Restaurant Founder

Operating Agreement Builder

A step-by-step checklist to structure restaurant ownership, governance, and investor protections.

From Restaurant Startup: Lessons from the Trenches

Company Structure

Guidance: Define the legal structure of the business and how the restaurant entity is organized.

Example: Example: LLC operating entity with separate real estate holding company.

Ownership Structure

Guidance: List founders, partners, and investors along with ownership percentages.

Example: Example: Founder 60%, Investor Group 40%.

Capital Contributions

Guidance: Define what each partner contributes (cash, assets, intellectual property, or sweat equity).

Example: Example: Founder contributes concept and operations; investors contribute capital.

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Additional Capital Requirements

Guidance: Determine what happens if more capital is needed after opening.

Example: Example: pro-rata capital calls or optional contributions.

Governance Structure

Guidance: Define whether the business is founder-managed, manager-managed, or board-managed.

Example: Example: Founder-managed with advisory board.

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Decision Making Authority

Guidance: List which decisions require partner or investor approval.

Example: Example: new investors, loans, selling the business.

Founder Control

Guidance: Define the authority retained by the founder in daily operations.

Example: Example: founder retains operational decision control.

Investor Rights

Guidance: Define investor protections and oversight rights.

Example: Example: financial reporting rights and board observer seat.

Profit Distribution

Guidance: Define the distribution waterfall and how profits are shared.

Example: Example: return of capital → preferred return → profit split.

Tax Treatment

Guidance: Define how the entity will be taxed and how profits are reported.

Example: Example: LLC pass-through taxation with annual K-1s.

Investor Reporting

Guidance: Determine how and when investors receive updates and financial reports.

Example: Example: monthly updates and quarterly financial reports.

Transfer of Ownership

Guidance: Define whether partners can sell their ownership interests.

Example: Example: transfers require partner approval.

Right of First Refusal

Guidance: Define whether partners or the company have first rights to purchase ownership being sold.

Example: Example: company has first right of refusal.

Buy-Sell Agreements

Guidance: Define exit triggers such as death, disability, or voluntary exit.

Example: Example: shares valued by third-party appraisal.

Put and Call Options

Guidance: Define buyout rights that allow forced sales or purchases.

Example: Example: founder call option after 5 years.

Founder Vesting

Guidance: Protect the business if founders leave early.

Example: Example: 4-year vesting schedule.

Exit Scenarios

Guidance: Define possible future exits for the business.

Example: Example: sale to restaurant group or expansion franchise model.

Dispute Resolution

Guidance: Define how disputes between partners will be resolved.

Example: Example: mediation followed by arbitration.

Intellectual Property

Guidance: Define ownership of brand, recipes, systems, and operating materials.

Example: Example: IP owned by holding company and licensed to operating company.

Founder Protection

Guidance: Define protections ensuring the founder cannot easily be removed or diluted.

Example: Example: supermajority vote required to remove founder.