

SANCTUARY SOCIAL

OPERATIONAL SERVICE CHARGE COMPENSATION POLICY

Effective Date: September 23, 2026

Fixed 10-Point Employee Compensation Allocation

1. Purpose

Sanctuary Social may use an Operational Service Charge only in the limited circumstances authorized by this policy. It is not a general restaurant service charge and is not a tip or gratuity.

This policy establishes the required guest disclosure and transaction procedure, the restaurant's 25% retention, the 75% Employee Compensation Pool, employee eligibility, the fixed 10-point allocation method, documentation, approval, and payroll requirements.

An Operational Service Charge may apply to: (1) an approved catering, private event, or special event when the charge is established and disclosed in the applicable agreement or contract in advance; or (2) qualifying direct guest service performed by a manager when no eligible tipped service employee is available or tipped service employees have reached reasonable service capacity.

2. Qualifying Circumstances

An Operational Service Charge may be used only for an approved qualifying circumstance:

A. No Eligible Tipped Service Employee Available - an authorized manager or employee must provide direct guest service because an eligible tipped service employee is not available.

B. Tipped Service Employees Are at Service Capacity - eligible tipped employees are working but have reached reasonable service capacity and additional authorized service is required.

C. Approved Catering, Private Event, or Special Event Service - a pre-arranged event uses an approved Operational Service Charge as part of its service structure.

The applicable circumstance must be documented on the daily worksheet.

3. Operational Service Charge vs. Tip or Gratuity

An Operational Service Charge is separate from a voluntary guest tip or gratuity and is used only in the circumstances authorized by this policy.

A guest-written or guest-entered tip may NEVER be converted, reclassified, transferred, or treated as an Operational Service Charge.

Approved guest-facing language: "I'm a manager, so I'm not permitted to accept tips or gratuities. Sanctuary Social can instead assess an Operational Service Charge for the service I provided. That charge goes to the restaurant and is not a tip or gratuity."

When a manager is required to provide qualifying direct guest service, the manager must explain to the guest before payment that managers are not permitted to accept tips or gratuities and that Sanctuary Social can instead assess an Operational Service Charge for the service provided. The charge must be disclosed and added before payment is processed and must be clearly identified as a Service Charge - Not a Tip or Gratuity.

For catering, private events, and special events, the Operational Service Charge must be established and disclosed in the applicable agreement, contract, proposal, or other approved event documentation in advance.

4. Required Guest Check & Payment Procedure

For manager-provided qualifying guest service, the Operational Service Charge must be explained and disclosed before payment and added before payment is processed. It must be clearly identified as a Service Charge and not represented

INTERNAL USE ONLY — SANCTUARY SOCIAL

as a tip or gratuity. The guest must sign the check reflecting the Service Charge, and the Tip/Gratuity line on the signed guest copy must reflect \$0.00. The signed guest check must be retained with, or traceable to, the daily documentation.

If a guest writes or enters an amount on a tip/gratuity line, that amount is a tip and may not later be converted into an Operational Service Charge. A gratuity appearing on a manager or owner check must be handled under Sanctuary Social's Managers Tip Policy.

For catering, private events, and special events, the Operational Service Charge must be established and disclosed in the applicable agreement or contract in advance and processed according to the approved event terms.

5. Ownership and 25% / 75% Allocation

Operational Service Charges are revenue of Sanctuary Social and are not employee tips or gratuities.

Sanctuary Social Retention - 25%: Sanctuary Social retains twenty-five percent (25%) of qualifying Operational Service Charge revenue. This portion covers restaurant responsibilities including sales, event development and coordination, administration, payment processing, planning, and other operational costs. Sales, booking, planning, and event coordination do not create a separate claim against the 75% Employee Compensation Pool.

Employee Compensation Pool - 75%: Seventy-five percent (75%) funds employee compensation for employees who actually perform qualifying service. This pool is separate from all tip and tip-out programs and is not a tip pool.

The full 75% Employee Compensation Pool is represented by exactly TEN (10) allocation points. Those 10 points represent 100% of the employee pool. Sanctuary Social's 25% retention does not increase because a role is absent or does not participate.

6. Employee Eligibility

Eligibility is based on actual qualifying service, not merely being scheduled, clocked in, or performing normal duties while an Operational Service Charge is collected.

