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RAM workers served stake in growing restaurant company

The term 'holiday bonus' has a new meaning this year for more than 1,000 employees of RAM Restaurant and Brewery, who will be part of a new employee stock ownership plan with 30 percent stake in the restaurant chain.

By Coral Garnick

Seattle Times business reporter

The term "holiday bonus" has a new meaning this year for more than 1,000 employees of RAM Restaurant and Brewery.

Their Lakewood-based employer, formally RAM International, announced just before Christmas that employees would be getting a 30 percent stake in the restaurant chain through a newly formed employee stock ownership plan (ESOP).

"I'm going to spend more time over the course of the year with the RAM team than with my own family," chief executive officer and co-owner Jeff Iverson said in an interview. "And selfishly, it feels good to share."

Iverson's father opened the first pub in Lakewood in 1971, and the family-owned business now operates 30 restaurants with three brands across six states, including 11 RAM locations in Washington and C.I. Shenanigans in Tacoma.

Brothers Jeff and Dave Iverson will continue to lead RAM International, which Jeff said has revenues of more than \$100 million.

Jeff Iverson said this is something he and his brother have had in the back of their minds for years, but they had to buy out their parents and some minority partners before moving forward.

CSG Partners, a boutique investment bank specializing in ESOPs, helped the Iversons set up RAM's program. CSG managing director Eitan Milstein led the transaction team and calls an ESOP a "win-win for everyone."

"At the end of the day this is a retirement plan ... it is not a get-rich-quick plan," he said. "If you are going to stay with the company, you will have a nice pot of gold when you retire."

All employees who work at least 1,000 hours in a year qualify; currently that's 1,100 of RAM's 2,000 employees.

The stock will be allocated to employees over time at no cost to them, based on how long they have been with the company and how much they earn, Milstein said. When they retire, the company has five years to pay them for their shares at their current value.

As for the company, creating the ESOP has a tax incentive.

RAM took out a loan to create the ESOP and every year it has to make a payment toward that loan. RAM is allowed to make a pretax annual contribution to the ESOP equal to 25 percent of its payroll, Milstein said. If payroll is \$10 million, the company can pay \$2.5 million pretax to the ESOP, shrinking the tax liability the company will owe at the end of the year, and leaving the company with extra cash, he said.

Scott Rodrick of The National Center for Employee Ownership in Oakland, Calif., said creating an ESOP is often a way for a business owner to slowly transition out of ownership.

“Instead of selling to an outsider ... it is a way to keep ownership in the family,” he said. “The employees end up owning (some of) the company, everyone stays in place and you don’t have an outsider coming in, selling chunks of it to get quick cash.”

Iverson said the ESOP is the best way to diversify the company’s ownership while ensuring the legacy continues for a long time. However, he said, he has no plans to sell completely.

“Someday I won’t be involved in the company,” Iverson, 49, said. “The restaurant business is a high-energy business, and when you get older, you won’t have as much energy, but I have no plans to go anywhere right now.”

With three new restaurants opening in Colorado and Ohio next year, Iverson said he hopes to promote the restaurants as “team member owned,” to help recruit employees.

“We think we have a great team, but maybe there are people looking for a little something else,” he said.

ESOPs have been around since 1974. According to the National Center for Employee Ownership, they are the most common form of employee ownership plan in the United States, with 7,000 companies covering 13.5 million employees.

California-based Clif Bar & Co. and Mountain Hardware & Sports are employee-owned companies, as are Oregon-based Full Sail Brewing and Idaho-based WinCo Foods, which has 19 stores in Washington.

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