



**A Guide to**

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# **Selling Your Restaurant**

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## Disclaimer

This guidebook is provided for general educational and planning purposes only. It is not legal, tax, or financial advice. While we aim to provide accurate information based on typical restaurant sale processes in Tennessee, each transaction is unique and may involve different facts, laws, and regulations.

You should consult your attorney, accountant, or other licensed professional before making any decisions related to the sale or purchase of a business. Legacy Entrepreneurs disclaims any liability for actions taken based on the information contained in this guide.

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# Introduction

For many restaurant owners, this business has been more than a job—it's been a way of life. You've built something meaningful, fed your community, created a space where memories are made, and provided a livelihood for your team. Deciding to sell is never easy, but by partnering with Legacy Entrepreneurs, it can be a successful transition that honors what you've built.

This guidebook outlines the three core phases of a successful restaurant sale:

1. **Phase 1: Consultation & Discovery** – Understand your goals, gather key documents, and receive a preliminary opinion of value.
2. **Phase 2: Preparation & Marketing** – Finalize the valuation, create marketing materials, and launch the confidential listing.
3. **Phase 3: Buyer Negotiation & Closing** – Qualify buyers, negotiate terms, support due diligence, and close the deal smoothly.

Inside, you'll find document checklists, workbook prompts, and practical guidance to support you through each step. Your broker is here not just to list your business—but to simplify the journey, anticipate questions, and help ensure your legacy is respected every step of the way.

## Phase 1: Consultation & Discovery

This is the first step in determining whether you're ready to sell and what your restaurant might be worth.

We begin with a conversation—about your goals, what you've built, and where you want to go. Based on basic financials, we can often provide a preliminary opinion of value without needing every document up front. You'll get clarity before making any commitments.

### Goals:

- Understand your exit goals
- Collect preliminary documentation
- Provide an initial free opinion of value (if basic financial details are shared)
- Determine a price range
- Sign a listing agreement when you're comfortable moving forward

### How We Help:

- We clarify the story behind your business and prepare early documentation to reduce confusion later.
- We'll also identify any red flags or risks early so they don't delay a deal later.
- Identify areas where third party assistance may be favorable such as bookkeepers who can make your financial records crystal clear to review.

### Key Broker Activities:

- Conduct introductory consultation
- Review initial financials and documents
- Offer preliminary opinion of value based on revenue, net income, and known add-backs (e.g., family on payroll, personal vehicle expenses)
- Estimate preliminary price range
- Explain selling process and timeline
- Discuss the listing agreement and provide clarity on what it commits you to
- Execute listing agreement once you're confident in the partnership and direction

### Document Checklist:

- Last 3-5 years of tax returns
- Last 3-5 years of profit and loss statements
- Year-to-date financials
- Estimate of FF&E (furniture, fixtures, and equipment)
- Summary of any owner add-backs (vehicle, family payroll, etc.)
- Description of property and status (own vs. lease)
- Summary of any recent or upcoming capital expenditures

Workbook Page: Seller Goals

- Why are you selling?

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- What is your ideal timeline?

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- What price range would make this worthwhile?

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- Are there any key staff or lease issues to consider?

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Workbook Page: Basic Financial Snapshot (for Free Opinion of Value)

- Annual revenue (last full year): \_\_\_\_\_
- Annual net income/SDE: \_\_\_\_\_
- Any known add-backs (describe):  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Example Add-Backs for Restaurant Valuation

Category	Example Description	Add-Back Type
Owner Compensation	Salary above market rate	Discretionary Expense
Family Payroll	Spouse or child on payroll but not active in biz	Discretionary Expense
Vehicle Expenses	Truck or SUV used with significant personal use	Non-Operational
Travel & Meals	Owner-only conferences or dining not business-related	Non-Operational
One-Time Expenses	Remodel, rebrand, or new POS system	Non-Recurring
Non-Cash Expenses	Depreciation	Accounting Adjustment

## Workbook Page: Property and Lease Info

- Do you own or lease the property? \_\_\_\_\_
- Square footage of the space: \_\_\_\_\_
- Age of roof and major mechanical systems (HVAC, plumbing, etc.):  
\_\_\_\_\_  
\_\_\_\_\_
- Major improvements performed in the last 10 years:  
\_\_\_\_\_  
\_\_\_\_\_
- Monthly rent or mortgage payment: \_\_\_\_\_
- Lease term remaining: \_\_\_\_\_
- Are you open to including real estate in the sale? \_\_\_\_\_
- Is there a landlord approval process for lease transfer? \_\_\_\_\_
- Any known issues with the property (zoning, HVAC, fire suppression, etc.)?  
\_\_\_\_\_  
\_\_\_\_\_

## Phase 2: Preparation & Marketing

This phase is about preparing your business to attract serious buyers.

We turn your restaurant into a compelling opportunity. Beyond spreadsheets and reports, we craft a narrative that highlights your business's potential. For less confidential listings, we may even create a walkthrough video to showcase the ambiance, equipment, and location to serious buyers.

### Goals:

- Finalize valuation
- Prepare marketing materials
- Confidentially list the business

### How We Help:

- We write professional teaser ads and long-form business descriptions that stand out.
- We build a complete information package (CIM) that buyers and their advisors can use to evaluate the opportunity.
- We can conduct targeted outreach to restaurant groups and chef-operators
- We list on high-visibility platforms like our website, and on third party marketplaces popular with restaurant buyers like BizBuySell and LoopNet.
- We share the listing to our network of buyers.

### Key Broker Activities:

- Perform full financial normalization (SDE/EBITDA)
- Write teaser ad for public listing
- Create a Confidential Information Memorandum (CIM)
- Launch listing on website, BizBuySell, LoopNet, etc.
- Record walkthrough video (if applicable and confidentiality permits)

#### **What is Financial Normalization?**

*Before listing your restaurant, we analyze and adjust the financials to reflect the true owner benefit. This includes adding back non-operational expenses and removing one-time or discretionary items. The goal is to present a clear picture of cash*

### Document Checklist:

- Lease agreement or property deed
- List of FF&E with conditions (furniture, fixtures, and equipment)
- Copy of liquor/health permits (if applicable)
- Copies of recent bank statements (last 6 months)

- Vendor and supplier list
- Menu with pricing
- Employee list with roles, tenure, and retention likelihood (no names)
- Photos of the business (interior/exterior/kitchen)
- Social media and Google/Yelp links
- Health inspection reports (past 12 months)
- Insurance policy summary (liability, property, liquor, workers' comp)
- Summary of customer contracts or catering agreements (if applicable)
- Copy of business license

### **Menu Matters**

*Buyers want to understand not just what you sell—but how it connects to your operations. Including your current menu helps buyers grasp your pricing strategy, margins, and how complex or streamlined your offering is.*

### **Who's Running the Kitchen?**

*Buyers want to know who's behind the grill, who manages the floor, and whether key people are likely to stay. We help frame these staffing dynamics as a strength—or show the opportunity if the owner is heavily*

Workbook Page: Business Strengths & Risks

- What are your restaurant’s strongest selling points?

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- What opportunities for significant growth can a new owner pursue?

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- What operational weaknesses should be disclosed?

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Workbook Page: Ideal Buyer Profile

- What skills or experience would help a new owner succeed?

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- Would the new owner need to be an operator, or could they be semi to full absentee?

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- Are there specific places to target outreach where restaurant groups or chefs **you** like are known to pay attention to?

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***Targeted Outreach to Restaurant Groups & Chef-Operators***

*Some restaurants are perfect for a strategic buyer—a growing group looking to expand into new markets—or a chef-owner looking for their first big opportunity. We can conduct targeted outreach through:*

- *Restaurant groups in nearby metro areas (e.g., Nashville, Chattanooga, Atlanta) that are actively acquiring or opening new concepts*
- *Culinary schools, chef organizations, and food media channels to find rising chefs*
- *Niche social platforms like Instagram, Reddit, and Facebook groups where chef-owners hang out*

*When appropriate, we position your restaurant as a “Chef Ownership Opportunity”—turnkey, well-equipped, and ready for a new leader to put their stamp on it. This can attract highly motivated, qualified buyers that traditional listings might miss.*

## Workbook Page: Incentives and Dealbreakers for Future Negotiation

- Are you open to seller financing?

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- Are you willing to offer training?

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- Are there any dealbreakers?

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## Phase 3: Buyer Negotiation & Closing

This final phase involves screening buyers, negotiating terms, and ensuring a successful close.

As inquiries roll in, we manage the conversations, screen for serious interest, and help answer tough questions. Once we receive a Letter of Intent (LOI), we help you navigate due diligence and make sure all parties stay aligned.

### Goals:

- Identify qualified buyers
- Facilitate due diligence
- Negotiate deal terms
- Support through closing

### How We Help:

- We motivate buyers with fast responses and clear next steps.
- Coach seller and buyer on procuring necessary permits and licenses.
- We provide trusted referrals to CPAs, attorneys, and SBA lenders to reduce buyer uncertainty.
- For you, the seller, we can introduce financial advisors and wealth managers to help you plan post-sale.
- We manage deadlines and details so you don't have to.

### Key Broker Activities:

- Qualify buyer's financials and intent
- Introduce buyers to lenders if they request financing support
- Preview the deal to lenders who can pre-qualify their interest in supporting a buyer's acquisition
- Share lender-ready documents (normalized P&L, add-backs, equipment list, lease summary) only when buyer interest and alignment are clear
- Manage confidentiality (NDAs)
- Coordinate Q&A and site visits
- Support offer structuring (LOIs, asset purchase agreements)
- Work with escrow agents and attorneys
- Support buyer due diligence (gather additional documents as needed)

## Buyer Interaction Workflow

Step	What Happens	Who Is Involved
1. Inquiry	Buyer expresses interest	Broker-only
2. NDA & Buyer Profile	Broker screens buyer's capital, experience, and goals	Broker-only
3. CIM Sent	Buyer receives Confidential Information Memorandum	Broker-only
4. Initial Follow-Up	Broker checks in to answer questions, gauge fit	Broker-only
5. Buyer Fit Evaluation	"Do you see yourself running this restaurant?"	Broker-only
6. Price Alignment	Buyer shares pricing expectations based on CIM	Broker-only
7. Seller Meeting	If buyer is serious and price range is competitive	Buyer, Seller, Broker
8. Post-Meeting Docs	Buyer receives more sensitive docs (leases, payroll)	Broker shares selectively
9. Formal Offer	Buyer submits Letter of Intent (LOI)	Buyer initiates
10. Diligence & Exclusivity	Upon LOI acceptance, buyer gets exclusive diligence period	All parties

### Note on Information Flow:

*We encourage transparency, but limit document access until we know a buyer is real, serious, and aligned. Typically, 2-3 follow-ups post-CIM and a seller meeting are enough. If a buyer needs more than 6-8 documents or multiple rounds of questions before making an offer, we'll reevaluate their fit or propose a firm deadline to submit an LOI. screening buyers, negotiating terms, and ensuring a successful close.*

### Document Checklist:

Documents the seller must provide:

- Lease assignment or draft of new lease (if owned by landlord)
- Most recent inventory (food, alcohol, paper goods)
- Copy of current insurance or policy statement (for transfer or proof)
- Checklist of current licenses the restaurant needs to operate

Documents generated during this phase:

## Phase 3: Buyer Negotiation and Closing

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- Signed NDA (non-disclosure agreement)
- Buyer financial questionnaire
- Letter of Intent (LOI)
- Final Asset Purchase Agreement (APA)
- Closing day checklist (utilities, licenses, POS access, keys, etc.)

### Common Licenses and Permits Restaurant for Restaurant Buyers

License / Permit	Issuer	Notes
Business License	County and City Clerk	Buyer must apply for a new license under their legal business name. They must register that LLC with the state and file a DBA (Doing Business As) if operating under a different restaurant name.
Liquor License	TN ABC (Alcoholic Beverage Commission)	Buyer must reapply; seller can assist with 10-day notice and inventory transfer.
Beer Permit	City/County Beer Board	Typically requires a public hearing; buyer must apply as new operator.
Sales Tax Permit	TN Dept. of Revenue	New TN Sales & Use Tax account required.
Food Service Establishment Permit	TN Department of Health	Requires reinspection and approval under new operator.
Grease Trap Permit	Local Sewer Authority	May be transferable if account is updated—verify with local agency.
Certificate of Occupancy	Local Codes Department	Often remains valid if no renovations occur—verify if business type or layout changes.
Dumpster / Waste Contract	Private Vendor	Buyer needs a new account with hauler.
Alarm / Fire Inspection	Local Fire Dept. or City	Buyer may need to update or reinspect depending on local rules.

*The information in this table is intended to summarize common requirements in Tennessee restaurant asset sales. However, licensing and permitting rules vary by city and county, and are subject to change. Buyers should verify all requirements with the appropriate local and state agencies. This summary does not constitute legal advice.*

## Post Closing: The Next Monday

Selling your restaurant can be an emotional and complex decision. But you're not doing this alone. We're here to help you navigate the process, showcase your business with care, and find the right buyer to carry it forward.

### What Happens After Closing?

Our support doesn't end at the sale. We assist with:

- Transition planning and knowledge handoff
- Referrals to trusted wealth managers and financial advisors
- Celebrating your exit and helping you think about what's next

This is a new chapter for you—and we'll help you turn the page confidently.

Contact us to begin your consultation and get a preliminary opinion of value.

## Appendix A: Financial Performance Notes

### Relationship Between Valuation using EBITDA Multiples and Net Profit Margins

Multiple of EBITDA	Target Net Profit Margin	Description
1.3x or less	10% to 14%	Low margins, full owner involvement, high competition
1.8x	15% to 18%	Average-performing restaurant with clean financials and stable ops
2.1x	17% to 20%	Market-wide average
2.5x or more	20% to 25%	High-volume, strong earnings, systems in place, possible absentee-friendly ops

### Other Target Performance Indicators

Ratio	Target Range (as % of Revenue)	Notes
Cost of Goods Sold (COGS)	25% to 35%	Food and beverage costs. Lower for high-margin bar program.
Labor Costs	25% to 35%	Including FOH, BOH, and management.
Rent	6% to 10%	High rent can destroy margins even if sales are strong.
Operating Expenses	10% to 15%	Includes utilities, insurance, repairs etc.

*The figures presented are for illustrative purposes only and do not constitute a guarantee of value, sale price, or business performance. Actual results may vary significantly based on individual business operations, market conditions, buyer appetite, and due diligence findings. This is not financial, legal, or tax advice. Business owners should consult qualified professionals before making decisions based on these estimates.*