- Willingness to integrate to regional platform company

Tuck in: Annual revenue between $1 million and $5 million

Platform: Desirable location, good reputation, growth exceeding 15% /year, revenue between $5 million and $10 million, management to stay and grow business

Questions:

▶ Do the founders know enough about the green industry to make this work?

▶ Is vertical integration too complicated for buyers to handle?

▶ Are their expectations for performance realistic in this scenario?

RBI COMPANIES,

Littleton, CO—nearly $300 million

"Poof" rollup or equity capital offering to debut in June, consolidating various landscape management and construction firms west of the Mississippi. Not into rapid consolidation. Still mum on many details.

Characteristics:

- Point person is Rick Randall, CEO of RBI Companies, Littleton, CO
- Landscape industry focus with some vertical construction elements
- Located in six western states

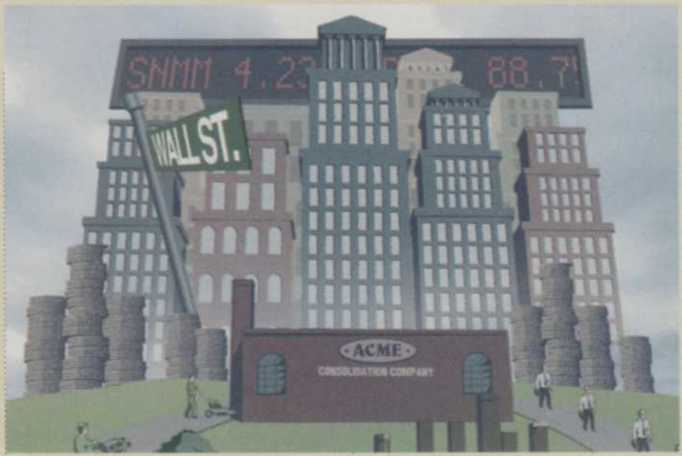
Target goals: "Good, steady growth; good bottom line; good solid company; good work environment."

Looks for: Established firms, good matches, companies known to founding firms (yet to be announced)

Questions:

▶ Who are the founders and what exactly is their strategy?

▶ Again, will vertical consolidation be feasible?



GROUNDS CONTROL,

San Antonio, TX—$60 million

Parent company is Sanitors, Inc., with majority ownership by Summit Partners, venture capital firm, Boston, MA. Selective consolidation of janitorial contracting and landscape contracting firms to offer "bundled" package of interior/exterior services to commercial, institutional, retail and industrial clients.

Characteristics:

- Landscape acquisitions being handled by Al Honigblum, Grounds Control, San Antonio
- Emphasis on premium companies with "Class A" accounts and management with long tenure
- Locations in three states so far, with several janitorial and land scape acquisitions in pipeline

Target goals: Deliberate growth. Three to five years to build $250- to $300-million company before going public

Looks for: "We want as our partners quality companies that we also would be proud to compete against and the desire to take their business to the next level."

Questions:

▶ Differentiating Grounds Control objective from that of other consolidators, rollups

▶ Will trend of "bundling" of services continue to grow among commercial, institutional clients?

FIRSTSERVICE CORPORATION,

Toronto, Ontario—$275 million

Provides specialty property and business management services in Canada and the U.S. Offers full palette of services from landscape maintenance to security to property management.

Characteristics:

- $35 million in residential and commercial lawn, tree and shrub care and commercial maintenance services in Canada and Florida
- Manager of community associations in North America with '98 revenues of $110 million
- Provides residential and commercial landscape and tree maintenance services in Canada and Florida

Target goals: Grow EBITDA and revenue by 10% and add at least two acquisitions in 1999.

Looks for: Tuck-under firms in key markets to complement services to existing customers.

Questions:

▶ Will this firm become more active in its acquisition search?

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ONESOURCE,

Atlanta, GA—$790 million

Until Jan. 1999 known as ISS. Integrated services designed to fit property managers' needs, operating offices in 39 states. This company seems to tailor to the true property management buyer.

Characteristics:
- OneSource (formerly ISS) is largest operating part of BHI Corp., headquartered in Belize City, Belize, which acquired ISS in 1998
- Janitorial, cleaning services, pest control, landscape services to 10,000-customer base
- Ron Schmoyer is president of Landscape Division of OneSource. Landscape Division generated revenues of about $45 million in 1998
- Landscape branch offices in FLA, GA, VA, TN, and PA.

