

**Ep #49: What Virgin Buyers Want to Know (Part 2)  
with Joshua Rabbie**



**Full Episode Transcript**

**With Your Hosts**

**Patrick Totah and Andy Mirabell**

[Restaurant Deal Making EXPOSED!](#) with Patrick and Andy

## **Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie**

Welcome to *Restaurant Deal Making EXPOSED!*, the only show that equips you with everything you need to know about restaurant transactions. In this show, we tell you all about how to make the sale or purchase of your restaurant not just possible, but successful. Now, here are your hosts, ex-restaurateurs, and seasoned brokers, Patrick Totah and Andy Mirabell.

Andy Mirabell: Welcome to *Restaurant Deal Making EXPOSED!* I'm Andy. This is Patrick. And we are doing part two of *What Virgin Buyers Want to Know*. So welcome. Part two of *What Virgin Buyers Want to Know*. The second episode will also focus on questions, concerns, and hurdles a virgin buyer encounters when trying to buy their first business and location. However, a little twist. Today's guest is not a virgin and he has extensive experience buying and selling, operating food and beverage businesses.

Why the switch, you ask? Because we want to tap into this guest's experience while he shares and recounts the hurdles and things he could have done differently on his first purchase.

Today we have guest Joshua Rabbie, owner of Benny's Tacos in lovely Santa Monica. He's a passionate chef and business owner bringing nearly four decades of collective experience in the food service industry in both the kitchen and front of house. Joshua has been involved in establishments ranging in style from family-owned, corporate, casual, and also very fine dining. He has led kitchens in Northern California, Chicago, and even in France.

His experience sets him apart, giving him adaptability to be able to own, operate, and be successful at a variety of different concepts. And he even has real estate experience as a little icing on the cake. Joshua brought tons of working experience with him to his first ownership venture. However, even the most experienced virgin buyer encounters challenges.

So, welcome, Joshua. I'm going to let Patrick just kind of slap you in the face with a question here because this is the bones of the episode.

Patrick Totah: Josh, why don't you share the experience of when you lost your virginity as a buyer?

[Restaurant Deal Making EXPOSED!](#) with Patrick and Andy

## Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie

Joshua Rabbie: Well, first of all, I just want to say thank you guys for having me. It's actually a very big honor doing this. I feel like I've had two different kinds of experiences with being a buyer. The first one is with partners, and the second one is without partners, which is now. And now it's a completely different experience because I am fully in the driver's seat, making all the decisions and things that you're not faced with when you're having partners, let's just say. And I can definitely say this experience is more like being a virgin.

Because you get really emotionally attached to the listing where, when I got into Benny's Tacos, we had a big expansion plan. We had two locations. After like two years into it, we opened our third location. And this location was like kind of like a unicorn because it checked all the boxes. It had this huge prep kitchen. We were going to do some sort of a commissary and open more locations, et cetera. The rent was super low. It was like crazy low for Culver City. It was in a really visible corner.

However, my partners chose not to do due diligence. They basically cheaped out. They didn't want to spend like two or three thousand dollars to bring in people to check the HVAC, to check the hood system, and the swamp cooler, or basically everything electrical. And they're like, it's fine. Are you kidding me? With the money we're going to save just on rent, man, whatever comes our way, we can fix it.

Well, guess what? That unit happened to be turned into be a big nightmare because what the landlord actually did was it used to be a huge retail space and they cut it into three little places, units and then they weren't even built as restaurants. So we've had a major nightmare ever since we've been in that location, paying all kinds of money for HVAC, paying all kinds of money for fixing the hood and et cetera. Nothing really works and the electrical doesn't even work. It works, but it's there's a lot of challenges. Like the back kitchen, the AC is like next door. So we had to go into Subway to, you know, fix and repair our own AC, that kind of thing.

Andy: Sorry to interrupt. I just want to say that I want to highlight something that really stands out to me right in the beginning of your conversation because we

## Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie

didn't pick up on this in the first part one of this series, was doing this as alone or doing this with partners. I think that's really something to dig into here and it sounds like your partnership didn't have the checks and balances or communication and it actually bit you in the rear end. Well, how are you feeling now? What about when you did your first experience on your own, buying on your own? What's the difference here?

Joshua: Well, to begin with, I'm in the completely in the driver's seat. So I'm making all the decisions and I'm doing things the right way, basically, versus taking shortcuts and doing things that are kind of outside the box.

I feel like this experience with Restaurant Realty has been very unique because I feel like I'm working with agents that are very different from the agents I worked in the past. You guys have experience in the restaurant business, and I feel like you guys know how to work both the seller and the buyer at the same time. I feel like Patrick is like kind of my own agent right now. I mean, he's like, he's giving me the same attention. Sometimes I think he's my agent, and he's actually the seller.

Patrick: I am your agent. Let me ask you a question, Josh. Tell the listeners how you manage your emotions of wanting something really bad with being prudent and going through the due diligence because you don't want to skip all those steps. How do you manage that process internally?

Andy: Isn't that called defer to the wife?

Patrick: They do that for us.

Joshua: Yes. Well, I think the first thing that comes to mind with this experience of buying my own restaurant and I know I am very guilty of this, is do not get emotionally attached to the listing because there are so many stages that happen. And you kind of think like you're thinking like, oh my God, I got this. It's going to happen. You start looking for a house you're going to buy and you're starting to imagine what it's going to, your future is going to be. So don't go there. And it's kind of like your first kind of crush, you know? When it doesn't happen, it really hurts for a little bit. But it's really important.

## Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie

Andy: I got to chime in too again, Joshua, that you, I want to validate you in the fact that being emotional, I think there is something strong to that. You have to have a visceral attraction to what you're buying, I think, in order to really bring forth that passion once you take it over. So, obviously table it at a certain level. But passion is key to all these transactions and I really want to, I love when I see someone who's excited in, i.e. you, in a concept, you know?

Patrick: That's a really good point, Andy. I think that's really important. If you don't have that emotional attachment or passion about it, then it might not be the right place. It's just about managing that with making sure you go through the whole process and being able to let it go. You know, in *Heat* when Robert De Niro says you got to be able to let it go. This is one of my favorite scenes. But yeah, I think that it is important to have that passion.

I had a huge amount of passion for the place I ended up buying from Steve Zimmerman, 4 Embarcadero. I, you know, I had to walk away from it and I was sick for a week. And then when I finally got that call from Steve a week later and the deal was back on, that was one of the first times I realized that a deal can die like so many times and it can still end up happening. And I mean, I was just like zooted once I found out we were still doing that deal. Yeah.

Joshua: But I think it's really important on the business side of it is not to get too emotional because then the seller sometimes takes advantage of that.

Andy: That can be true. That can be true. Hold your cards tight.

Joshua: Yeah, they'll put you on ice for three months and not return your call.

Andy: Exactly.

Patrick: I don't know what you're talking about.

Andy: When you see an attractive listing, what is one of the first things you dive into other than just what is shared on the listing? Maybe, of course, maybe you'll sign an NDA for a confidential listing and things will be shared. But are you

## **Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie**

trying to first and foremost justify the list price? Are you, what other details do you gravitate towards first in your review, Joshua?

Joshua: I feel like the SDE is very important because in this stage of the game for me, I'm looking for a well-established business. I'm not looking for a startup or a turnkey kind of a situation. So I think that SDE is really important. Also, the sales are very important. But then again, if you have strong sales and a not a strong SDE, that still tells me that there's good potential there.

Andy: Got it. Okay. So you're putting some value on potential too for growth. You have the energy to make corrections to make a place more profitable, but as our listeners don't know, all of us on this three-way call have a lot of gray hairs in our whiskers, so we're not going to be wanting to do a startup from scratch. It's a lot of, it's a lot of work.

Joshua: At this point, I'm willing to put in, I'm willing to pay a price that for a business that's been established, so I can just kind of pick up the baton and just continue and then work on expanding or growth rather than, hey, getting something at a low price and putting in your concept, et cetera. It's really not about me anymore. And I don't have that kind of like a chef ego kind of a mentality because now I wear the owner hat or the operator hat. So I'm looking for a good business to operate that's already been established. That's key.

Patrick: And how are you bringing in like, we've talked about this on other episodes, but having your like set of professionals like attorneys and other people that can help you and advise you. When are you bringing them in on this deal or a deal, I should say?

Joshua: Honestly, I've learned actually working with you, Patrick, a lot of those folks are not needed so much right in the beginning. And I think that maybe perhaps bringing in my lawyer in getting him involved with the purchase agreement kind of slowed things down on one of our one of our adventures here.

## Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie

So, I feel like this particular experience, that's why I say it's very unique. I feel like you guys have really done an amazing job of like crossing all the T's and dotting all the I's and, you're really have this integrity that wants to like really make sure both sides are happy. And this isn't something I haven't experienced with anybody else.

As far as getting your CPA involved, at that point, like when you have the financials, you say, hey, does this make sense? But you guys made it really easy because you provide all that stuff right up front. A lot of times with agents, oh, could I get this? Could I get that? But right off the beginning, when you sign the NDA, you guys got this amazing package that's got everything there.

