



ACTIONCOACH FIRM RETENTION PROGRAM

Part I: Eligibility

INTRODUCTION

THE PROPOSED GUIDELINES IN THIS WHITE PAPER ARE MERE RECOMMENDATIONS DESIGNED TO HELP FIRM OWNERS. THESE GUIDELINES ARE NOT INTENDED AS RULES THAT MUST BE FOLLOWED ACCORDING TO ORGANIZATION OR CONTRACTUAL POLICIES. EACH FIRM OWNER IS ENCOURAGED TO CONSIDER VARIANCES, NUANCES OR EXCEPTIONS THAT MAY BE HELPFUL AND SPECIFIC ONLY TO THEIR RESPECTIVE SITUATIONS.

There are currently at least 5 ActionCOACH business coach franchise models operating worldwide, namely, the Firm, the Practice (Pro), the Practice, Practice (Premium) and some hybrid form of these 4 models. There are also a few legacy models still operating that were derived from the Associate Licenses awarded in the late 1990s through the early 2000s. The existence of these various business coach franchise models or units that use the same coaching system for the same clientele/market but operating under different internal structures poses a challenge for the ActionCOACH community when it tries to establish uniform guidelines on how to grow ActionCOACH franchise teams and enable ActionCOACH franchisees and their team to achieve record growth and success across the different regions.

Hence, in 2020 the ActionCOACH global office (“ActionCOACH HQ”) began to retire from its franchise offerings in the US and Australia certain ActionCOACH business coach franchise models starting with the low entry model or the Practice Pro in 2020, the Practice Premium in 2021 and just recently in 2022, the Practice. The retirement of these “legacy” business coaching franchise models were rolled out globally beginning 2020 with the desired end result of awarding only Firm business coaching franchises globally starting in 2023. With our franchise system now focusing upon the Firm franchise model, it is time to add tenure and retention tracks as has been done in other professional service industries such as legal and accounting. There are proven models in place for ActionCOACH to reference as a baseline.

With the future focusing upon the Firm model, ActionCOACH HQ in October 2021 prepared and sent an invitation to around 200 of its master licensees and franchisees all over the world to participate in a Coach and Employee Retention Program Survey. The survey was designed to gather data from the ActionCOACH global community on what coach or employee retention programs are already in use within ActionCOACH franchises operating in the various regions worldwide, a basic description of what those programs are, how many ActionCOACH franchises already have those programs in place within their organizations and how many ActionCOACH franchises plan to adopt such programs within the next 2 years. The survey was also designed to serve as preliminary basis or reference for a team of franchisees to create a set of guidelines for a retention program for ActionCOACH Firm franchises globally.

A total of 48 master licensees (“ML”) and franchisees participated and submitted their responses to the survey. A summary of said results are discussed in Section 1 of this white paper. Out of the 48 participants in the October 2021 survey, 26 participants expressed willingness to further participate in related Task Force meetings to develop the ActionCOACH Firm Retention Program. Out of the 26 participants who expressed willingness to be part of the Task Force, 6 participants actually accepted ActionCOACH HQ’s invitation to join the Task Force.

The Task Force was formed to study and recommend guidelines for a retention program for ActionCOACH Firm business coaching franchises globally and have done so by meeting on several occasions beginning in March 2022 through July 2022.

The following persons are members of the Task Force who have contributed their time, efforts and inputs into this project:

<i>Andy Hemming</i>	<i>Arthur Rosaria</i>
<i>Billy Smith</i>	<i>Harry Welby-Cooke</i>
<i>Kevin Alft</i>	<i>Nic Clark</i>
<i>Rosalie Borguilla</i>	<i>Tony Servidio</i>
<i>Vishnu Doerga</i>	

This Part I of the white paper will focus on the Task Force's recommended qualifications of business coaches (non-owners who joined Firm as an employee) who will be eligible to participate in the ActionCOACH Firm Retention Program. Part I of the white paper is divided into 3 sections, namely:

- Section 1, which discusses the results of the Coach and Employee Retention Program Survey participated in by members of the ActionCOACH global community.
- Section 2, which focuses on the Task Force's recommended qualifications and eligibility requirements for participation in the ActionCOACH Firm Retention Program; and
- Section 3, which lists the remaining items that require further action from the Task Force via future meetings and discussions in order to complete the guidelines for the Program. These remaining items primarily relate to (a) the compensation and benefits aspect for each partnership track level, and (b) the valuation method to be used for purposes of determining the financial investment required for a Junior Partner, Partner and Senior Partner under the Program.

