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Selling your business demands attention to details

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Will and Leigh Peters said they poured their heart and soul into Dick & Jenny’s, the popular restaurant on Tchoupitoulas Street. The couple bought the business from the original owners, Dick and Jenny Benz, in 2006 and had plans to add more locations.



But Will and his wife considered selling it starting in late 2011. Long days at the restaurant were taking their toll, in addition to raising their son, Trip, now 5.

“Things didn’t pan out because we were so busy,” he said. “The workload was a lot for us to deal with, with our new family at home.” The couple also wanted to pursue another business, Dickey’s Chips, the New Orleans-based snack company Will’s great grandfather, the late William Dickey, founded in the 1930s.

“We wanted to focus on that,” Peters said. “Our passion just shifted. If you are not fully in love with what you are doing at your restaurant, you have to find something else. ... The staff was great. The customer base is great. It’s the minutiae that just started dragging us down.”

In February, the Peterses listed their business and the associated property for sale with Leslie Perrin of Gardner Realtors. The building and the attached apartment were listed for \$650,000. For an additional \$325,000, the couple would sell the furniture, fixtures, equipment, inventory, occupational licenses and the business name.

The Peterses’ method — performing a self-valuation and listing with a real estate agent — is just of one several options available to small business owners wanting to sell. Accountants, small business consultants, business brokers, real estate agents and attorneys all offer similar services.

The first decision, experts say, is determining the value of the company.

Peters said he looked at what he originally paid for the business, the money he spent on it and his profits for two to three years. His real estate agent provided the value of comparable buildings to help determine a listing price for the property, and he then calculated a comfortable asking price.

Professionals certified to conduct business valuations typically require three to five years of tax filings and financial statements to start the process.

“We would want to know how your business creates value,” said Marc Katsanis, senior vice president in the valuations department at Chaffe and Associates, an investment banking and consulting services provider.

Katsanis said valuation takes into consideration a company’s physical assets as well as intangible aspects when determining its value. Items considered include the name of the business, its logos and trademarks, intellectual property, proprietary technology and any copyrights or patents. For restaurants,

recipes are also taken into account.

Dennis Tizzard, a partner at the CPA firm Ericksen, Krentel & LaPorte, said small businesses frequently need help catching up on their paperwork before being put on the market. His work often involves making sure clients are current on all of their taxes.

“You want to make sure everything is clean,” Tizzard said. “I would hate to walk in and buy a business with looming IRS seizures.”

Valuation services from certified professionals vary in price based on the scope of the project, but they normally start around \$3,500 for a small business in New Orleans.

Joel Duran, owner of the New Orleans franchise of Sunbelt Business Brokers, said pricing opinions are based on the company’s financial statements and current market action. Sunbelt includes the price estimate in its sales package and charges a percent of the sales price, ranging from 4 percent to 12 percent. Duran said Sunbelt is paid only if the sale is completed.

Appraisals can help determine prices for buildings and specialized equipment, but Duran said they are often wasted money for a business owner.

“Appraisals won’t create a buying situation for you,” he said. “The market will tell you what it’s worth. We typically don’t recommend getting an appraisal unless something is in dispute.”

The Peterses had success listing their property with a real estate agent, but Duran said going that route could damage a business and its value.

“As soon as (the sellers) make it public, their customers go elsewhere and their suppliers go elsewhere,” Duran said.

The biggest mistake small business owners can make is trying to handle the sale on their own, he said.

“They get inquiries and they give way more information than they should. They have no contract in place, and their competition has confidential information about the business.”

Duran said confidentiality agreements should be in place to protect the business and to vet potential buyers before the seller discloses sensitive information.

“If they only have \$10,000 in cash, it doesn’t make sense to show them a \$10 million business because they can’t afford it,” he said.

Tizzard said business owners should consider packaging options when selling, such as separating the land from the business.

“For example, a buyer doesn’t want to be a building owner,” Tizzard said. “He just wants to be a restaurant owner.”

In that case, Tizzard said the business owner could sell the restaurant operation and lease the building to the new owner.

Once an appropriate buyer is found, Tizzard said the seller should obtain a written promissory note that details the transaction and spells out



ramifications if either side defaults.

“Unfortunately, if you don’t have anything in writing, you don’t have much recourse,” Tizzard said.

Selling Dick & Jenny’s went smoothly, Peters said. Within 72 hours, he and Leigh had three offers.

“We accepted the offer with the most experience,” he said. “We wanted to do right by the restaurant and the staff.”

The winning offer came from M. Cristiano Raffignone and Kelly Barker, owners of Martinique Bistro on Magazine Street and Cristiano’s Ristorante in Houma. The deal closed May 28.

“The process was a lot easier than I expected,” Peters said. “I don’t regret any step we took to do it.”

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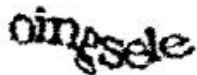
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