

Purchasing an Existing Restaurant Checklist

While every restaurant startup is different and unique, this checklist is designed to help you identify, anticipate and plan for the major and hopefully many of the minor tasks, functions, components and decisions that are part of most restaurant purchases. You will probably run into issues that are not reflected on this checklist. If so, add these accordingly and please let us know so we can continue to make this as comprehensive as possible. You can email any comments to info@restaurantowner.com. Thanks!

Instructions & Tips:

Before you begin work, save this worksheet and create a working copy using the File, Save As command.

We recommend that you work on each worksheet in the order in which it appears in the tabs below, from left to right.

NOTE: This checklist should be used as a reference only. Consult with an attorney for legal advise.

This checklist was designed primarily for situations where new ownership plans on continuing business under the same name.

If you are making an asset purchase only, or if you will reopen under another name, then some items in the list may not apply.



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Phase	Category	Activity	Notes
Valuation	Business Valuation	Compare occupancy costs to total sales (optimum is 6-7% of sales) - is there a percentage rent that kicks in? - Verify CAM charges, taxes	
Valuation	Business Valuation	Evaluate annual cash flow - Net profit (from P&L and income tax) plus the following items: - owners salary and payroll taxes - any personal expenses the owner is charging the business (food for consumption at home, life, health and disability insurance premiums, auto expense, entertainment and vacation expense, etc.) - Depreciation - interest and amortization expense on any loans the buyer will not be assuming	
Valuation	Business Valuation	Review accounts payable, debt service that will be assumed	
Valuation	Business Valuation	Review bank records, Income Tax filings, P&L, credit card reports, POS reports, vendor purchases	
Valuation	Business Valuation	Sales to investment analysis - estimate asking price & compare to annual sales history - goal is to have minimum 1.5 to 1 sales to investment ratio in leasehold - goal is to have minimum 1 to 1 ratio when land & building is owned - go to RestaurantOwner.com for more information	
Valuation	Business Valuation	Square footage - determine square footage of purchase including kitchen, dining room, storage - compare sales and profit per square foot - compare to industry standards	

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Valuation	Finance/Legal	Business entity - consider forming new corporation, LLC, partnership, limited partnership - seek guidance from CPA/attorney	
Valuation	Finance/Legal	Business plan - compare history to your business plan - make adjustments as needed	
Valuation	Finance/Legal	Financing - investigate potential sources for startup capital - savings, family, friends, banks, SBA, investors	
Valuation	Finance/Legal	Review financial projections with your CPA - have your CPA review for reasonableness, missing costs & expenses - have experienced restaurant professionals review your financials	
Valuation	Finance/Legal	Select attorney - draft/file corporate documents - review/negotiate lease agreement - review potential liabilities, liens, compliance issues - Prepare offer sheet	
Valuation	Lease/Contract Obligations	Get a list of all lease and contract obligations	
Valuation	Lease/Contract Obligations	Leased equipment - secure list of all equipment under lease	
Valuation	Lease/Contract Obligations	Leasehold Analysis - Current length of time left on lease - Options negotiated for the future - Exclusivity clause - Additional costs beyond the base rent 1. Common Area Maintenance 2. Property taxes 3. Property insurance - Assignability clause - Personal guarantees - Do plans, signage, other changes need approval	

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Phase	Category	Activity	Notes
Valuation	Liability Concerns	Gift certificates - outstanding liability - review sales and redemption tracking records	
Valuation	Liability Concerns	Local charities - list of supported charities - outstanding commitments	
Valuation	Licenses & Permits	1. Seller should provide a list of all permits/licenses including agency contact info. - health, alcoholic beverage, entertainment, occupancy, business operation license, environmental protection, sales tax, federal and state IDs, alarm, fire, signage, music licenses (ASCAP,BMI,SESAC)	
Valuation	Licenses & Permits	2. Contact each issuing body for permits/licenses - List steps/requirements needed for assumption or new issue - List average time needed to process the application - Determine transferability	
Valuation	Licenses & Permits	Alcoholic beverage license	
Valuation	Licenses & Permits	Business operation permit	
Valuation	Licenses & Permits	Catering permit	
Valuation	Licenses & Permits	Federal tax I.D.	
Valuation	Licenses & Permits	Health permit	
Valuation	Licenses & Permits	Occupancy permit	
Valuation	Licenses & Permits	Others	
Valuation	Licenses & Permits	State/local sales tax permit	

