

OTA

Operations and Administration

Section 3:

Administration

- Franchisee Compliance – Key Points
- OTA Admin Factors
- Office (and Mobile Office) System
- Virtual Management Options

OTA Franchisee Compliance Standards

To be clear, these standards are not “suggestions”. What follows are key points extracted from the Franchise Disclosure Document and Franchise Agreement. All of these standards have been put in place to assist in achieving successful operations and achieving that “win-win” scenario for all parties involved. Shortcuts are cancer to a Franchise System. They erode at Brand Consistency and contribute to sloppiness and poor performance. Falling short of compliance standards isn’t just an indication of incompetence, but potentially of unethical business practices. Review these key points carefully and make note of any standard that requires regular adherence so that you can plan accordingly.

OVERTIME FRANCHISE COMPLIANCE

FDD – Key Points

WORK COMMITMENT REQUIREMENTS

- Franchise Business must operate the entire programming year (unless otherwise approved).
- Ceasing or suspending the operation of the Franchise Business could result in forfeiting the Territory
- Business must always be managed by Owner or Managing Owner.
- Communication with HQ must be timely, consistent, and responsive.

PERFORMANCE STANDARDS

- You must faithfully, honestly and diligently perform a Franchisees obligations and continuously exert your best efforts to promote, sell and operate the OTA Brand and Service.
- Customer Service and Employee Management are of the highest priority. Rapid response is required for both types of interactions. Customers or Employees seeking answers from HQ is a demonstration of a Franchisees failure.
- Automatic Termination and Loss of Investment:
 - Failure to make payments (royalty, technology fee, advertising fund, etc.)
 - Insolvency, Bankruptcy
 - Criminal Activity

NON-COMPETE

Non – Compete Clause

- May not be involved with a Competitive Business
- You will not perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located.
- May not recruit or hire any person who is employed by us or any OTA Business/Franchise.
- Either by termination or expiration, Franchisee may not have any direct or indirect interest in Competitive Business for 24 months within 100 miles from any OTA Territory or Office.

INSURANCE POLICY

- You must submit COI's as proof of insurance policies.
- Our Methods of Operation may regulate the types, amounts, terms and conditions of insurance coverage required to be carried for the Franchised Business.
- See FDD for specific requirements

OTA HUB SOFTWARE REQUIREMENTS

- You must use our proprietary "OTA Hub" software which is used for helping to manage the operations of the Franchised Business.
- We will provide you with online access to the "OTA Hub" software.
- Information must be updated in "real time".

JUMBULA REGISTRATION PLATFORM REQUIREMENTS

- You must use Jumbula online sports management software.
- Jumbula software is used for online registration for individuals attending our programs and for your programs schedule management.
- Information must be updated in “real time”.

QUICKBOOKS REQUIREMENTS

- You must use QuickBooks online accounting software that complies with our specifications.
- QuickBooks software is used for maintaining accounting and financial records for the Franchised Business.
- Information must be updated in “real time”.

ROYALTY REQUIREMENTS

- We no longer Require you to send over financials when royalties are due.
- We will log into your HUB and Jumbula and calculate the payment that is owed.
- You will provide us with a P&L and Balance Sheet once a year on August 31st.
- Accounting Periods:
 - Fall Session: September 1 to December 31
 - Winter Session: January 1 to February 28
 - Spring Session: March 1 to May 31
 - Summer Session: June 1 to August 31

ROYALTY REQUIREMENTS

- Royalty Percentage = 8%
- Royalty for HUB USERS = 5%
- Minimum Royalty per Accounting Period = \$1,200
- Royalty Due Dates:
 - January 15
 - March 15
 - June 15
 - September 15

TECHNOLOGY FEE REQUIREMENT

- \$300 every 3 months
 - Paid every 90 days with the initial installment due on the first day of your initial training program

MARKETING BUDGET REQUIREMENT

- You must spend not less than \$2,500 each year during the term of the Franchise Agreement for local advertising and promotion of your Franchised Business.
- You are required to provide proof of payment for business promotion.
- We may periodically review your records to verify your expenditures for advertising and promotion.
- Proof of expenditures is your burden. If we determine that you have not spent the requisite amounts, we may require you to pay such unexpended amounts into the Advertising Fund.

