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General Manager Incentive Program

CHM

Rev. A (PACE Based Restaurants)

– 2014 –

BETA

Program Overview:

The program was created to provide additional incentive to General Managers to achieve the company's sales, profit and guest objectives for their restaurant.

Earning the Incentive:

This program describes the components of the General Manager (GM) Incentive. Components of the incentive require GMs to meet monthly and quarterly performance measures, ("the incentive performance period"). Each incentive component is earned separately, at the end of the incentive performance period. A GM may meet some, all or none of the performance measures, and thus earn some, all or none of the incentive components.

Restaurant Categories:

- ❑ **Comp Restaurant** – Restaurants that are categorized as a "Comp Restaurant" after the restaurant has completed 15 full fiscal periods.
- ❑ **Non-Comp Restaurant** – Restaurants that are categorized as a "Non-Comp Restaurant" have been open for more than three full fiscal periods, up until the restaurant has been open for 15 full fiscal periods.
- ❑ **New Restaurant Opening** – Restaurants are categorized as a "New Restaurant Opening" before and during its opening through its three full fiscal period of being open.

Eligibility:

- ❑ A GM working in a "Comp Restaurant" or a "Non-Comp Restaurant".
- ❑ Manager-In-Training (MIT) eligibility begins after successfully completing training requirements and has been in an GM position for a full fiscal month.
- ❑ Eligible GMs must be employed by the company (in a GM position) during the entire incentive period, through midnight of the last day of the fiscal month or quarter.

Eligible Compensation:

A GM's base earnings (on a monthly or quarterly basis) is the compensation used in the incentive calculation. **GM's may earn up to 50% of their base pay.** Base pay earnings include paid for time worked, vacation pay, holiday pay and pay for floating holidays.

Incentive Program Metrics:

The program metrics consist of 3 different categories. Each category focuses on the three identified drivers of a restaurant's success; Financial Metrics, Guest Metrics & Operational Metrics. Each category has either monthly or quarterly components attached to it.

A. Financial Metrics Category

- I. Sales Results vs. Sales Budget (*Period Bonus*)
- II. Same Store Sales Incentive (*Period Bonus*)
- III. PACE Results vs. Page Budget (Data Based On Financial Statements)

B. Guest Metrics Category

- I. Negative Guest Comments (*Period Bonus*)
- II. GFK Mystery Shop Average (*Period Bonus*)
- III. GEM Drivers Rating (*Period Bonus*)

C. Operational Metrics Category

- I. QSC Score (*Quarterly Bonus*)
- II. CSP Assessment (*Quarterly Bonus*)
- III. Facility Upkeep (*Quarterly Bonus*)

Administrative Notes:

- ❑ Bonus pay out generally occurs on the first pay date that occurs immediately following a 30 day processing and verification period from completion of the bonus period.
- ❑ GM is expected to use absolute professionalism and confidentiality regarding the amount distributed to him/her under the bonus plan.
- ❑ For tracking of the Sales Results and Same Store Sales bonuses, the GM shall utilize relevant POS BOH report per concept operated.
- ❑ For tracking of the PACE bonus, the company's finance department will distribute the preliminary P&L's to the General Manager within 10 business days of the close of each period. The General Manager will have 5 business days to review the P&L and general ledger information and forward any questions to the finance department and the Multi Unit Manager.
 - Any restaurant with an actual cost lower than their theoretical cost will forfeit 35% of their PACE bonus.
 - Any non-reconciled cash shortage, safe shortage, paid out, petty cash expenditure, variance in gift certificate inventory, or any non-documented CVD will be deducted from the next eligible bonus pool.

GMs Who Transfer Restaurants Mid-Incentive Performance Period:

Monthly Incentive – If a GM is permanently assigned in more than one restaurant during the month, then the incentive will be based on:

- ❑ Where the GM spent the majority of the fiscal month; or
- ❑ If equal time, then where the GM ended the fiscal month.

Quarterly Incentive – If a GM is permanently assigned in more than one store during the quarter, then the incentive will be based on:

- ❑ Where the GM spent the majority of the fiscal quarter; or
- ❑ If equal time, then where the GM ended the fiscal quarter.

GMs Who Are Promoted Mid-Incentive Performance Period:

An individual who is promoted to the GM position will be paid according to the position in which they worked the majority of the incentive performance period. If equal time, then where the GM ended the incentive performance period.