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Phase	Category	Activity	Notes
Valuation	Market Analysis	Accessibility - Ingress and egress - Any road construction underway or planned - Handicap access in compliance	
Valuation	Market Analysis	Guest stability - Have guest counts declined/increased/been stable - How has demographics/psychographics changed in core customer base - Review population and demographic projections	
Valuation	Market Analysis	Parking - is there adequate parking for guests; employees - is parking lot in need of repair; who's responsible for repair - what is the ratio of seats to parking spaces, is there a local minimum - are there space conflicts with other businesses	
Valuation	Market Analysis	Stability of the market - New competition opening - Competitive closings - Planned roadway or infrastructure work - Development in the area: New schools, new offices, new businesses, new churches, new home growth	
Valuation	Market Analysis	Visibility - Signage - Obstructions such as other buildings, signs, landscaping - Night visibility, lighting	
Valuation	Offer to Purchase	Make offer contingent to verification items	
Verification	Administration	Insurance - identify requirements; building, liability, workmen's comp, other - compare to existing charges reflected in the financial statements - look for unexpected increases due to change of ownership	

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Phase	Category	Activity	Notes
Verification	Appraisal	Consider getting a professional business appraisal	
Verification	Compliance	Ansul/Sprinkler systems - make sure systems are up to code - check with fire marshal for any grandfather clauses that may subject you to perform mandatory improvements	
Verification	Compliance	Exits - panic hardware requirements, emergency lighting - meets fire code requirements	
Verification	Compliance	Exterior signage - verify that all signage is in compliance with local statutes	
Verification	Compliance	Grease trap - inspect for compliance - verify there are no grandfathered clause which may force you to upgrade	
Verification	Compliance	Handicap access/requirements - Verify that parking, accessibility, restrooms, and signage are in compliance	
Verification	Compliance	Music - verify ASCAP, BMI, SESAC (music licensing) - check contract obligations with music service	
Verification	Compliance	Waste water - verify that wastewater usage is in compliance and not grandfathered.	
Verification	Compliance	Water usage - verify that water usage is in compliance and not grandfathered. Some municipalities require re-permitting (with additional fees) upon ownership change.	

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Phase	Category	Activity	Notes
Verification	Compliance	Zoning requirements - verify that there are no zoning problems - check for grandfathered clauses that may prevent you from operating as a new owner such as alcohol service, entertainment, etc.	
Verification	Inspections	Electrical system - verify that all switches, breakers are labeled; check for accessibility - have electrical inspection completed for compliance and safety concerns	
Verification	Inspections	HVAC system - inspect/evaluate condition	
Verification	Inspections	List of existing kitchen equipment - obtain detailed list - verify & evaluate condition	
Verification	Inspections	Refrigeration compressors, belts, coils - have all major refrigeration units inspected for proper performance - check walk-in & refrigeration temperatures	
Verification	Inspections	Structural - Have certified building engineer inspect if purchasing the building	
Verification	Inspections	Termite report - have property inspected for termite/pest problems	
Verification	Lease/Contract Obligations	Cable or Satellite TV - check contract terms; liability	
Verification	Lease/Contract Obligations	Dishwasher service - review lease obligations	