LATE PAYMENTS POLICY

Interest in Late Payments

- All amounts which you owe us and do not pay us when due will bear interest from their due date at the highest contract rate of interest permitted by law.
- You acknowledge that this does not constitute our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the Franchised Business.
- Your failure to pay all amounts then due constitutes grounds for termination of Agreement.
- Regardless of any designation you might make, we have sole discretion to apply any of your payments any of your past due indebtedness to us.
- You acknowledge and agree that we have the right to set off any amounts you owe us against any amounts we might owe you.

GOVERNMENT REQUIREMENTS

Licenses, Permits & Tax Numbers

- You must conduct business in strict compliance with all applicable laws, ordinances, regulations, and requirements of Federal, State, County, and Municipal governments and you must maintain in force all necessary permits and licenses.
- You must always be aware of federal and state laws because, ultimately, you are responsible. Failure to adhere to any laws relating to your business may result in costly fines or suspension of your operations. Ignorance is no excuse; therefore, we recommend that you contact your accountant, attorney, your state's Better Business Bureau or Small Business Association for specific laws and information.

OTA Administration Factors

The most demanding customer in the world is the PARENT. Typically, this is the category of customer Overtime Athletics most frequently interacts with (outside of actual youth program participants). The biggest distinction between the parent customer and the child customer is of course that the parent is paying for the service. All of the OTA Administration Factors have been designed for consistency and to achieve the highest level of service and customer satisfaction. Deviating from any of them is at the very least a mistake, and at worst not complying with the Franchise Agreement. What follows should serve as a “check list” for administrative requirements.

- Computer Equipment

- We require that you use a standard personal computer that has Internet access. The following applications will be installed on your computer:
 - One Drive (sharefile/cloud)
 - Microsoft 365
 - Jumbula
 - OTA Software “The HUB”
 - Quickbooks

The costs are covered in your franchisee technology fee

- We may access your computer systems at any time to ensure you are operating according to our guidelines and standards.
- We also require you to have a cell phone, dedicated to OTA business, a printer, and a copier.

- Website

- You are required to participate in the Overtime Athletics® website (www.otathletics.com). You may not separately register any domain name or operate any website associated with Overtime Athletics®. We will control the website and update as new programs and franchisees are added.

- Accounts Payable

- You must pay all invoices on time. Failure to pay your bills promptly may reflect poorly on the entire franchise system and could cause serious problems with suppliers. If you are going to be over thirty days late with any bill, you must notify us with the details.

- Accounts Receivable

- You must invoice and collect on all of your accounts. You are required to use QB’s. Invoices should be sent promptly to all customers. When payment is received, you must deposit into your account.

- Payroll
 - You have the option of outsourcing your payroll or preparing it in-house. If outsourcing, we recommend you use a payroll service to prepare payroll checks and all payroll tax statements in order to make record-keeping quick, easy and error free.
 - All payroll taxes must be paid on time including:
 - Federal withholding tax
 - State withholding tax
 - City/County withholding tax (if applicable)
 - Social Security (FICA)
 - Federal unemployment tax
 - State unemployment tax
 - Any other taxes/deductions required by Federal, State or Local governments.
 - You must maintain payroll records in compliance with all Federal, State, and Local regulatory agencies.
 - Keep individual payroll records for each employee.
 - Form I-9 (Employment Eligibility Verification) must be completed by every employee prior to beginning employment. Form I-9 must be kept on record for three years, even if an employee is terminated.
 - Form W-4 (Employee's Withdrawal Allowance Certificate - both Federal and State, if required) must be completed by every employee prior to beginning employment.
 - Form W-2 (Total Wages and Other Compensation Paid) must be furnished to each employee. A copy of Form W-2 must be retained permanently. Form W-2 for the previous calendar year must be furnished to the employee not later than January 31st of the following year.
 - All payroll records and records pertaining to taxes must be maintained for the term of your franchise agreement and for the following seven years.
 - All tax records must be kept-up-to-date and all payments must be made on time including:
 - Federal Income Tax
 - State Income Tax
 - Local Income Tax (if applicable)
 - All payroll taxes
 - All sales taxes
 - Any other taxes, as applicable.
 - All tax records and returns must be kept for the term of your franchise agreement and for the following seven years.

