



2017 Excellence Bonus Program METRICS

We are a performance driven company. Accordingly, performance measurements and rewards are based upon operational accomplishments that support our Vision, Mission, Principles, and Objectives.

VISION: Steak 'n Shake is a classic American brand and we intend to lead and dominate the premium burger and milkshake segment of the restaurant industry.

MISSION: Constantly to serve our patrons the highest quality burgers and shakes along with extending them great service at the lowest possible prices.

PRINCIPLES: We protect our brand by staying true to our principles: (1) Golden Rule; (2) Exceeding Guest Expectations; (3) Relentless Pursuit of Excellence; (4) Economic Objective; and (5) Entrepreneurial Approach.

OBJECTIVES: We strive for operational excellence by ensuring that we are (1) delighting guests, (2) eliminating unnecessary costs, (3) increasing quality, and (4) reducing prices.

OVERVIEW OF 2017 Excellence Bonus Program METRICS

The 2017 Excellence Bonus Program performance measurements consist of three performance categories:

1. **Exceeding Guest Expectations:** We will continue to build our business by relentlessly pursuing excellence and growing customer traffic counts over prior year as measured by:
 - a. Net TCT (TCT – TPT)
 - b. Drive Thru Window Time
 - c. Customer Count
2. **Golden Rule:** We will build retention to ensure our associates/managers have the necessary working knowledge to serve our guests. Lowering turnover will result in higher morale.
 - a. Associate Turnover
 - b. Management Turnover
3. **Economic Objective:** We will maintain our long-term brand dominance by running a profitable restaurant focused on delighting our guests, increasing quality, and reducing prices as measured by:
 - a. Cash/Comps/Voids/Deletes
 - b. Theoretical Food Cost Variance
 - c. Labor Cost

Each of these categories will be further clarified in the 2017 Excellence Metrics and the 2017 Excellence Definitions and Clarifications. The maximum score is 14 points.

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Metric	Score	Restaurant Pts.	DM/DP Pts.
Exceeding Guest Expectations – 5 / 5 points			
Net Dine TCT (TCT – TPT)	Green: Less than 1.500	2	2
	Yellow: Greater than 1.500 and less than or equal to 2.500	1	1
	Red: Greater than 2.50	0	0
Net DThru TCT* (TCT – TPT)	Green: Less than 2.5000	1	1
	Red: Greater than or equal to 2.5000	0	0
Drive Thru Window Time	Green: Less than or equal to 2 minutes, 15 seconds (<=2:15.00)	1	1
	Red: Greater than 2 minutes, 15 seconds (>2:15.00)	0	0
Customer Count	Green: Greater than or equal to 2.50% over last year	1	1
	Red: Less than 2.50% over last year	0	0
Golden Rule – 2 / 3 points			
Associate Turnover	Green: Less than or equal to 120% and no more than 3 inactive associates per store at quarter end	2	1
	Yellow: Greater than 120% and less than or equal to 140% and no more than 3 inactive associates per store at quarter end	1	0
	Red: Greater than 140% or more than 3 inactive associates per store at quarter end	0	0
Management Turnover	Green: Less than or equal to 30%	0	2
	Red: Greater than 30%	0	0
Economic Objective –7 / 6 points			
Cash/Comps/ Voids/Deletes	Green: Less than or equal to 1.600% of sales	1	0
	Red: Greater than 1.600% of sales	0	0
Food Cost	Green: Less than or equal to 1.20%	3	3
	Yellow: Between 1.201% and 1.45%	2	2
	Red: Greater than 1.45%	0	0
Labor Cost	Green: .20% to sales adjusted labor	3	3
	Yellow: Between 0.201% and 0.500% to sales adjusted labor	2	2
	Red: Greater than 0.500% to sales adjusted labor	0	0
OVERALL SCORING: PERFECT SCORE = 14 points			
Overall Score	Green	11-14	11-14
	Yellow	7-10	7-10
	Red	0-6	0-6

2017 EXCELLENCE BONUS PROGRAM DEFINITIONS AND CLARIFICATIONS

Net Dine-in TCT (TCT-TPT): Total Compliments per 10,000 Dine-in guests received for the quarter minus Total Compliments per 10,000 Dine-in guests per quarter equals net number applicable for bonus. TCT must be at 5 or less to qualify for TPT reduction. If greater than 5, score is zero for the category.

Net DThru TCT (TCT-TPT): Total Compliments per 10,000 dthru/carryout guests received for the quarter minus Total Compliments per 10,000 dthru/carryout guests per quarter equals net number applicable for bonus. TCT must be at 5 or less to qualify for TPT reduction. If greater than 5, score is zero for the category. (*Includes Dthru, carryout, online ordering, phone orders)

Drive Thru Window Time: Amount of time a vehicle is at the drive-thru window waiting for their order to be delivered. The time begins when the vehicle pulls up to the drive-thru window and ends when the vehicle drives away from the window.

Customer Count: Customer Count vs. Prior Year Customer Count.

Associate Turnover: Associate Turnover equals Average Period Terminations during the Quarter / Average Period Actives during the Quarter * 12 with no more than three (3) inactive associates at Quarter end. For District Managers, there can be no more than three (3) inactive associates per store at Quarter end. Inactive associates are those who have not received a paycheck in more than two pay periods and do not include associates on LOA. As there is some seasonality in our turnover, this metric will utilize the lower of the trailing 12 period or annualized quarterly turnover numbers.

Management Turnover: Management Turnover is the better of Average Period Terminations during the Quarter / Average Period Actives during the Quarter* 12 or Trailing 12 Turnover from the "Management Turnover Sorted by District" report. This does not include managers on a Leave of Absence or who terminated because of Retirement, Death or Failure to Return from Leave of Absence for medical reasons.

Cash/ Comps / Voids/ Deletes: Combined less than 1.60% of net sales. Comps and Voids/Deletes come from the point of sale systems which should match the BSR on a daily basis to be able to track.

Food Cost: Variance of food usage compared to the theoretical food usage. The theoretical food usage is calculated based upon the sales reported/rung-up at the restaurant and is compared with manual period inventories, transfers and purchases.

Labor Cost: Variance of the labor costs to the sales adjusted labor targets set by Corporate each period. The Labor Scheduling System produces this target by taking numerous factors into consideration such as guest count, overtime, rates of pay, wage differential, hours of operation, management staffing levels, training expectations, etc.