Andy: We've brought that up in part one of this series that buyer beware if an agent or a seller is holding things too close to themselves. If they're not willing to share or they're selling too verbally. It's like you sell the value of your business by sharing accurate financials. Parties that hold that too close, there's kind of a red flag there.

And another thing you just talked about also with professionals and bringing in CPAs or potentially an attorney or an industry specific broker, i.e. myself or Patrick, it has a lot of benefit. And then you highlighted in the beginning of the episode that your first experience was, hey, this listing looks great. There's a lot of potential here, low lease, great lease, all these different factors, but you didn't choose, you and your partners didn't choose to bring in a lot of professionals and it bit you in the rear end moving forward. And it hurt you financially. Yeah.

Have you run into any red flags when you're vetting a business opportunity, especially maybe in the first, you know, transaction you and your partners went through or otherwise?

Joshua: No, except for we had this other, well, it's really not this red flag is really more like making the mistake and then finding out later. And this is another experience, which was a bar that we reopened in Palm Desert that included property and it was had no agent involved. And it was about basically remodeling the bar and rebranding it and reopening it.

## Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie

In that experience, what was really important, what was missed was like, make sure you always have options, more than one option when you're getting a contractor. And when you have a partner, you make sure you have the concept dialed in the operating agreement before you go into the opening because a lot of could change. You could lose sight of the concept and then you really regretful in terms of like, why did I not have more than one contractor? In the end, it cost me a lot of money because the guy was just not that good anyways. If I would have had more, you know, quotes, maybe that would have created a little bit more competition and yeah.

Andy: You said operating agreement and that resonates with me because in my 20s and I'm ready to go on my first location. Let's go. We're going to move fast on this great opportunity. And we did. We had an operating agreement that I essentially drafted and these, you know, bigger, older investors, you know, we all signed off on it.

But guess what? After year one, when there was supposed to be equity transfer, sweat equity transfer, things like this. Oh, no, that's not how I interpret it. And then the other partner goes, no, that's not how you interpret it either. And I'm not going to fight these big wigs with all the money and age behind them and experience. And it really was my biggest learning curve is an attorney should have drafted it. Everyone should have been completely on the same page and there should have been no gray area. And it really cost me over 10-year lease with how much I ended up owning in my own company. That's my biggest mistake, hands down.

Joshua: To your point, I think that when you get a, when do you really need to get an attorney involved, when you have something like an operating agreement, when there's going to be possibly a silent partner or, you know, yeah. So at that stage it would be important.

Patrick: Anytime you have partners involved, you need to have an attorney involved because again, this is like being married to somebody and that could really work against you or it can really go in your favor. And I think people underestimate what it really means to have a partner. And that is something that

## Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie

people need to take very serious because that person is tied to you throughout that process.

Andy: I will say one, and I'm going to really hats off to Patrick here. It's, he's really taught me in taking a step back from hand holding too far with clients. And it is a practice now that we're really keen on beyond a certain very basic level of drafting and language or communication with our clients, there's, we have to bring in the professionals. We have to bring in and recommend professionals, CPAs, and attorneys. And it's nice because we have a network of those type of attorneys that are restaurant specific, lease specific, whatever it is that we can share with our clients. So.

Joshua: And I think it's really important to bring in your lender as well and get involved early with that process. Don't wait until you put in a purchase agreement and then start looking for the money or the loan. Get involved early, find out who is in your corner.

Andu: Yeah. Can we earmark that for the listeners? Listen to that part again that Joshua just said. Don't wait to find your opportunity before you start vetting lenders and getting yourself pre-approved for lending. Go put yourself out there, fill out some applications. Yeah, does the application ultimately need to know what specific location, business that you're going to, you know, for final approvals? Absolutely, they need to know that. But if you can just get over the first couple stages of a lending application, it can shave a month. It could shave weeks and months off of this transaction and it'll make things so much more streamlined because no lending is a slam dunk for anybody, especially SBA.

Joshua: And if you have a crowded room with offers, then the seller is more inclined to go with somebody who's got their stuff together and has some sort of proof where they can actually get the money.

Patrick: You know, I think this is really important. I find that if a buyer can just have everything prepared and also once we go into contract, not delaying to do the application, all that time, it can cost a deal. And so once, you know, I find a lot of buyers sometimes to their credit, they're very busy because they may own

## Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie

a restaurant or they have a full-time job. But going into contract becomes a full-time job very quickly, and you have to have the time and the effort and want to get through that. And sometimes it gets pushed to the very end of their day. And I think it's really important that buyers take it very seriously to get through all the information that they need to for both the seller and the escrow and all the things.

Andy: That's going to be something I'll highlight again at the end of the episode for our listeners because that's a gem to just to note that to start the pre-approval process from the buyer end sooner.