- Home Office Reporting
 - You must provide accurate fees and reports to us in a timely fashion.
 - **Royalty** – the greater of a required minimum amount or 5% of Gross Revenue each Accounting period* (see Royalty table)
 - **Advertising Fund Fee** – 1% of Gross Revenue per accounting period
 - **Technology Fee** – \$300 every 3 months
 - Paid every 90 days with the initial installment due on the first day of your initial training program

*There are four accounting periods (Based on start dates of programs)

- Fall Session: September 1st – December 31st
- Winter Session: January 1st – February 28th
- Spring Session: March 1st – May 31st
- Summer Session: June 1st – August 31st

| MINIMUM ROYALTY PER ACCOUNTING PERIOD |
|--|
| Initial 4 Full Accounting Periods During the Term of the Franchise Agreement - \$0 |
| Each Accounting Period Thereafter During the Remaining Term of the Franchise Agreement - \$1,200 |

- Prior to opening your business, you are required to open a bank account from which we will make withdrawals for Advertising and Technology Fees due for the accounting periods. We will make Royalty withdrawals on the following dates:
 - Fall Session: January 15th
 - Winter Session: March 15th
 - Spring Session: June 15th
 - Summer Session: Sept 15th

You are responsible for the costs and expenses of establishing and maintaining the account, including transaction fees, wire transfer fees, etc.

- Also, on January 15, March 15, June 15, Sept 15, you must electronically send us a Profit and Loss Statement & Balance Sheet & Hub Detail Export for that session.
- All records including cash receipts, bank account records, canceled checks, general ledgers, service contracts, purchase orders and invoices must be kept for the term of your franchise agreement and for the following seven years.

- Proprietary Marks

- You must use our proprietary marks properly. Proper use and protection of our name is important. If a name is not protected, or is used incorrectly, it may lose its value as a symbol of the company's quality and become generic in meaning. (The words aspirin, yo-yo, and escalator all began as brand names but lost their company affiliation through lack of proper protection.) If you observe any other person or company using a name, mark or color scheme in any way similar to ours, notify us at once. We will determine the steps to be taken and control any actions.

- Here are samples of the marks you are licensed to use.

- Overtime Athletics®



- All signs must comply with all applicable government regulations and must use our mark properly. All signs must be approved by us. You may use our proprietary marks on stationery, checks, business cards, and other business papers if, and only if, you include the text "Independently owned and operated." You may not use our marks in your corporate name.

- You may not make any advertisements or published endorsements using our proprietary marks. If you do make any advertisements or published endorsements for another individual or company they must clearly state that you are the independent owner of your business. None of our proprietary marks may be used for reasons other than the business of the franchise without our prior written approval.

Franchisee Insurance Requirements

*All businesses must have protections, but no more so than those interacting with children. Be sure to understand the purpose of each of the policies outlined here. Communicate the minimum requirements to brokers and carriers that you interact with. Understand that filling out insurance applications requires detail and should always be met with questions in hand for your insurance contacts to assist with the process.

**As territories grow and mature, insurance needs can, and will, change. Franchisees should prepare to have an annual review with their insurance brokers in order to communicate current levels of business, number of partnerships, enrollment figures, revenue figures, employment figures, types of programs and activities, updated hiring and training practices, updates systems of programming, etc.

***The insurance must be in effect before the franchise begins operation and continue in effect, uninterrupted.

Insurance Policy Requirements:

GENERAL LIABILITY – PROVIDES COVERAGE FOR BODILY INJURY AND PROPERTY DAMAGE.

- EX: CAMPER IS INJURED AND PARENTS FILE LAWSUIT AGAINST FRANCHISEE. THE LIABILITY COVERAGE
- PROVIDES DEFENSE COVERAGE (ATTORNEY'S FEES) AND PAYS ANY AWARDS.
- IN ADDITION, THE SCHOOLS, GYMS, AND LOCATIONS WHERE CAMPS TAKE PLACE WILL REQUIRE GENERAL LIABILITY COVERAGE AND MOST LIKELY BE ASKED TO BE NAMED ADDITIONAL INSURED.

SEXUAL ABUSE & CHILD MOLESTATION – PROVIDES DEFENSE (ATTORNEY'S FEES) AND PAYS FOR ANY AWARDS.

- EX. CAMPER CLAIMS A COUNSELOR/COACH TOUCHED THEM INAPPROPRIATELY OR MADE THEM FEEL UNCOMFORTABLE.
- IN OUR AGENCY'S EYES THIS IS A NECESSITY TO HAVE WHEN RISKS ARE DEALING WITH CHILDREN.
- IN ADDITION, WE HAVE SEEN THIS BE A REQUIREMENT FOR SOME CERTIFICATE HOLDERS.

EXCESS LIABILITY – PROVIDES COVERAGE OVER AND ABOVE THE UNDERLYING GENERAL LIABILITY COVERAGE.

- EX. CAMPER SUFFERS BODILY INJURY AND THE GENERAL LIABILITY LIMIT IS EXHAUSTED.
- THE EXCESS LIABILITY GOES OVER THE EXHAUSTED LIMIT.

WORKERS COMPENSATION – REQUIRED IN EVERY STATE. PROVIDES WAGES & MEDICAL BENEFITS FOR EMPLOYEES INJURED WHILE WORKING.

- EX. COUNSELOR BREAKS AN ARM WHILE WORKING. WORKERS COMPENSATION COVERAGE WILL PAY FOR MEDICAL COSTS STARTING AT DOLLAR ONE.
- WILL ALSO PROVIDE A PERCENTAGE OF THAT EMPLOYEE’S WAGE’S WHILE HE/SHE IS UNABLE TO WORK.
- THIS IS A REQUIREMENT ON MOST IF NOT ALL OF THE REQUESTS WE SEE FROM CERTIFICATE HOLDERS.

ACCIDENT MEDICAL – PROVIDES MEDICAL BENEFITS TO CAMPERS WHO ARE INJURED WHILE ATTENDING CAMP.

- PENDING THE POLICY LANGUAGE, MEDICAL PAYMENTS COVERAGE ON THE GENERAL LIABILITY COVERAGE OFTEN EXCLUDES MEDICAL PAYMENTS.

Insurance Coverage Details: We require that your insurance must be in effect at all times

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|------------------------------|---|
| <u>Policy Type:</u> | Commercial Package |
| <u>Term:</u> | 12 Months |
| <u>Policy Limits:</u> | General Liability Aggregate Limit: \$2,000,000 |
| | Products/Completed Operations Aggregate Limit: \$2,000,000 |
| | Personal and Advertising Injury Limit \$2,000,000 |
| | Each Occurrence Limit \$1,000,000 |
| | Sexual or Physical Abuse or Molestation Vicarious Liability |
| | Aggregate Limit \$200,000 |
| | Each Abuse Conduct Limit \$100,000 |
| | Medical Expense Limit (Any One Person) \$5,000 |

Workers’ Compensation: Statutory (with All States Broad Form)

- All policies of insurance must require a thirty-day notice of cancellation to us including notice of non-payment of premiums.
- You must name us as an additional insured and forward Certificates of Insurance to us within seven days of procuring the insurance.
- If you rent space and your lease requires coverage at an amount different from that listed above, you must obtain coverage in whichever amount is higher.

- Franchisor Assistance

- We will provide telephone and email consultation covering all areas of operating the franchise. You may call us at (703) 437-1200 or email us at info@otathletics.com.
- We will also provide opening assistance to you. Within six months of the completion of your training, we will provide three days of support to you consisting of at least four hours each day. We will determine the days and times of this support.
- If you request additional training, our current charge is \$500 per day, plus expenses.
- We will also provide newsletter services so you are informed of the current events in the Overtime Athletics® franchise program.
- We may plan meetings for business or social purposes with you and other franchisees.
- As we develop new policies and procedures, we will pass that information to you in the form of manual updates and revisions. It is your responsibility to keep current on all revisions and changes to your Franchisee Control Manuals.

Office (and Mobile Office) System

Studies consistently show that work environment and workspace have significant impacts on productivity and achieving goals. Owning your own business requires a discipline and organization and your “Office System” sets the tone for everything else that comes next. Your workspace needs to accommodate all aspects of your role to include Emailing, Conference Calling, Video Meetings (ZOOM), Topics Investigation, Executing Payroll, and many other tasks. Considering file and paperwork storage as well as equipment and gear storage are paramount to creating the work environment that will promote success.

When considering your “Office System”, you will need to address three categories:

1. Office Rules
2. Office Needs
3. Mobile Office Logistics

Office Rules:

- Hours of Operations – everyday your business should be “open” for customer service no later than 8:30am. Programming scenarios and different sessions will dictate your businesses “closing” time. Understand that a fundamental aspect of youth programming is that Owners/Franchisees/Program Directors need to be ACCESSIBLE to their customers. This is in relation to replying to emails and voicemails in timely manners.
- Do not conduct in-person office meetings or appointments at your home.
- Consider your business mailing address – PO Box? Adding “Suite 100” to your home address to distinguish between personal mail and business mail.
- Shipping and Printing methods should be established early in the operations of your business

Office Needs:

Here are some NEEDS to consider:

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|--------------------|--|-----------------------|--|
| Territory Phone | | White Board | |
| Credit Card | | Clip Board | |
| Equipment Storage | | | |
| | | Stapler | |
| Computer | | Hole Puncher | |
| Printer/Copier/Ink | | Scissors | |
| | | | |
| Email Address | | File Storage | |
| Outlook | | Mobile “Bins” Carrier | |
| Share-File / Cloud | | | |

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|---------------------|--|
| OTA Wear | |
| Business Cards | |
| OTA Signage | |
| Marketing Materials | |
| | |
| Voicemail | |
| | |
| | |
| | |

| | | | |
|-------------------|--|---------------|--|
| Printer Paper | | Stamps | |
| Envelopes | | Address Stamp | |
| Pads | | | |
| Folders | | | |
| Files | | | |
| Paperclips | | | |
| Tape | | | |
| Pens | | | |
| Highlighter | | | |
| Dry Erase Markers | | | |
| Staples | | | |
| | | | |

Mobile Office Logistics:

“Taking the show on the road” is a concept that many Home-Based Businesses implement as a matter of day to day operations. Not only do Franchisees/Program Directors need to visit program sites, meet with school and facility contacts, but they also need to Interview, Hire, and Train instructors and employees at convenient (and conducive) locations.

Remote business locations for Interviewing, hiring, and training should be established early on in territory operations. Where is your workforce located? What type of setting can accommodate staff meetings, demonstrations (some athletic in nature), equipment, and gear drop off? Are there locations that can be utilized depending on the size of the group (one on one appointments vs group appointments)? Examples include: Student Unions on College Campuses, Coffee Shops, Panera Bread “Type” Restaurants, Libraries, Community Centers, Food Courts, etc.

When conducting business away from the office, two factors to consider are your appearance and mobile work system. For your appearance, any opportunity to promote the OTA Brand should be utilized. Not just with contacts and customers, but with employees and instructors. Meetings should include a professional look for this type of business (Khaki type pants, OTA Collard Shirt). Note - Athletic programming should be attended in athletic attire.

Regarding Mobile Work System, it is essential to be able to conduct business remotely. Phone calls, emails, and OTA Platforms access all need to continue when not working from the Home Office. Internet access and good cell phone service are factors to consider whenever selecting locations. In addition, paperwork, materials, and documents will also need to travel to these appointments. Having folders (accordion style) to keep necessary documents organized (and mobile) for your IHT and Sales Meetings cannot be overlooked.

Virtual Management Options

The old saying is “time is money”. Mobile work has a cost to it. Time and travel expense can add up quick. Technology has provided business owners tools to combat these costs and should be considered in order to achieve more efficient processes.

Online Video and Conference Call Meetings

- Utilizing platforms like Team Viewer and ZOOM to screen, interview, hire, train, and meet with employees should be taken seriously and can assist not only with convenience for the participants but a massive time saver for Franchisees/Program Directors.
- In person interaction is important to build relationships with employees and instructors, and also a part of the evaluation process for both bringing on a new hire and monitoring their work performance, but a healthy combination of meeting with staff a variety of ways (video and conference calling and in-person) should be formulated to create a positive management dynamic.
- Whether conference calling or video meeting, it is so important to establish the rules and expectations prior to the event. What is the meeting agenda? Did the participants need to prepare or have anything in front of them for the meeting? How do people participate, get called on, ask questions? What is the etiquette for the meeting platform being used? A preview email to participants of these meetings should go out so that the event can be as productive as possible.
- Determining the best number of participants for virtual meetings is always something to consider. There are a lot of positives that can come out of “group meetings” but recognize that the event needs to add value for everyone. There are certain times that one on one meetings, or small group, or entire staff will be the best options to address a given topic or topics.