Adjustments To Bonus Plan:

The company reserves the right to withhold or revise bonus payment if any of the following occur:

- Any store fails an evaluation conducted by regional management or found to be operating in unsatisfactory condition during a visit by the company executives.
- Any store that fails to show a positive net income on the final P & L statement.
- Stores open for more than 15 months that have a decrease in same store sales from the prior year.
- Any score of 85% or less on QSC Standards evaluations may result in 100% forfeiture of the bonus at that location.
- Any cash shortage on the final P&L will be deducted from the next eligible bonus. In addition, any variance in inventory of gift certificates will be deducted from next individual bonus. Deductions will be divided by % share of eligible bonus pool.
- Store management is found to be in violation of any other Company policy or standard of operation. Disciplinary actions up to and including termination.
- There may be no outstanding compliance documentation on the QSC of record, listed in the "compliance section", or cannot be in default of the Franchise Agreement (FA).
- Any failing Health Inspection during the bonus period.
- Store management found to be in violation of any safety and security procedures.
- Store management found to be in violation of any cash or deposit handling procedures.
- Store management found to be in violation of company hiring procedures, EEOC regulations, labor laws, civil rights laws, or any other laws as mandated by city, state, or federal statutes.
- If you have averaged an unacceptable rating for your Mystery Shop Average for the trailing 3 periods, you will not be eligible for the entire guest metrics bonus section until your trailing 3 months average is above "unacceptable."

Bonus Plan Multiplier:

GM's are entitled to have additional bonuses added based on requirements and optional criteria. Multiplier Information is below:

Bonus Multiplier Criteria:

TGM Bonus: 25% additional bonus based on base bonus pay

To qualify for this bonus GM must attain individual TGM certification and restaurant training certification. All required certifications must also be met. (Serve Safe Food, Serve Safe Alcohol & Certified Beer Server).

Culture Certified Bonus: 10% additional bonus based on base bonus pay

To qualify for this bonus GM must attain individual Culture Certification Rating. Culture Certification must be maintained on a quarterly basis. Culture Certified Exam will be given during designated windows throughout the year. At least a two-week notice will be given and GM must be registered in the registration window. Once registered GM will have 24 hours to complete the exam. Only 2 attempts to take the exam will be allowed per quarter to achieve a Culture Certification Rating. Culture Certification Rating is only valid for the quarter in which it was achieved.

Financial Metrics Group Leader: 5% additional bonus based on base bonus pay

This multiplier is relevant for the entire management team. To qualify for this a restaurant must be the group leader in all financial metrics components. Requirements are that the restaurant must be in the top tier of each financial metric component and bonus eligible in all other components of the guest and operational metric categories.

Guest Metrics Group Leader: 5% additional bonus based on base bonus pay

This multiplier is relevant for the entire management team. To qualify for this a restaurant must be the group leader in all guest metrics components. Requirements are that the restaurant must be in the top tier of each guest metric component and bonus eligible in all other components of the financial and operational metric categories.

Operational Metrics Group Leader: 5% additional bonus based on base bonus pay

This multiplier is relevant for the entire management team. To qualify for this a restaurant must be the group leader in all operational metrics components. Requirements are that the restaurant must be in the top tier of each operational metric component and bonus eligible in all other components of the financial and guest metric categories.

Bonus Plan Reducer:

GM's are entitled to have bonuses subtracted based on CHM requirements and standards. Reduction Information is below:

Bonus Reduction Criteria:

***Serve Safe Food Reduction: 40% deduction based on base bonus pay**

GMs will have bonus reduced by 40% if Serve Safe Food Certification is not achieved or current.

***Serve Safe Alcohol Reduction: 40% deduction based on base bonus pay**

GMs will have bonus reduced by 40% if Serve Safe Alcohol Certification is not achieved or current.

***Certified Beer Server Reduction: 20% deduction based on base bonus pay**

GMs will have bonus reduced by 20% if Certified Beer Server Certification is not achieved or current.

New Hire Onboarding Reduction: 20% deduction based on base bonus pay

GMs will have bonus reduced by 20% if new hire onboarding is not compliant with CHM standards. i.e. Orienting a new team member before completion of onboarding materials and receipt of proper identification copies.

PowerUp! Compliance: 5% Reduction

GMs will have bonus reduced by 5% if they are not 100% compliant with PowerUp! conduction & submission for the eligibility period.

Memo Acknowledgement Compliance: 5% Reduction

GMs will have bonus reduced by 5% if they are not 100% compliant with memo discussion & submission for the eligibility period.

**All certifications must be attained prior to the first day of the next bonus pool.*

A. Financial Metrics Bonus Section

I. Sales Results vs. Sales Budget

GMs are eligible to receive a **period** incentive based on their restaurants sales results vs. sales budget. Incentive payouts will be determined based on the following:

| | 97 – 100% of Budget | 100.1 – 102.0% of Budget | 102.1 – 105.0% of Budget | 105.1 – 110.0% Of Budget | 110.1%+ of Budget |
|--------------------------------|---------------------|--------------------------|--------------------------|--------------------------|-------------------|
| Sales Results vs. Sales Budget | .25% | .50% | 1.0% | 1.25% | 2.5% |

Note: Sales results less than 97% of budget will not be eligible for the Sales Results vs. Sales Budget incentive.

II. Same Store Sales (SSS) Incentive

GMs are eligible to receive a **period** incentive based on their restaurant's comp sales growth that is positive for the month.

