

Is Your Financial House in Order?

By: **Aaron Polak**

“If you build it, they will come” is not a business model, it’s a dream, and if your financial house is not in order, it’s more likely to be a nightmare.



Photo Credit: Maxim Kazmin

You've been looking for months, created your concept, found the perfect piece of real estate at the right price, have a great idea about your design plans, your logo, the menu, the oh-so-perfect lighting, and equipment, picked your opening night playlist, and your future is rolling out in front of you. You'll be your own boss, work hard, and manage a team, all while delivering culinary perfection to many happy customers.

The real estate broker calls you again and says someone else is looking at the space, and if you want it, you need to act right away.

This is when you need to pause and ask yourself: is my financial house in order? Unless you have enough financing, and a clear path for managing money, you are not ready to sign the lease.

Many great restaurants fail because they don't have enough cash to see them through their first year or longer. Compounding this problem, most owners that have raised money from investors or banks are reluctant to communicate bad (or any) news with their financial partners, and when they do, it's often without enough information, this brings us to another factor, not having a great set of records.

Once you sign your lease, the clock starts ticking. Somewhere between one and six months out, depending on your landlord, you are going to have to start paying rent. Before that happens, you need to have at least three things in place.

At least 12 months of financing. It can take that long to learn your customer profile, deal with hiccups, fine-tune your marketing plan, adjust your expectations on margin, which may not have worked the way you thought, and iron out issues with your kitchen and front of house staff.

A plan for communicating regularly with your lender or investors. If cash flow is not what you thought it would be, they'd rather hear sooner than be surprised later. Most would be willing to extend additional financing if they know what the issues are and that you have a plan for dealing with them. I had a client walk into a meeting with his investors, who hadn't heard from him in two years, with three shopping bags full of receipts.

A bookkeeper or accountant. Hire one the same day you hire a chef, even if you are trained as an accountant and are seeking a second career. They aren't expensive, and they will help you manage cash, and generate the reports you need for yourself and for those who have invested in your success. If they have other clients in the food business, even better.

Again I ask, is your financial house in order? If not, find a professional who can help you before it's too late down the road.



Aaron Polak is a corporate and transactional attorney representing clients in food and hospitality and other industries. He assists buyers and sellers of restaurants in developing and negotiating franchise agreements, in private equity and debt investments, mergers & acquisitions, general contract, and employment matters. He was previously assistant general counsel for a national franchise chain and of counsel for several New York City restaurants. Aaron can be reached at ajp@aaronpolaklaw.com or on Twitter [@aaronpolaklaw](https://twitter.com/aaronpolaklaw).