In further explanation of the 2.5%..... We at Vandalay Brands believe that Americans should have health care and insurance along with the ability to plan for retirement while maintaining a livable wage.

We thought long and hard before adding this charge and we would like to further explain it. The restaurant business is one of large revenue and small profit. In fact, of every dollar that restaurants bring in, an average of 90-95 cents goes right out the door to all the costs involved in running the business. Many months, even very popular and busy restaurants are actually running at a loss —the profit margin is that slim. Restaurants require an unusually high ratio of labor to revenue, which means that we have a higher number of full time employees than other businesses with similar revenues—as a result we have more full time employees to cover per dollar of revenue (when compared to other types of businesses). Many of us who run restaurants have been struggling with the question of how we will be able to provide health insurance to all our full time employees.

Unlike most restaurants we have been providing access to affordable health insurance to all of our employees, paying a portion for salaried employees, while also providing many other fringe benefits such as a 401(k) program, sick leave, medical contributions, PTO, employee meals, bonuses for hourly back of the house employees and additional bonus plans.

The question we get most frequently is “why not just bury the cost in the pricing?” While we could have hidden this new large expense in significantly higher menu costs, when looking at the numbers, we felt that this would have burdened our customers more than necessary. You see, many of the costs associated with running the restaurant are based on our revenues. At some of our locations, rent is actually calculated a percent of our gross sales. Other expenses, like our liability and other insurance policies are calculated this way as well. So not only would we need to increase our prices to cover the insurance, we would need to add on an even steeper increase to cover these other costs resulting from the increase in revenue. The increase passed along to our customers would have been much higher than the 2.5%. Keep in mind that the 2.5% charge adds $2.50 to every $100 on a check.

We would have had to add far more than that to each menu item if we were to try to cover both the insurance cost, fringe benefits and the substantial related costs mentioned above in our pricing alone. We decided this would be bad for us and bad for our guests. The separate line item results in less of an increase in pricing to our guests and the staff will see the direct benefit of these fringe benefits that we may not otherwise be able to provide. So you see, this surcharge has to do with providing a benefits to our staff, accounting and price control rather than revenues. We simply wanted to be upfront and transparent with our guests and minimize the overall impact on our diners. I hope this helps explain this surcharge more completely and clarifies our reasoning behind it. We thought long and hard about the options and what we thought was the best way to handle it. We understand that it may not make sense to everyone but we are sincere in saying that we are trying very hard to do the right thing for all involved—our staff, our investors and our guests.

Please note that this is not a mandatory charge and that we are more than happy to remove the charge from a guest’s bill if requested.

If you have any questions, please feel free to reach out to us.

Yours Sincerely,

Nicholas Hynes, CEO

Vandalay Brands