In episode, in part one of this, one of the things that we brought up a couple times was the package for the landlords, that we go in and get into these contracts and buyers, especially virgin buyers, are not, they don't have that. You don't necessarily have a pro forma, a conceptual business plan. You don't have your bank statements and tax returns all ready to go.

This is something that if you just have this already ready to go in a file, it doesn't need to be a 20-page business plan, something simple. This cuts down on the timeline of due diligence. If you don't, if you're not prepared in that, and you're doing that on the fly after a contract's been signed, I'll just reiterate it. Time kills deals. And if we share things that are not, you know, that are incomplete or not thorough with a landlord or a seller for that matter, they really raise an eyebrow on it because you don't look organized.

Joshua: Yeah, I have all my financials and balance sheets and P&Ls and K-1s and 1099s and W-2s, everything on my Google Drive. And whenever somebody requests, I'll just send them a link. So everything is just one rather than chasing, you know, taking a time and all, everything's there.

I have a question for you guys. When do you think is the right time to actually apply for the loan or fill out the loan application? I'm not talking about the pre-approval, but is it after or before the purchase agreement is signed?

Patrick: Most typically just after, because you want to make sure you have it locked up, unless you have a extreme great feeling that you're about to go into

[Restaurant Deal Making EXPOSED!](#) with Patrick and Andy

## Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie

contract, and then you can kind of start that process. But you need to know all the details of the deal first and like the purchase price. And usually when you apply, they want a copy of the purchase agreement. So you can kind of kickstart it like right before, but typically I would do it as soon as you go into contract.

Joshua: So basically, you kind of wait until the counters happen and both parties come to an agreement, purchase agreement is signed, that same day, you send an email to Scott.

Andy: And for the most part, and you just said it, you're working with Scott Cinceros, City National, and he's fantastic. I think there is a preliminary step that we just talked about a moment ago with the lender pre-approvals, and you've already done it. And buyers out there, virgin buyers or buyers that have done a dozen places should listen to it. Reach out to the lender first, get their application needs, get their list, so you can start compiling what you can compile even before you find that listing.

But to your point, the application truly gets sealed and signed and delivered to the lender once we're in contract because they'll have all the relevant details of the contract that they'll need in there.

All right. Let's see. Well, what are some of the need to knows from a new buyer perspective after you've been doing this for a long time? You've been a partner in many different business ventures, but are there a couple bits of advice outside of what you've already shared that you really have learned from your mistakes in the past that we can share with our listeners today?

Joshua: Well, I think it's really important to just do things the right way. If you have to spend a few thousand bucks to get answers, do it. And timing is everything. And just be prepared, be organized, and have, like I said, have all your, this is probably the biggest thing. Like have all your financial stuff in order and get an idea of like what you're able to get based on your assets, what kind of loan you can get.

Andy: I remember in my 20s budgeting for a business purchase or a concept, but I really didn't take into account trying to set aside another 10 grand for legal

## **Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie**

representation. I didn't set aside another five grand for designs and contractors. Like I just, my mind wasn't there when I was young to really be prepared to include that in my budget. So I think it's a really good advice that you're saying that don't take shortcuts and doesn't matter if you're in your 20s, don't take shortcuts, budget for it.

Joshua: You can get so close and emotional on something like and lose sight of what reality is. And it's really important. That's why due diligence is really important, you know, because like you might something be like, oh my God, this is my, I love this. And then you really dig in and you're like, oh my God, this is not making sense. These numbers are not right. The POS is not matching. You know, and these are the things that you really need to do step by step and getting back to like, taking the emotions out of it.

Patrick: But also, I think what's really important is being able to do everything kind of in parallel. I think a lot of buyers get stuck with like trying to do everything like, you know, I want to know that I'm getting a lease before I start doing my due diligence. And it can't work that way. You kind of have to, you have to do it both at the same time.

Joshua: Simultaneously. And if you can get started on that even earlier, it before a purchase agreement, awesome.

Patrick: Yeah.

Joshua: I would be good if the, I mean, if the seller allows you to kind of start due diligence a little earlier and you're kind of getting close to an agreement, that would be excellent.

Andy: That could be an option. I would think more often in a non-confidential listing. But a lot of our going concerns are confidential so that, you know, we do hold some of those relationships tight until we have a contract, you know, signed.

Patrick: But some of the due diligence is happening prior to going to contract. Like you're getting P&Ls and tax returns and leases and so all that stuff is kind

## **Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie**

of happening already. So I, you know, there is some that is happening. Obviously, you don't want to like start really digging into like the personal information until once you know that for sure this person is buying, but yeah.