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Verification	Lease/Contract Obligations	Laundry & linen - check contract terms; liability - get phone number	
Verification	Lease/Contract Obligations	Pest control - check contract terms	
Verification	Lease/Contract Obligations	Trash disposal - check contract terms - verify change of ownership	
Verification	Lease/Contract Obligations	Trash disposal - check contract terms; liability	
Verification	Lease/Contract Obligations	Vending machines - check contract obligations; payment methods	
Verification	Liability Concerns	Check for any liens against business, property, or other assets	
Verification	Liability Concerns	Confirm that all taxes have been paid and that there are no tax liens against the business or property	
Verification	Liability Concerns	Litigation - Verify there are no outstanding lawsuits or unresolved customer incidents for which you may assume liability for	
Verification	Liability Concerns	Payroll processing - verify there are no overtime violations or other disputes that could be inherited	
Transition	Administration	Bank supplies - change deposit stamp & pad, deposit bags, deposit slips	

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Phase	Category	Activity	Notes
Transition	Administration	Banking - open operating, payroll, reserve accounts - order checks, deposit slips	
Transition	Administration	Contact all vendors - Change ownership information - Confirm outstanding balances and whom will be responsible (as per purchase agreement)	
Transition	Administration	Credit card merchant accounts - setup for MC/Visa, Amex, Discover, Others	
Transition	Administration	Insurance - verify with your agent that all policies are in force	
Transition	Administration	POS/merchant accounts - investigate fees for credit card processing changeover - schedule POS company/credit card procesor changes	
Transition	Administration	Utilites billing changes - change name/party responsible for utility bills - electrical, gas, water	
Transition	Marketing	Customer database - obtain all guest data available, including mailing lists, databases, loyalty programs, etc.	
Transition	Marketing	Marketing Material - Logos; artwork - obtain copies of all marketing material	
Transition	Marketing	Yellow page ad - current expense - when is it up for renewal	
Transition	Operations	Emergency equipment procedures - determine emergency shut-off steps	
Transition	Operations	Employee handbooks and manuals - obtain copies	

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Transition	Operations	Employee job descriptions - obtain copies	
Transition	Operations	Employee training manuals - obtain copies	
Transition	Operations	Management training materials - personnel hiring, training & management - operations - administrative	
Transition	Operations	Equipment repairs - list and phone #s of approved vendors	
Transition	Operations	List of available suppliers - create list of suppliers for food, beverages & supplies	
Transition	Operations	Opening inventory - take full physical inventory on all food & beverage items day before takeover - necessary to calculate accurate food & beverage costs	
Transition	Operations	Operational checklists	
Transition	Operations	POS system - contact POS vendor - general training	
Transition	Operations	R&M records for all equipment - secure repair & maintenance records, operating instructions, manuals	
Transition	Operations	Recipe manuals - get all recipes in written form	
Transition	Operations	Website - Transfer domain name - Secure or retain web designer/ webmaster	
Transition	Passwords/Keys	Get all keys and passwords available	
Transition	Passwords/Keys	Change alarm codes and passwords	

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Transition	Passwords/Keys	Change POS system passwords	
Transition	Passwords/Keys	Computer & Software passwords	
Transition	Passwords/Keys	Get combinations for safes and chnge dispensers - have combination changed	
Transition	Passwords/Keys	Have all locks re-keyed	
Transition	Passwords/Keys	Internet service provider - make ownership changes for DSL, cable, satellite, etc.	
Transition	Passwords/Keys	All other passwords or keys	
Transition	Personnel	Management team - determine status - will they be staying or going	
Transition	Records	Copies of all past reports filed - sales tax, liquor taxes, federal and state reports, etc.	
Transition	Records	Building & equipment plans - secure full set of plans if available for operational files	
Transition	Records	Employee Compensation - get Y-T-D balances for each employee - determine insurance coverage (medical, dental, life, disability) & eligibility - vacation due, meals, comps, tuition reimbursement, etc.	
Transition	Records	Employee files - obtain all personnel records - applications, I-9, W-4, disciplinary action, reviews, etc.	
Transition	Records	Organizational chart - get an organizational chart for restaurant from seller	
Transition	Records	Other records	
Transition	Closing	Complete the purchase	