Owning the Brewery: A Series on Equity Compensation for Brewers

BY TERRENCE J. BRIGGS • NOVEMBER 12, 2015

What's to come in this series?

Tech start-ups routinely reward employees with a chance to own part of the business. They do this with stock options, restricted stock grants, LLC capital and profits interests, real and phantom awards.

Over the next several months, I'll be explaining how all these things work. Among the points that I will write about are:

What's the difference among ownership interests in corporations, limited liability companies and partnerships?

Will the brewery's current owners lose control if they grant ownership to employees?

Stock options, restricted stock, capital interests, profits interests, phantom stock, stock bonuses—all have certain important characteristics, here are some of the specific things we will explain:

1. Do they represent actual ownership, specifically, do they have rights to vote or control what we do?
2. Do they also have a direct financial stake in our success?
3. Are there tax consequences for the brewery and the employee who receives an ownership stake?
4. Do we have to give shares to everyone? Can we require that the employee stays with us for a certain period of time before they get the shares?
5. What happens if an employee gets some stock and then quits? What if she goes to work for a competitor?

While this is complicated stuff, it's not as complicated as brewing a great beer. If it's done right, studies have shown that owner/employees perform better and employee-owned businesses are more successful in the long run.

I hope and think that you will find it interesting and understandable.