Direct Guest Service: Manager, Server, or Bartender directly providing qualifying guest service.

Expo / To-Go Service: Expo & To-Go Service Specialist directly assisting qualifying service.

Guest-Service Support: Hostess or Service Assistant actually supporting qualifying service through guest-facing or service-support responsibilities.

Kitchen / BOH Event-Service Support: Routine kitchen production does not by itself qualify a Kitchen/BOH employee. A Cook, Prep Cook, or other BOH employee may qualify when performing an additional event-service function outside ordinary kitchen production, such as acting as a Buffet Attendant, setting up or maintaining a buffet, replenishing or presenting buffet items, staffing an attended food station, or performing approved event food-service breakdown.

7. Fixed 10-Point Allocation System

Every completed allocation must account for exactly 10 total points. The 10 points represent 100% of the 75% Employee Compensation Pool.

Management assigns the 10 points only among employees who actually performed qualifying service. Points should reflect each participant's relative level of qualifying service responsibility and contribution for that service period or event.

Points are NOT based on hours worked. There are no reserved points for any job classification. A role that is absent or does not participate receives no points, and its absence does not increase Sanctuary Social's 25% retention.

The daily worksheet must total exactly 10 points:

- Less than 10 points = UNDER-ALLOCATED and must be corrected before payroll.
- More than 10 points = OVER-ALLOCATED and must be corrected before payroll.
- Exactly 10 points = BALANCED and may proceed for payroll review.

If there are no qualifying employees, do not assign points and do not automatically reallocate the 75% to Sanctuary Social. Flag the record for Owner/GM and payroll review.

8. Calculation

Step 1: Total qualifying Operational Service Charges x 25% = Sanctuary Social Retention.

INTERNAL USE ONLY — SANCTUARY SOCIAL

Step 2: Total qualifying Operational Service Charges x 75% = Employee Compensation Pool.

Step 3: Employee Compensation Pool / 10 = Dollar Value Per Point.

Step 4: Employee Assigned Points x Dollar Value Per Point = Employee Operational Service Charge Compensation.

Example: \$400 in qualifying Operational Service Charges produces a \$100 Sanctuary Social retention and a \$300 Employee Compensation Pool. Each of the 10 points is worth \$30. If a Manager receives 4 points, a Bartender 3 points, a Hostess 2 points, and a Prep Cook acting as Buffet Attendant 1 point, the allocations are \$120, \$90, \$60, and \$30. The employee allocations total exactly \$300.

9. Examples of Point Distribution

The following examples illustrate the fixed-point method and are not mandatory role percentages.

Example - Two qualifying participants: Bartender 6 points; Buffet Attendant 4 points. Total = 10.

Example - Three qualifying participants: Manager providing direct guest service 4 points; Bartender 3 points; Hostess/Service Assistant 3 points. Total = 10.

Example - Four qualifying participants: Manager providing direct guest service 4 points; Bartender 3 points; Hostess 2 points; Prep Cook acting as Buffet Attendant 1 point. Total = 10.

Management must document the actual qualifying participants and use a reasonable allocation based on their relative qualifying service responsibility and contribution.

10. Catering, Private Events & Special Events

Qualifying event service may include direct guest service, bartending, buffet attendance, attended food stations, guest-service support, event setup/breakdown when specifically assigned as service work, and on-site event service/management.

Sales, booking, planning, and event coordination are restaurant responsibilities covered by Sanctuary Social's 25% retention. They do not create an additional allocation from the 75% Employee Compensation Pool.

Whenever possible, the Operational Service Charge should be disclosed in the applicable event agreement, proposal, contract, invoice, menu, or other guest communication before the event.

11. Managers and Owners

Nothing in this policy authorizes a manager or owner to accept or retain a guest tip or gratuity. Managers and owners remain subject to the Managers Tip Policy.

A manager may receive points only when actually performing qualifying service under this policy, such as direct guest service. Sales, booking, planning, or event coordination alone are covered by Sanctuary Social's 25% retention and do not qualify for points from the employee pool.

Managers and owners may never convert a gratuity into a service charge, add a service charge after payment to replace a gratuity, personally remove service-charge revenue from the register, or distribute service-charge funds directly outside payroll.

