

Business owners stepping down

Business General

Kaleidoscope looking for buyer, Pretty Mama announces closing

By Jondi Gumz

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CAPITOLA » Sheryl Guidera, for 25 years the owner of Kaleidoscope, the parent teacher toy store, is looking for a buyer so she can retire.

Noelle Klein, for 41 years the owner of Pretty Mama specializing in affordable fashion for all sizes, put her store on the market

and then announced a going-out-of-business sale.

About three dozen businesses are for sale in Santa Cruz County, according to BizBen.com, an online network focused on business opportunities in California.

Peter Siegel, BizBen.com founder, expects more owners to put their business on the market in the fall.

Business sales jumped nationwide last year and brokers expect

more this year because of baby boomers retiring, according to BizBuySell.com, an online business-for-sale marketplace.

For a small business owner, the road to retirement can be bumpy.

The biggest obstacle to a sale is unrealistic expectations in setting the asking price, according to the First Quarter Market Pulse report produced by Craig Everett, assistant professor of finance at Pep-

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Sheryl Guidera, the owner of Kaleidoscope Toy Store, is looking to sell and retire after owning the business for 25 years. She enjoys encouraging learning in children.

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perdine University's Graziadio School of Business and Management.

For businesses with an asking price of less than \$500,000, the best place to find a buyer is close to home, according to a Market Pulse survey of 238 business brokers and merger and acquisition advisers, which found 60 percent of buyers in that price range came from within 20 miles.

Guidera, for example, brought her experience as a teacher when she started working at Kaleidoscope. Five years later, when the owner retired, she bought the business, catering to parents and teachers with workshops and play days to introduce new products.

Similarly, Linnaea Holgers (now James) worked at Artisans Gallery in downtown Santa Cruz before she bought the business.

But Guidera doesn't have an employee wanting to step into ownership.

"There isn't an interest," she said.

Owners who want to sell often want to keep that confidential but not always.

Among the listings on bizben.com are: Margaritaville, a landmark restaurant and bar in Capitola Village for 30 years, asking \$350,000; Mountain Mike's Pizza in Santa Cruz, asking \$419,000, and Covewater Paddle Surf, Santa Cruz, asking \$150,000.

Santa Cruz County is "highly entrepreneurial," said Rex Walters of Coast Business Brokerage in Aptos, citing in-house research showing 22,000 businesses in the county. "That's a lot compared to the population."

Buyers will find loans

backed by the U.S. Small Business Administration are available, Walters said, noting they require "hundreds of hoops. You can't be faint-hearted. Stick with it."

He has six such loans in the works.

Santa Cruz County Bank was the top SBA lender in Santa Cruz County last year, followed by Wells Fargo and Santa Cruz Community Credit Union.

"If cash is flowing, it's very viable," said David Heald, president and CEO of Santa Cruz County Bank, noting the importance of buyer experience to obtain a loan.

The new owners of the Hindquarter Bar & Grille got an SBA loan to buy the restaurant from Santa Cruz County Bank. All are former employees.

Opportunity Fund, with an office in San Jose and a website at www.opportunityfund.org, is a newer option locally.

Walters said Monterey County Bank is making SBA loans and he recommends Cal Coastal in Salinas for microloans of less than \$100,000.

"Seller financing is very viable," he said, suggesting buyers put 50 percent down.

Buyers might tap equity in their home now that values have risen or sell stocks, with the market at an all-time high.

The transition for a business owner can be wrenching, with their identity tied up in the business after so many years.

"Our name is certainly well known," said Klein, who moved Pretty Mama from downtown Santa Cruz after the 1989 earthquake and currently employs eight people in Capitola. "I don't have any great hopes we will sell it. It's very emotional for every one of us."

FOR SALE

Some of the businesses for sale in Santa Cruz County

SANTA CRUZ

- Dry cleaner, 35 years, \$345,000
- Educational toy store, \$325,000
- Wine and beer store, 80 years. Owner retiring. \$290,000
- Transmission and auto repair shop. \$250,000 in escrow
- Downtown retail, gift, furniture, art, lighting. \$250,000 plus inventory
- Coffee house, 20-plus years, \$200,000
- Bicycle shop. Owner to retire. \$169,000
- Eyewear shop, since 1940s. \$159,000

CAPITOLA

- Chicago style pizza and market. \$279,000

WATSONVILLE

- Coin laundry, \$655,953
- Source: www.bizben.com

Gary Merrill of LeadershipOne, a business transition specialist in Scotts Valley, advises business owners to begin conversations early on around succession planning — "at least five years before."

He recommends identifying who could be successors and get them trained.

"It's not something happens overnight, it needs to be done thoughtfully and over time," he said.

When hiring a new employee, he said, think about what this person is motivated to do, whether he or she shares your values and would be willing to take on the pressure of ownership.

"I hope we can get funding for the Small Business Development Center on these issues," he said.