"Comp Restaurants" – Increase in sales vs. prior year (month)

"Non-Comp Restaurants" – Positive actual sales vs. the sales budget (month)

| | SSS 0-1% | SSS 1.1-3% | SSS 3.1-6% | SSS 6.1-10% | SSS 10.1%+ |
|-------------|----------|------------|------------|-------------|------------|
| SSS Results | .50% | 1.00% | 2.0% | 4.0% | 8.0% |

Note: If actual results fall at the maximum of one range and the minimum of the next range the payout will be made at the higher level.

III. PACE Results vs. PACE Budget

DMs are eligible to receive a **quarterly** incentive based on their restaurants PACE Results vs. PACE Budget. Incentive payouts will be determined based on the following:

| | PACE Results -.50% - 0.0% of Budget | Exceeds PACE Budget 0.01% – 1.0% | Exceeds PACE Budget 1.1% - 2.5% | Exceeds PACE Budget 2.6% – 5.0% | Exceeds PACE Budget 5.1%+ |
|------------------------------|-------------------------------------|----------------------------------|---------------------------------|---------------------------------|---------------------------|
| PACE Results vs. PACE Budget | .50% | 1.0% | 2.5% | 5.0% | 10.0% |

Note: Restaurants not coming within -.50% of PACE Budget or better will not be eligible for the PACE Results vs. PACE Budget incentive.

B. Guest Metrics Bonus Section

I. Negative/Positive Guest Comment Ratio

GMs are eligible to receive a **period** incentive based on the ratio of negative to positive guest comments received in a period. Incentive payouts will be determined based on the following:

| | Top 25 th Percentile (1 Negative to 4 Positives) | Top 20 th Percentile (1 Negative to 5 Positives) | Top 10 th Percentile (1 Negative to 10 Positives) |
|-------------------------------|---|---|--|
| Negative Guest Comments Bonus | 1.0% | 2.5% | 5.0% |

Note: Restaurants that receive 5 or more negative guest comments per month will not be eligible for this bonus. Positive Guest Comments will consist of WOW Alerts on GEM and Positive Guest Surveys(Phone & Online). Negative Guest Comments will consist of HOT Alerts on GEM and Negative Guest Surveys(Phone & Online). A minimum of 8 WOW comments must be achieved per period to qualify.

II. GFK Mystery Shop Average

GMs are eligible to receive a **period** incentive based on the cumulative average of all mystery shops received in a period. Incentive payouts will be determined based on the following:

| | Meets Expectations (80-83) | Exceeds Expectations (84-87) | Outstanding (>88) |
|------------------------|----------------------------|------------------------------|-------------------|
| GFK Mystery Shop Bonus | 1.0% | 2.5% | 5.0% |

III. GEM “Drivers of Unmet Expectations” Ranking

GMs are eligible to receive a **period** incentive based on the number of GEM “Drivers of Unmet Expectations” that are ranked in the green each period. Incentive payouts will be determined based on the following:

| | 4 Drivers In The Green | 5 Drivers In The Green | 6 Drivers In The Green |
|-----------------|------------------------|------------------------|------------------------|
| GEM Score Bonus | 1.5% | 3.0% | 6.0% |

Note: Number of respondents must meet minimum GEM requirement to be eligible for GEM Drivers Ranking Bonus. GEM Drivers are located under Monitor Tab in GFK website. Drivers Of GEM Score Are Below:

Drivers of Unmet Expectations:

1. Staff Attentive To Needs
2. Promptness Of Staff
3. Order Delivery Time
4. Food Taste
5. Order Correct
6. Courteousness Of Staff

C. Operational Metrics Bonus Section

I. QSC Score

GMs are eligible to receive a **quarterly** incentive based on the average score of QSCs received in a quarter. Incentive payouts will be determined based on the following:

| | 90% - 93.99% | 94% or Higher |
|-----------|--------------|---------------|
| QSC Bonus | 3.0% | 6.0% |

*Note: Restaurants that receive less than an 85% will be subject to **forfeiture** of the **entire bonus plan**. CHM Based QSC is used to determine score.*

II. CSP Assessment Score

GMs are eligible to receive a **quarterly** incentive based on the average score of CSP Assessments received in a quarter. CSP Assessment is a 52 Question Exam Conducted by District Manager or CHM Approved 3rd Party Validation Vendor. Incentive payouts will be determined based on the following:

| | 90% - 93.99% | 94% or Higher |
|-----------|--------------|---------------|
| CSP Bonus | 2.5% | 5.0% |

Note: Restaurants that receive less than an 80% will be subject to forfeiture of the entire operations metrics bonus section.

III. Facility Upkeep Budget Bonus

GMs are eligible to receive a **quarterly** incentive based on the Facility Upkeep Budget. Facility Upkeep Bonus will consist of the P&L Line Items [(Operational Ex-Equipment) + (Operational Ex-Building R&M)] / Gross Sales which will be referred to as Facility Upkeep Ratio.

| | Meet Goal |
|-----------------------|-----------|
| Facility Upkeep Bonus | 2.5% |

Note: Facility Upkeep Ratio Goal is based on restaurant age below.

Facility Upkeep Ratio Goal:

Restaurant Age 0-2 Years: .50%
 Restaurant Age 2+ Years: 1.0%