Target goals: Establish landscape presence in Midwest and West Coast

Looks for: Established firms that can be incorporated into OneSource philosophy of one-stop facility management services

Questions:

▶ Finding additional management to manage growth

▶ Fitting acquisitions into concept of single management culture

QUANTA SERVICES INC.

Houston, TX—$209 million

Rollup consolidation focused on servicing the electrical and telecommunications industries that has bought landscape contracting and utility line-clearing/arbor care firms in California.

Characteristics:
- Located mainly west of the Mississippi
- IPO on the New York Stock Exchange early in 1998

Target goals: Growth servicing its market sectors

Looks for: Acquisitions of firms servicing utilities and telecommunications customers, primarily for utility line-clearing operations.

Questions:

▶ Will it advance more into the arbor/vegetation management portion of the landscape industry? If so, how will this affect existing firms?

Walk the walk, talk the talk

You can understand the consolidators' strategies by understanding their language. Here are some of the key phrases to know.

Rollup	A consolidation that rolls-up into one combined operating unit.
'Poof' IPO	When consolidating companies merge on the day they go public — Poof! — the individual companies magically form one large public firm.
Beachhead, platform, geographic footprint	Consolidators love these military terms. They want a big presence in key markets.
Bolt-ons, tuck-ins	No, it's not plastic surgery. These smaller firms roll into "beachhead" firms to bring "density" to a market. These usually run $1 to $5 million in revenues.

BUYING:

Vulture capital	An unkind term describing private venture capitalists who invest for brief periods of time (2 to 5 years typically) to reap huge returns on their investments (upwards of 30%). Many are consolidators; others become one firm's strategic partners (see Brickman).
Due diligence	Buyers verify seller's information about the company, competition, customers and performance.
"Sniff test"	Due diligence + intuition.
"Missed the deal," "bad deal"	Due diligence turns up misunderstandings, fallout. You still own the company.

SELLING:

Exit strategy	Before you sell, get one. Decide what *you* want to do, then you'll have a plan.
EBITDA	Get used to this one: "Earnings before interest, taxes, depreciation and amortization." It's how investors see real value.
Addbacks	For once, you can forget Uncle Sam and get real about your expenses and earnings.

Hold 'em or fold 'em?

This is not an easy decision to make. We talk to contractors who have sold, who may sell and who want to stay independent.

Rod Bailey calls these "exciting" times in the landscape industry. They offer previously unforeseen opportunities for the people in it. That's one of the reasons, he says, he sold his Evergreen Services Corp., Seattle, to TruGreen-ChemLawn late in 1998.

"I think we satisfied ourselves that the people in our organization would have much better opportunity in the future than if we continued to hold onto it ourselves," says Bailey. "We were a highly leveraged company and our ability to finance our growth was holding back our ability to grow.

"This [sale] created a very exciting atmosphere and environment for our people to become a part of what's happening on the national scene. It gave them a bigger sandbox to play in, so to speak — particularly our key people."

Bailey, 61, also points to his age as one reason why he and his partner, also in his early 60s, sold.

For Bailey anyway, the decision to sell to TG-CL made a lot of sense. "Our people are being taken care of, the price was right and it provided me with an exit strategy," he explains.

Many landscape company owners want to continue running their own operations. They're getting their financial houses in order. They're strengthening, rearranging and/or adding to their service mixes to compete against the developing national companies.

We wanted to know

"We were concerned about what really was taking place in the market," says Jeffrey T. Heine, President of TurfMasters, Inc., Dayton, OH. That's why he and General Manager Patrick O. Prine attended the recent Landscape & Lawn Care Mergers & Acquisitions Institute in San Francisco, which was sponsored by Fulcrum Information Services Inc.

"The consolidation hasn't hit our area of Ohio yet, but we want to be poised and ready for it when it does come," he adds. "We're either going to be ready when the national companies come to town or we're going to lose some things."

Along those lines, Heine is investigating adding services like interiorscaping and tree care to his 13-year-old company that has landscape revenues of about $2 million. He feels that the national companies will approach large commercial/corporate customers with a one-stop facility management services package.

"You're either going to have to get in the pen and fight with the big dogs, or you're going to roll over and keep your little niche-type markets," says Heine.

John Gachina, President of Gachina Landscape Management, Menlo Park, CA, says he's not ready to sell his business yet either.

"Things are going well with my company, I'm having a good time and I have a young family, so the timing isn't right for us," he says. "I'm pretty certain that there's always going to be a place for quality companies that have a strong presence in a particular market.