Joshua: No, but if you can get started on the leases, like at least get be able to contact the landlords, that might be very helpful. I feel like.

Andy: It could be.

Joshua: Yeah, because one of the biggest challenges is this timeline and this waiting. And I feel like if you can start attacking things a little earlier, that would be helpful. And that would be one of them. And to Patrick's point, you can't do one thing at a time. You have to kind of simultaneously start your due diligence and yeah.

Andy: I think that's the another thing that comes out of what you just said that a lot of virgin buyers don't understand is how long it takes for these processes and escrows to, you know, to take. You know, our transactions can take anywhere with an ABC license, can take anywhere from 75 days to 120 days with a lender. These things go on and on. So, they are very long. Be prepared for that. That's another thing to quell your emotions with. You can't just dive in and you're not going to get the keys and move on into a business. So patience is paramount and as you said, don't cut corners.

Joshua: Just one little thing on the doing things the right way in ABC in the transaction at with the bar, when I was buying out, the buyer made a mistake on the application and we had to resubmit the application. And that's another 90 days.

Andy: No way.

Patrick: That's why you work with people like me and Andy who do the ABC application for you.

Joshua: So, 100%. 100%. I think that's what it was. You said it right there. I mean, it was the their agent did not know what the hell he was doing.

[Restaurant Deal Making EXPOSED!](#) with Patrick and Andy

## Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie

Patrick: Most agents don't. Yeah.

Andy: Yeah. Patrick, any other questions? Because I love the fact that Joshua's been here and kind of highlighted what he went through in the beginning during his first experiences and what, you know, what he's learned from it and what advice he has. Do you have any other topics that you want to address with him? Like what?

Patrick: I think it's time for like maybe a bonus question of some sort.

Andy: I got a bonus question. I got a bonus question. But I do want to thank Joshua very much for being here and, you know, you're one of the nicest humans that we've had the pleasure of talking with and working with. And you also have, you just very grounded. You're very well-spoken. Your experience speaks for itself. So thank you for being you.

Joshua: Thank you too, guys. I mean, you guys, it's been absolutely wonderful dealing with you guys. My wife loves you guys. And it's just been a very, again, a very unique experience with working with Restaurant Realty folks and you guys especially, yeah.

Patrick: Thank you very much.

Andy: Thank you. Just a little recap for our virgin listeners out there. If you're thinking of buying your first business or you've been, you know, you've been grinding in that kitchen as a chef or a GM and you're ready to, you know, go out and do your own thing. I think a couple of the things that really landed on me with Joshua brought up was that one, first and foremost, don't take shortcuts. Okay? Don't take shortcuts. Use professionals, budget appropriately and don't cut corners. Lender pre-approvals. If you're not privately funding this thing, get your lender application so you know what to expect, what you're going to have to share, and start that process before you even find that right business, okay?

And then, I also just loved the part that he brought up, and this was in contrast to our part one of this episode, doing things with and without partners. That's two

## Ep #49: What Virgin Buyers Want to Know (Part 2) with Joshua Rabbie

different paths. Okay? So, thank you for all those tidbits to share. I really appreciate it.

I got a bonus question for you, Joshua. What role or position in your past best prepared you to give up your virgin status and pursue buying your first business? What position was it? Was it one of your chef positions? What, tell me what you gained the most experience from to prepare you for this first purchase?

Joshua: Honestly, I think that there's two stages of that. It was my experience as an employee, who where I worked at, like 20 years in the kitchen and I worked about eight years in front of the house, but it's really the second part of being an owner and an operator and really and also being an owner and operator with partners has made me realize that I really want something on my own because everything I've done up to this moment has prepared me for this moment. It's like training for the Olympics your entire life and it's like you're, it's your time. And that's what I feel like.

And the second part to that is that it's going to be a family adventure because my wife is going to be involved with it. So we're going to make a and she's going to be absolutely incredible and she's going to be the secret sauce to this whole thing because everything I'm not good at, she's going to be good at. So we're just going to be a amazing force together.

Andy: I love it. Well, we wish you all the success, you and your family, happiness, health, wealth, all the things. So thank you for joining us on this part two of what virgin buyers want to know. Tune in next time for another exciting topic. Have a good day.

Joshua: All right. Thank you.

Thank you all for listening to this week's episode of *Restaurant Deal Making EXPOSED!* If you're considering selling your business and would like a free consultation, reach out to [patrickAndAndy@therestaurantsalesbroker.com](mailto:patrickAndAndy@therestaurantsalesbroker.com) or visit [TheRestaurantSalesBroker.com](http://TheRestaurantSalesBroker.com) to learn more.