Compliance with Managers Tip Policy

Any manager participating in qualifying service under this policy remains subject to Sanctuary Social's Managers Tip Policy. Managers must follow all requirements regarding the acceptance, removal, refund, documentation, and handling of guest tips or gratuities.

A violation of the Managers Tip Policy may result in corrective or disciplinary action in accordance with Sanctuary Social policy. A violation does not authorize the manager to retain a prohibited tip or gratuity, convert a tip into an Operational Service Charge, or otherwise alter the required handling of the transaction. Eligibility for Operational Service Charge compensation must be determined and processed in accordance with this policy and applicable payroll requirements.

A manager who is eligible to receive compensation from the Employee Compensation Pool may complete the required Manager Attestation and document the qualifying service performed, but may not independently calculate, assign,

approve, or submit their own point allocation or resulting compensation. When management is a qualifying participant, the final 10-point allocation and payroll submission must be completed or approved by the Owner or an authorized payroll administrator who is not the recipient.

12. Payroll Treatment

All employee compensation under this program must be processed through Sanctuary Social's authorized payroll system. No compensation may be paid directly from the register, cash drawer, nightly deposit, cash tips, or other restaurant funds outside payroll.

Payments are compensation and are subject to applicable payroll withholding and reporting. Where required by applicable wage-and-hour law, compensation will be included in regular-rate and overtime calculations. Payroll may adjust calculation or payment timing as necessary for compliance.

13. Daily Documentation

A completed Operational Service Charge - Daily Manager Attestation & Participation Record is required for each business day on which a manager-service Operational Service Charge is collected. Approved catering, private event, and special event records must be supported by the applicable agreement or contract and related transaction records.

The Manager Attestation documents the qualifying circumstance, qualifying checks, verification of the \$0.00 gratuity line and signed guest copies, the employees who actually performed qualifying service, the reason each employee qualified, and the qualifying tasks performed.

Records must be retained according to Sanctuary Social record-retention procedures.

The Manager Attestation, corresponding signed guest checks and Toast transaction records, and the separate 10-Point Operational Service Charge Calculator together constitute the supporting payroll record for the allocation. Point assignment and compensation calculations are completed separately from the Manager Attestation.

14. Management Responsibilities

Managers administering the program must accurately document the qualifying circumstance, guest checks, participating employees, and qualifying tasks on the Manager Attestation. Managers may not manipulate participation, check ownership, documentation, or other records to improperly increase or decrease compensation.

The calculator must show **BALANCED** before the allocation is submitted for payroll, except a no-qualifying-employee situation that has been specifically escalated for Owner and payroll review.

A manager who is a recipient of Employee Compensation Pool funds may not calculate, approve, or submit their own allocation. In those circumstances, the allocation must be completed or approved by the Owner or an authorized payroll administrator who is not the recipient.

Operational Service Charge compensation may not be submitted for payroll until all required documentation has been completed and the allocation has been reviewed and approved by the appropriate authorized party. Missing or incomplete documentation must be escalated to the Owner and payroll for review before payment is processed.

Point assignments must be based on actual qualifying participation and relative qualifying service responsibility/contribution. The fixed 10-point allocation is calculated separately using the approved calculator.

15. Relationship to Tips & Tip-Out Programs

The Operational Service Charge Employee Compensation Pool is separate from voluntary guest tips and established tip-out arrangements. Nothing in this policy changes normal handling of tips earned by eligible employees. Operational Service Charge compensation must not be included in or distributed through Sanctuary Social's normal tip pool.

16. Compliance & Policy Administration

Sanctuary Social intends to administer this program in compliance with applicable wage-and-hour requirements. The company may modify, suspend, or discontinue the program when necessary for operational, payroll, legal, or compliance reasons. If a provision conflicts with applicable law, the applicable legal requirement controls. Questions should be directed to ownership before finalizing the transaction or allocation whenever practicable.

Employee / Manager Acknowledgment

I acknowledge that I have received and reviewed this policy, understand the distinction between an Operational Service Charge and a voluntary tip/gratuity, understand the fixed 10-point allocation system, and agree to follow the required transaction, documentation, allocation, and payroll procedures.

Employee/Manager Name:

Signature:

Date: