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THE LINE CHECK REPORT

Operational intelligence for independent restaurant operators who refuse to lose money they do not have to lose.

THIS ISSUE

The standard never moves — *Miami restaurants are filing Chapter 11 at a pace that should worry every independent operator, and AI is already inside your kitchen whether you invited it or not.*

THE INTELLIGENCE

What's Actually Happening in Miami Right Now

Two Negroni locations, Brickell and Doral, filed for Chapter 11 on July 1st, owing over $330,000 combined in back rent to their landlords. The Brickell location had been open less than a year. This is a brand with more than 20 locations across multiple countries, not a struggling first time operator. It still couldn't make the numbers work at one of Miami's most talked about addresses.

A Denny's franchisee operating seven South Florida locations filed Chapter 11 in January. Sailormen, the Miami based Popeyes franchisee that once ran 136 locations across Florida and Georgia, has spent this year selling and closing restaurants after its own bankruptcy filing, with 52 locations going entirely unsold at auction.

None of these are stories about bad food or bad locations. They're stories about the gap between revenue and margin finally catching up to operators who were managing by instinct instead of by system. Visitors to Miami are measurably spending less on dining right now, which means the operators who survive this stretch are the ones whose cost structure was already disciplined before the pressure arrived, not the ones scrambling to build discipline after the landlord's lawyer gets involved.

If you're an independent operator reading this, the lesson isn't "be careful." It's specific: know your real number on labor and food cost by location, not in aggregate, and know it this week, not at your next tax filing. The operators filing Chapter 11 right now didn't lose their businesses on a bad Tuesday. They lost them one quarter of un-tracked drift at a time, same as it always goes.

THE OPPORTUNITY

Where AI Actually Is in Restaurants Right Now, and Where It Isn't

The data caught up to the hype this year. Restaurant365's mid-year industry survey, covering over 420 operators and nearly 10,000 locations, found that 62% of operators have now implemented or plan to implement AI in at least one back office function, more than double where that number stood at the start of the year. But the applications actually seeing adoption aren't the flashy ones. They're reporting and analytics, scheduling, and inventory forecasting, the unglamorous back of house functions tied directly to the two biggest lines on your P&L. Front of house AI, chatbots, guest facing tools, ranks dead last in where operators are actually putting investment.

Worth sitting with that for a second. The winning move in 2026 isn't a flashy AI concierge. It's a system that catches a scheduling pattern or an inventory drift before it becomes a write off. That's the same discipline the Chapter 11 filings above were missing, just automated instead of manual.

Still, 38% of operators report they aren't using AI at all and have no plans to start. The top reasons cited are data privacy concerns, uncertainty about accuracy, and simply not knowing where to begin. That hesitation is reasonable. It's also exactly where the next real risk in this industry is quietly building.

THE BENCHMARK

The Part Almost Nobody Is Talking About: AI Governance

Here's what the adoption numbers don't tell you. The moment you plug an AI scheduling tool, a guest data platform, or a kitchen monitoring system into your operation, you've taken on a new category of risk that most independent operators have never had to think about, and most of their insurance policies weren't written for.

A few things worth knowing plainly:

01

INSURANCE UNDERWRITERS ARE ALREADY ASKING ABOUT IT.

Carriers are starting to ask restaurant operators what AI tools they're running, how guest and employee data is handled, and what third party liability exposure looks like, before writing or renewing a policy. If you can't answer those questions, that's a real problem showing up at renewal time, not a hypothetical one.

02

VENDOR CONTRACTS MATTER MORE THAN PEOPLE REALIZE.

Many AI vendors are shifting toward "use at your own risk" terms rather than accepting liability themselves. If your AI scheduling tool makes a bad call that leads to a labor law issue, or your kitchen monitoring system records an employee in a way that creates a privacy claim, the contract you signed with that vendor determines who's actually on the hook.

03

EMPLOYEE MONITORING IS A REAL, SPECIFIC EXPOSURE.

Kitchen safety AI that watches for missed gloves or wet floors is increasingly common, and it works. It's also constantly recording your team, which creates its own privacy and labor law questions that most operators haven't thought through before flipping the system on.

THE HONEST ASSESSMENT

This is the exact gap between adopting a tool and governing one. Adoption is picking the software. Governance is knowing what data it touches, what your vendor contract actually protects you from, and what you'd say if an insurer or a lawyer asked you to explain your own system.

> Most restaurant groups have someone thinking about the first question. Almost none have someone thinking about the second.

This is also, plainly, not something The Line Check handles directly. Operational standards, systems, and margin are our lane. AI governance specifically, the contracts, the risk framework, the compliance side, is the work of our sister firm, Ninth Level Consulting, built for exactly this gap. If you're already running AI tools in your operation and haven't had that conversation with anyone, it's worth having before an underwriter or a lawyer makes you have it under worse circumstances.

THE QUESTION

The Standard, Applied

Two different failure modes, one root cause. The operators filing Chapter 11 this year didn't have a system tracking the number that mattered. The operators about to get burned by ungoverned AI won't have had a system for that either. The standard isn't about any single tool or any single number. It's about not finding out what you didn't know until it's already expensive.

If either of these sounds like where your operation actually stands right now, cost drift you can't fully see, or AI tools you adopted without asking who's liable if something goes wrong, the first conversation is free. Thirty minutes, no pitch.

FROM THE DESK

LC

Magnus Hunter

Fractional COO · The Line Check

The Line Check Report is written by Magnus Hunter, Founder of The Line Check and Ninth Level Consulting. Fifteen years running hospitality operations. No theory, no filler, just what's actually happening in the industry and what it means for your operation.

If something in this issue raised a question about your operation, reply and tell me what it is. I read every response and the best questions become future issues.

If something in this issue sounds like what's happening in your operation, the first conversation is free. Thirty minutes, no pitch.

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