For clarity, the ActionCOACH Firm Retention Program is for the retention of those who are not the original owners of the Firm and provides a "Partnership Track" by which they can become owners of the Firm.

The contents of this Part I of the white paper are the results of the Task Force's meetings, discussions and deliberations, which included information gathered from interviews conducted by some members of the Task Force with partners of professional services firms (mostly law firms and accounting firms) about their respective organization's partnership track, each of the members' knowledge and experience in operating and managing ActionCOACH franchises within their respective territories and internally prepared information from ActionCOACH resource materials as well as inputs from ActionCOACH's founder, Brad Sugars.

For ease of reference, the ActionCOACH Firm Retention Program will be referred to as the "Program" throughout Part I of the white paper.

28 September 2022

**PART I, Section 1:
The Coach and Employee Retention Program Survey**

The survey was participated in by 6 MLs and 42 Franchisees from the ActionCOACH global community and consisted of questions relating to the following subject matters. The results were also collated and described per subject matters below.

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| 1. <i>Region of Participant's Territory</i> | <ul style="list-style-type: none"> • <i>North America and the Caribbean: 41.86%</i> • <i>UK: 33.33%</i> • <i>EMEA: 14.58%</i> • <i>Asia Pacific: 8.33%</i> • <i>South America: 2.08%</i> |
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| 2. <i>Tenure with ActionCOACH</i> | <ul style="list-style-type: none"> • <i>More than 5 years: 40%</i> • <i>2 to 5 years: 10%</i> • <i>Less than 2 years: 50%</i> |
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| 3. <i>No. of business coaches in Participant's Franchise</i> | <ul style="list-style-type: none"> • <i>1 business coach: 43.75%</i> • <i>More than 1 but less than 5 business coaches: 27.08%</i> • <i>More than 5 business coaches: 29.17%</i> |
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Note: ML participants comprised 27% of the survey participants and all fell within the "more than 5 business coaches" class.

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| 4. <i>Non-Coaching Team Members in Participant's Franchise</i> | <ul style="list-style-type: none"> • <i>BDM or Sales Manager: 47.92%</i> • <i>Administrative Manager: 41.67%</i> • <i>Marketing Manager: 35.42%</i> • <i>None of the Above: 18.75%</i> • <i>All of the Above: 8.33%</i> • <i>Others: 31.25%</i> |
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Note: Participants were permitted to choose as many team members as are applicable to their Franchise.

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| 5. <i>Participants with Profit Sharing Program</i> | <ul style="list-style-type: none"> • <i>Yes: 25%</i> • <i>No: 75%</i> |
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| 6. <i>Participants with Ownership Program</i> | <ul style="list-style-type: none"> • Yes: 8.33% • No: 91.67% |
| 7. <i>Participants with Retention Program (other than Profit-sharing or ownership programs)</i> | <ul style="list-style-type: none"> • Yes: 22.92% • No: 77.08% |
| 8. <i>Existing Programs in Participant's Franchise (or would like in their Franchise in the next 2 years)</i> | <ul style="list-style-type: none"> • Bonus: 83.33% • Profit Sharing: 30.95% • Ownership/Stock Options: 28.57% • Others: 7.14% |

Note: Participants were permitted to choose more than 1 program for their answer.

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| 9. <i>Factors Participant Would Consider for Eligibility to Participate in a Retention Program (or similar programs)</i> | <ul style="list-style-type: none"> • Revenue: 87.23% • Years of Service: 53.19% • Areas of Expertise: 36.17% • Years of Relevant Experience: 27.66% • Others: 10.64% |
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Note: Participants were permitted to choose more than 1 factor for their answer.

**Part I, Section 2:
The Partnership Track and Recommended Eligibility Requirements**

Organization Chart

The Task Force began its work by considering an organization chart for the ActionCOACH Firm franchise as starting point and reference for other Program related details going forward. Several proposals on what should be included in such organization chart were presented and discussed by the group. However, the matter of the organization chart was eventually put on hold pending final determination of the partnership track levels. It was also agreed by the Task Force that work on the Program will initially be focused on the partnership track for business coaches only. A similar program will be discussed, considered and appended by the Task Force (or another team of ActionCOACH franchisees) at a later time for key non-coaching personnel of Firm franchises. This decision was made based upon how “Programs” offered by other professional service firms focus primarily on the retention of the professionals providing the services (e.g., accountants, attorneys, architects)

Partnership Track Matrix

A matrix of the eligibility criteria that the Task Force proposes for the Program is attached as Exhibit A on page 12 of this white paper. Each of the partnership track levels and the applicable eligibility criteria are also described and discussed more particularly below.

Partnership Track Levels

The Task Force agreed that the partnership track of the Program will be divided into 6 levels, namely:

<i>Level 1</i>	<i>Junior Associate</i>	<i>Conducts Education Programs only</i>
<i>Level 2</i>	<i>Associate</i>	<i>Conducts Education, Group Coaching and Planning only</i>
<i>Level 3</i>	<i>Senior Associate</i>	<i>Permitted to conduct 1-on-1 Coaching</i>
<i>Level 4</i>	<i>Junior Partner</i>	
<i>Level 5</i>	<i>Partner</i>	
<i>Level 6</i>	<i>Senior Partner</i>	

It was also discussed by the Task Force that those in Level 1 be permitted to conduct business education services only. The rationale behind this is threefold: 1) Firms are designed to achieve far higher “market participation” levels than the traditional Practice Model that was more of a cherry picking of the market to fill 10-20 coaching slots with coaching program clients. With the Firms serving a greater percentage of the market, there will be far more clients engaged who are best served by ActionCOACH’s business education programs; 2) Firms who have started their new coaches with a focus on providing educational programs have found the coaches build their knowledge base, capabilities and confidence faster; 3) Reserving group coaching for coaches who have a number of hours of teaching our business education offerings will provide better results to and retention of the group coaching clients. Level 2 will be permitted to conduct both business education and group coaching services only. The rationale includes the points made above plus the fact that Level 2 will have hours of experience in successfully coaching the smaller businesses who are enrolled in group coaching before they will be allowed to engage the larger clients who are enrolled in the 1-on-1 programs. This too will lead to superior results for and retention of the 1-on-1 clients as well as an “Earn the Right” mentality in Firm. It was recommended that the delivery of 1-on-1 Coaching services be reserved for those in the Senior Associate level and up only.

There are currently no known, available or generally accepted ownership or partnership track for the business coaching or business consulting industry. Thus, the above levels were referenced mostly from partnership track levels of professional services organizations like legal and accounting firms.

We also understand that the terms used for proposed Levels 5 and 6 are existing terms used by the ActionCOACH community to refer to certain class of business coaching licenses but without regard to other qualifications or any of the eligibility requirements discussed in this white paper. Therefore, in order to avoid confusion and distinguish the current ActionCOACH terminology from the partnership levels described in the table above, ActionCOACH Partners and ActionCOACH Senior Partners will be referred to as “AC Partner/s” and “AC Senior Partner/s” in this white paper.

We will proceed to discuss the Task Force’s recommended eligibility requirements for each level based on the importance given by survey participants to each factor in the October 2021 survey results.

Criteria No. 1: Revenue or Revenue Producing Hours

The Task Force considered several formulas to arrive at revenue requirements for each of the Program’s partnership levels. Among those discussed and considered were (a) creating escalating dollar amount thresholds per level based on KPI or cash banked reported in ActionMEMBERS, (b) calculating productivity based on revenue producing hours and earnings per week/month similar to the practice in legal and accounting firms, and (c) adopting the Global – Coaches and Partner Levels that are set out in the ActionCOACH Dashboard and accepted as the global measure of performance and success by the community.

After deliberations, the Task Force agreed to use either (a) or (b) to measure eligibility under this criterion. The Task Force would like to solicit feedback and input from the ActionCOACH global community on whether revenue or revenue producing hours should be the measure used, which measure should be adopted when shifting from one level to the next and what the specific thresholds for each measure (i.e., revenue or revenue producing hours) should be for each level of the partnership track. A discussion point

in the deliberations centered around how focusing upon revenue (dollars, etc.) as the criteria has led some coaches within the Firms in the past to focus upon “what percent of the revenue am I getting” and it resulting in retention challenges. This opened the discussion to focusing upon the “Revenue Producing Hours” as a measure of contribution to the Firm’s overall volume and growth. Revenue Producing Hours is defined as hours per week or month the coach is engaged in delivering fee-generating services to the Firm’s clientele.

<i>Junior Associate</i>	<i>Revenue or Revenue Producing Hours</i>
<i>Associate</i>	
<i>Senior Associate</i>	
<i>Junior Partner</i>	
<i>Partner</i>	
<i>Senior Partner</i>	

Criteria No. 2: Years of Service and Industry Experience

<i>Junior Associate</i>	<i>N.A.</i>
<i>Associate</i>	<i>1.5 years</i>
<i>Senior Associate</i>	<i>3 years</i>
<i>Junior Partner</i>	<i>4 years</i>
<i>Partner</i>	<i>6 years</i>
<i>Senior Partner</i>	<i>7 years</i>

The relevant years of service and industry experience per partnership track level described in the above table were collated from and are the resulting averages of the responses from members of the Task Force, who in turn based their responses on first-hand experience in operating and managing ActionCOACH franchises and coaches in their territory and/or what they have seen or found to be best practices in other professional service industries.

Criteria No. 3: Continuing Education and Professional Development

<i>Junior Associate</i>	<i>120 education hours annually</i>
<i>Associate</i>	<i>120 education hours annually</i>
<i>Senior Associate</i>	<i>Executive Coach + YESS + CFAC</i>
<i>Junior Partner</i>	<i>Executive Coach + YESS + CFAC + Master Coach</i>
<i>Partner</i>	<i>Executive Coach + YESS + CFAC + Master Coach</i>
<i>Senior Partner</i>	<i>Executive Coach + YESS + CFAC + Master Coach</i>

The foregoing continuing education and professional development requirements were recommended by the Task Force in addition to those training requirements contained in franchise agreements such as mandatory attendance at regional conferences by MLs, franchisees and business coaches.

Executive coach certification is also being required at a minimum starting at the Senior Associate Level when business coaches are permitted to conduct 1-on-1 coaching. This requirement was added so that the coach has the capability and tools to build management structure and staff within their 1-on-1 clients to drive sustainable scaling of the organizations.

YESS and CFAC Certification is being required starting at Senior Associate level to ensure the coach has the training and toolset to more comprehensively contribute to ActionCOACH achieving its Vision of World Abundance Through Business Re-education. With the expansion of the focused resources and talent applied to the ActionCOACH Foundation, we are seriously extending our Vision beyond the business community into the non-profit sector and the development of the Future Entrepreneurs of the World informing the youth of the world that “Entrepreneurship is an Option” and equipping them with the foundation to successfully pursue entrepreneurial endeavors.

A Master Coach certification is additionally required for those wishing to progress to Levels 4, 5 and 6 (Junior Partner up to Senior Partner) taking into consideration the management responsibilities also required for said levels. This additional requirement ensures that prior to advancing to any of the Partner levels in the track, the applicant business coach has also met certain requirements, including but not limited to:

- Being certified by ActionCOACH HQ as qualified to coach other business coaches.
- Being the recipient of at least 1 performance recognition award at an ActionCOACH regional or global conference;
- Actively participating in community events such as speaking in webinars or regional or global conferences or acting as trainer in new franchisee induction training or executive coach

training; and

- Promoting the ActionCOACH brand and following brand guidelines.

Criteria No. 4: Management Responsibility

<i>Junior Associate</i>	<i>None</i>
<i>Associate</i>	<i>None</i>
<i>Senior Associate</i>	<i>None</i>
<i>Junior Partner</i>	<i>Junior Associates & Associates; Single Territory</i>
<i>Partner</i>	<i>Senior Associates & Junior Partners; 5 Territories</i>
<i>Senior Partner</i>	<i>Partners; More than 5 Territories</i>

During Task Force meetings and discussions, the group considered creating management responsibility levels that are tied to both level of associate and a certain number of territories or DDMA's managed. The management of associates starts at the Junior Partner level to correlate with the level where the Master Coach Certification starts. It is being recommended that Junior Partners can manage Junior Associates and Associates to develop their skills in managing coaches within the construct of an ActionCOACH Firm and ensure exceptional client results, relationship, retention and upgrading to additional programs along with the development, advancement and retention of the Junior Associates and Associates. The Partner will have developed the requisite skills and experience to be fully capable of managing Senior Associates and ensuring their further development, performance and retention along with the results delivered for the 1-on-1 clients, the client relationships built, retaining of clients all the way through to their successful business exit, the expansion of number of transactions and average dollar sale per client as well as the earning & consistent gathering of referrals from all levels of clients served by the Senior Associates.

