



Restaurant MasterClass Webinar Series

Winning Strategies for Key
Employee Incentive Programs in
the Restaurant Industry

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About GBQ

- A full service Top 100 CPA & consulting firm with over 300 associates firm wide
- A dedicated National Restaurant Practice serving all concepts across all segments of the Restaurant Industry
- GBQ's services include: Accounting, Assurance Services, Information Technology, Fixed Asset Advisory, State & Local Taxation, Tax Compliance & Consulting, Transaction Advisory, Valuation and ESOP Consulting Services
- GBQ is an active member of the Restaurant Industry in supporting the National Restaurant Association, Restaurant Leadership Conference, Restaurant Finance & Development Conference and Ohio Restaurant Association

Save The Date

- August Webinar
- 10/24/24 Cincinnati Restaurant MasterClass Seminar
- 11/10/24 RFDC Happy Hour
- 12/11/24 Remote Roundtable Webinar
- [Restaurant Finance Monitor ESOP Article](#)

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Agenda

- Introduction
- Goals of Key Employee Incentive Plans
- General Considerations
- Overview of Various Plans
 - Deferred Compensation
 - Phantom Stock
 - Profits Interest
 - Ownership/Equity
 - ESOP's
- Tax & Accounting Implications
- Practical Examples



CPE Question #1

GBQ is attending the following:

- a) Grammy's
- b) Super Bowl
- c) Restaurant Finance & Development Conference
- d) Olympics

Goals of Key Employee Incentive Plans

- Aligns Interests with Key Employees
- Retain Talent
 - "Golden Handcuffs"
- Attract Talent
- Increases company profits & value

General Considerations

- Determining Key Employees
- Financial Metrics of Plan
- Vesting
- Cash or Equity



Deferred Compensation

- Not complicated
- Many options related to financial design
- Promise to pay benefits in the future based on past and current services
- Benefits awarded are taxable wages when paid and deductible by the company when paid
- GAAP Treatment - Recognize compensation expense as the employee earns it

Phantom Stock Plans

- “Synthetic” equity
 - Mimics stock in value and growth
- No actual ownership changes hands
- As value of true stock increases (or decreases) so does the value of the phantom stock
- When paid, taxable wages to employee and deduction by company
- GAAP Treatment - Expense compensation over vesting period based on initial fair value, remeasuring at each reporting period until full vesting.

CPE Question #2

Goals of Key Employee Incentive Plans:

- a) Go back to school
- b) Massive turnover
- c) Rethink current career choice
- d) Attract and retain talent

Profits Interest

- Only applicable for partnerships and LLC's taxed as a partnership
- Actual ownership in exchange for services
 - No right to cash if liquidated on date of issue
 - Designed to share in future profits & appreciation of the company
- Service provider/employee generally recognizes no income at grant with zero liquidation value – 83(b) Election
- Practical considerations
- GAAP Treatment - Expense over vesting period based on grant date fair value, with adjustments for triggering events like liquidation, often with no initial value at issuance.

Ownership/Equity

- Employee is now an owner and has “skin” in the game
- Various stock plans: stock, restricted stock, non-qualified stock options, incentive stock options, bonus to purchase
- Typically ordinary income to employee on grant/vesting/exercise date and capital gain on future value increase when sold
- GAAP Treatment - Expense compensation over vesting period based on issuance date unit fair value.

Employee Stock Ownership Plan (ESOP)

- Employees accumulate ownership inside of ERISA-qualified retirement plan
- Mechanism to transition ownership to employees, maintain company legacy, and retain current management
- Extremely powerful ownership transition option (often overlooked & misunderstood)
- Significant tax advantages to selling shareholders, the company, and employees
- Sellers receive fair market value and can remain in current position with company

CPE Question #3

What is the least complicated incentive plan?

- a) Handshake deal
- b) Formal Deferred Compensation Plan
- c) Promise to “take care of you”
- d) Compensation plan tied to Bitcoin

We Want To Hear From You!

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Questions?