"Sure, we're going to have competition. Sure, somebody's going to come in that can, maybe, beat us on price. But, we complete on more than just price."

Gachina believes independents can compete.

Gachina says, if anything, the threat of com-

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petition from much bigger companies has reinforced his belief that providing the best possible customer service, including keeping in contact with each customer, will be vital to continued success in providing landscape services.

"We're definitely going to have to get better at marketing ourselves," he adds. "They're going to be able to come out with very good marketing pieces, they're going to hire professional marketing people and they're going to go at it hard."

We must be more efficient

Deborah "Andee" Bechtold, owner of Longhorn Maintenance, is content to build her own niche in the north Dallas marketplace. Longhorn provides design/build, irrigation repair, fertilization/weed control and pest control. She's avoided committing too much of her company's resources to maintenance, not out of fear of competing with the national companies, but because of the price cutting of part-timers.

To remain competitive, Bechtold has been trying to reduce labor costs and increase efficiency with more productive machinery. "The market keeps changing," she says, "but labor is still everything."

Brookwood Landscape Company has considered offers from several suitors, but Vice President Mark Wilhite says there's no rush to sell the 30-year-old San Diego-based firm. He and his brother, Glenn, operate the business along with their father and company founder, Keith Wilhite. Brookwood is a 365-day-a-year operation that maintains many of San Diego's most upscale malls and other commercial properties.

"If all things were the same we would probably like to just keep on working the way we are," says Mark. "But, since the industry is changing so dramatically we thought had better consider this and make a decision."

Mark says that he and his brother are too young to retire and that they would like to keep operating Brookwood. "It's fun. We like it. We have so much opportunity to grow this company. We absolutely want to stay on and run this company," he says — even if Brookwood Landscape is sold. **LM**

Mark Wilhite says he and his brother want to stay.

Are you on the "A" list?

Most consolidation experts say they are seeking profitable landscape contracting firms offering the "right" mix of services, location and growth potential. Their numbers vary for companies between $450,000 to more than $20 million. Besides the obvious financial health aspects of your business, what else will turn a buyer's eye? Here are a few factors that will make your company more attractive to a buyer:

- **Strategic fit:** Entry into new markets or services, quick growth, more density within a market, specific customers or equipment or other assets
- **Financial:** Internal growth rate & potential, EBITDA of at least 10% and preferably higher, 80 to 85% customer retention rate
- **Off-balance sheet items:** Great management, employees, systems, "culture," customer relationships, expense synergies, etc.

What's hot, what's not for consolidators

Hot	Not
Landscape maintenance	Landscape design/build
$1- $15 million in revenues	Less than $400,000 revenues
Sun Belt	Northern Plains
Team players	Mavericks
"Better, faster, bigger"	"When we're ready and no sooner"
Financial acumen	"My accountant handles that"
Customer relationships	Environmental liability
Your deal "team"	Do the deal by yourself
Commercial services	Residential services

Selling? *Get help now*

They say you have a fool for a client if you act as your own lawyer. Don't rush into a sale or do it alone. Consultants and advisors offer lots of choices and smart advice.

Selling your landscape company? One of the biggest decisions you have to make is: Do it yourself? Many owners have. Others use the help of a consultant or business broker. If you are heavily involved in the day-to-day operations of your company, this might be a wiser course.

Trying to market and sell your landscape company while also running it could be a strain on even the sharpest operator. And keeping news of your activities from leaking to your organization and affecting it would be almost impossible.

Find outside help

Who can help you market and sell your company? There's no lack of candidates. If you've worked with business consultants in the past and they've helped you, start with them. But there are also plenty of newcomers to the green industry — sale advisors and brokers.

"Often, owners aren't trying to sell their companies, but a firm contacts them and says, 'We're interested in buying a company like yours,' so the owner decides to sell," says green industry consultant Ed Wandtke, Columbus, OH. "You can sell the company for whatever you think it's worth, but you should get an indication of your company's value with a valuation before you decide to sell. Otherwise, how do you know if you're getting a reasonable offer?"

Wandtke says landscape company owners, particularly those thinking about selling, are asking themselves two primary questions:

- what is my company worth?
- what do I do after I sell my company?

He says he can help them with the first question and, in fact, is getting lots of calls from owners investigating how marketable their companies are. It's up to the individual owner to decide if he or she wants to step down though, even though some buyers require a two to three-year commitment, he says.

The Corporate Finance Group of KPMG LLP, one of the nation's "Big Five" accounting, tax and consulting firms, represented three sizable landscape companies, including Ruppert Landscape Co., that were acquired by larger companies this past year.

"We're looking to advise more green industry companies," says Sean Sands, a KPMG director who worked on the transactions. "We think there are still a lot more landscape companies that would be a good match for us."

He emphasizes that his company acts as a financial advisor, not a broker. "We advise companies from the start, including assessing the company's worth and marketing. We're there all the way through the negotiations," he says. "With a focus on

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Staying independent?
Check your options

Consolidation brings both threats and opportunities:

Potential problems or threats

1. Cost-efficient competitors may offer low prices.
2. Sophisticated, expensive marketing efforts to win customers.
3. Ability to offer "one-stop shop."
4. Added services and geographical coverage means entry into new service niches.
5. High-visibility name recognition, professional image.
6. Ability to leverage debt for further growth while tweaking economies of scale.
7. Continuing success will encourage more independents to consolidate.
8. Tougher competition for labor — they can offer year-round employment, top-notch training, new career paths and outstanding benefits. Can you?

Potential opportunities or advantages

1. Provide subcontracted services to consolidators, or subcontract to other independent firms.
2. Continue growth and expansion in your markets.
3. Niche services and high-end/high-quality services can continue good growth.
4. "Coat-tail" effect of highly visible national consolidations will heighten awareness of professional landscape services.
5. Consolidators will not win every contract on price.
6. Smaller, flexible firms are quick to respond, innovative and able to develop close customer relationships.
7. Independents need not answer to stockholders, investors, outside directors or financial analysts' expectations.
8. Opportunity to grab downsized senior and middle administrative people.

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shareholder value, we bring both industry professionals and functional experience in critical areas such as tax and financial deal structuring, valuations and due diligence."

Plenty of shoppers

Mike O'Mara, Acquisitions Management Group, Houston, TX, represents potential sellers in several contracting markets — mechanical, electrical, landscape and janitorial — all of which are in a state of furious consolidation.

A onetime landscaper himself, O'Mara says landscape business owners don't have time to be aware of all potential buyers. In addition to the large national consolidators, there are others, including a surprising number of regional buyers.

"We come across a lot of private buyers who are looking at either buying in a couple of cities or, maybe, in a region," says O'Mara. "Some want to expand their market, some are toying with the idea of a mini-rollup or maybe they want to build a base to sell to a larger consolidator."

Jim Hermann, Mergers & Acquisitions Advisor at The Geneva Companies, Irvine, CA, says his company maintains a proprietary database of about 130 active buyers interested in purchasing companies in the landscape contracting and planning, lawn and garden services and ornamental shrub and tree services industries. Of those buyers, 26% are investment groups, 33% are corporations and 41% are venture capitalists, individual investors, merchant banks and other investors.

If you decide to use a consultant to help you sell your company, do your homework. Find out as much as you can about them, their track record and their fees before you enter into any binding agreements.

Find your strategy

Contractors sell their businesses for a number of reasons, most of them good: it's the right exit strategy; the price is right; more opportunities for employees; greater growth potential for the business; different new challenges in a corporate structure; and others.

According to James Marcus, Director of Corporate Development, Four Seasons Landscape & Maintenance (LandCare USA), Foster City, CA, it's finding the right strategy for you that matters. As someone who recently sold his company to LandCare USA and currently works with contractors thinking about selling, he sees four major options:

— *Stay independent.* There are huge opportunities for growth through internal measures or through acquisitions of your own.

— *Consolidate regionally.* All consolidations don't have to be national. In fact, some buyers like to buy on a more localized basis.

— *Partner regionally.* Loosely based partnerships with other firms can give you regional marketing and buying clout without having to deal with a cumbersome consolidation.

— *Merge upstream.* Large consolidations bring financing, management systems, national scope, economies of scale and a number of other advantages that can help your business grow in the long term. **LM**

Why should you sell?

- **Lack of operating capital**
- **Need for growth capital**
- **Elimination of personal guarantees**
- **Age**
- **Health**
- **Boredom/burnout**
- **Liquidity/cash Out**
- **Unreasonable risks**

The two worst reasons to sell are age and health, because they usually rush the process, according to James Hermann, M&A Advisor, The Geneva Companies, Irvine, CA.

SOURCE: J. HERMANN