Criteria No. 5: Financial Investment

<i>Junior Associate</i>	<i>Not Required</i>
<i>Associate</i>	<i>Not Required</i>
<i>Senior Associate</i>	<i>Not Required</i>
<i>Junior Partner</i>	<i>Required; Valuation Method TBD</i>
<i>Partner</i>	<i>Required; Valuation Method TBD</i>
<i>Senior Partner</i>	<i>Required; Valuation Method TBD</i>

The table above describes which partner track levels will be required to infuse capital or make financial investments in the Firm. However, the valuation method to determine the specific amounts required per level have not been decided or discussed by the Task Force. We will use best practices from other professional service firms as a baseline to build our models.

Percentage of Ownership

<i>Junior Associate</i>	<i>Not Applicable</i>
<i>Associate</i>	

<i>Senior Associate</i>	
<i>Junior Partner</i>	<i>10% aggregate ownership</i>
<i>Partner</i>	<i>25% aggregate ownership</i>
<i>Senior Partner</i>	<i>30% aggregate ownership; plus</i>
	<i>35% aggregate ownership for Name Partners only</i>

The Task Force also discussed the recommended ownership percentages to be assigned to each Partner level. The reasoning behind the above allocation is to ensure that Senior Partners (whether name partners or not) have the supermajority needed to approve decisions affecting major corporate actions such as mergers, acquisitions, spin-offs, etc. We will solicit more input from the community and further research existing best practices in the professional services industry as this part of the Program is developed and the guidelines are finalized.

**PART I, Section 3:
The Valuation Method and Compensation and Benefits Structure**

Valuation Method

This matter has not been discussed or agreed on by the Task Force. Ideally, historical results would be the main indicator of future results. Therefore, historical financial performance and client metrics will be major considerations when determining the value of a business in general and how much monetary investment will be required of an applicant-business coach who wishes to purchase ownership rights in a Firm franchise. Other factors the Task Force may consider would be a business coach's tenure with ActionCOACH, their year-on-year performance & progression, territorial valuation and ability to make significant cash infusion.

Compensation and Benefits and Decision Making

The matter of compensation and benefits such as salary, commission, bonus and/or profit-sharing per level of the partnership track has not been discussed or agreed on and needs to be the subject of future meetings of the Task Force.

Voting and decision-making rights have been discussed and agreed by the Task Force only as far as giving such rights to those in Levels 4 through 6 of the partnership track only. The extent of such decision making or voting rights, however, have not been determined by the Task Force and will be the subject of future discussions that will include input from the community.

Exhibit A
The Partnership Track Eligibility Matrix

Revenue	
Junior Associate	Revenue or Revenue Producing Hours TBD
Associate	Revenue or Revenue Producing Hours TBD
Senior Associate	Revenue or Revenue Producing Hours TBD
Junior Partner	Revenue or Revenue Producing Hours TBD
Partner	Revenue or Revenue Producing Hours TBD
Senior Partner	Revenue or Revenue Producing Hours TBD
Years of Service / Industry Experience	
Junior Associate	N.A.
Associate	1.5 years
Senior Associate	3 years
Junior Partner	4 years
Partner	6 years
Senior Partner	7 years
Continuing Education and Professional Development	
Junior Associate	120 education hours annually
Associate	120 education hours annually
Senior Associate	Executive Coach + YESS + CFAC
Junior Partner	Executive Coach + YESS + CFAC + Master Coach
Partner	Executive Coach + YESS + CFAC + Master Coach
Senior Partner	Executive Coach + YESS + CFAC + Master Coach
Management Responsibility	
Junior Associate	None
Associate	None
Senior Associate	None
Junior Partner	Junior Associates & Associates; Single Territory
Partner	Senior Associates & Junior Partners; 5 Territories
Senior Partner	Partners; More than 5 Territories
Financial Investment	
Junior Associate	Not Required
Associate	Not Required
Senior Associate	Not Required
Junior Partner	Required; Valuation Method TBD
Partner	Required; Valuation Method TBD
Senior Partner	Required; Valuation Method TBD