FRANCHISE DISCLOSURE DOCUMENT

Challenge Island Global, LLC
a Georgia limited liability company
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A Challenge Island franchisee will own and operate a business providing distinctive challenge-based programs designed to foster critical and creative thinking skills, problem solving methodology, and core STEAM (Science, Technology, Engineering, Art, Mathematics) principles in children ages 5 to 14+.

The total investment necessary to begin operation of a Challenge Island franchise is from $~~54,675~~53,425 to $68,925. This includes $44,900 that must be paid to the franchisor or its affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Sharon Duke Estroff, at 4590 LaSalle Ct., Marietta, Ga. 30062 (404.692.3103) (OfficialNotices@challenge-island.com).

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

The issuance date of this Franchise Disclosure Document is ~~June 30, 2022~~April 28, 2023.

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit B.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 and Exhibit G include financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only "Challenge Island" business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a "Challenge Island" franchisee?	Item 20 or Exhibit B list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the Table of Contents.

What You Need to Know About Franchising Generally

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit C.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About This Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation and litigation only in Georgia. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Georgia than in your own state.

2. **Mandatory Minimum Payments**. You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

3. **Short Operating History**. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

4. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will replace both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

5. **Supplier Control**. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) in Exhibit H to see whether your state requires other risks to be highlighted.

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Item 1 The Franchisor and any Parents, Predecessors, and Affiliates

The Franchisor

The Franchisor is Challenge Island Global LLC. In this disclosure document ("**FDD**"), we refer to "Challenge Island Global LLC" as "**we**", "**us**", "**our**" or "**Challenge Island**". We were formed as a Georgia limited liability company on September 24, 2015. We conduct business under our corporate name and the name and mark "Challenge Island." We do not do business under any other name. Our principal place of business is 4590 LaSalle Ct., Marietta, Georgia 30062. Our agents for service of process are listed on Exhibit D to this Franchise Disclosure Document.

We do not engage in business activities other than franchising "Challenge Island" businesses. We have offered "Challenge Island" franchises since January 2016. We have never offered franchises in any other lines of business.

Our Parents, Predecessors, and Affiliates

We have no parents, predecessors, or affiliates that are required to be disclosed in this Item, except for:

Kidsplorations, LLC ("**Kidsplorations**"), a Georgia limited liability company formed on July 9, 2012	Our affiliate Kidsplorations operates "Challenge Island" businesses. As of December 31, ~~2021,~~2022. Kidsplorations operated five "Challenge Island" businesses.
Challenge Island IP Holdings, LLC ("**CIG IP**"), a Georgia limited liability company formed on September 24, 2015	Our affiliate CIG IP owns and licenses to us the right to use and sublicense our Proprietary Marks.
CI Franchise Company, LLC ("**CI Franchise Co.**"), a Florida limited liability company formed on September 14, 2012	CI Franchise Co. is our predecessor. From September 2012 until November 2015, CI Franchise Co. offered "Challenge Island" franchises. On December 9, 2015, CI Franchise Co. ended its relationship to the System when we acquired the rights, title and interest in the Marks and the System.

The Franchise Offered

We offer franchises for the establishment and operation of a "Challenge Island" mobile service business ("**Businesses**") that feature, among other things, distinctive challenge-based programs designed to foster critical and creative thinking skills, problem solving methodology, and core S.T.E.A.M. (Science, Technology, Engineering, Art, Mathematics) principles in children ages 5 through 14+ ("**Services**"). These programs are offered through classes, workshops and other organized activities conducted after school, classes in preschools, elementary schools and middle schools, as part of school field trips, during camps (including

school holiday and summer vacation camps) and at birthday parties (wherever held, including parks, family entertainment centers, community centers and similar public venues).

Businesses are characterized by our system (the "**System**"). Some of the features of our System may include our business formats; methods; procedures; signage; designs; layouts; standards and specifications; quality of services offered; software; training and assistance; the Proprietary Marks (defined below); proprietary curriculum; lesson plans; model plans; and project kits developed and manufactured by us or our affiliates. We may periodically change portions of the System.

We offer to enter into franchise agreements ("**Franchise Agreements**") with qualified entities and persons that wish to establish and operate Businesses. We award franchises in our discretion, and in order to be qualified to become our franchisee, we will consider many factors that include, among other things, a prospective franchisee's financial resources, educational and work background, personality fit, and ability to work with our team. A copy of the form Franchise Agreement is attached to this FDD as Exhibit A.

If you* sign a franchise agreement, then you will be granted the right, and accept the obligation, to operate a Franchised Business in accordance with a Franchise Agreement and also our standards and procedures (which will be reflected in our confidential brand standards manual, the "**Brand Manual**"). You will have access to our Brand Manual for your use in connection with operating the Franchised Business under the Franchise Agreement. In addition, we will grant you the right to use our marks, including "Challenge Island" and any other trade names and marks that we designate in writing for you to use (the "**Proprietary Marks**"). Your Business will operate under our Proprietary Marks. We will designate in the Franchise Agreement an area (the "**Protected Area**") within which we will not operate nor license another party to operate another "Challenge Island" business. The Protected Area is further described in Item 12 of this disclosure document.

Applicable Regulations

You must comply with all local, state, and federal laws that apply to your Business, including the Americans with Disabilities Act ("**ADA**"), federal wage and hour laws and state equivalents, the Affordable Care Act, the Occupational Safety and Health Act, anti-terrorism, and anti-corruption laws (such as the Patriot Act and Foreign Corrupt Practices Act). You also must follow the Payment Card Industry Data Security Standards and comply with applicable data protection and privacy laws relating to customer payment card transactions.

Many states require you to be "cleared" to offer after-school classes in the public school system, which may require that you consent to a background check and verification of identification. This may require completing specific forms and being fingerprinted. It is your sole responsibility to investigate thoroughly the applicable business and licensing rules and regulations before opening your Franchised Business (including laws that apply to youth educational and family entertainment businesses, such as teacher-student ratio requirements). You must also comply with all applicable laws, rules, and orders of any governmental authority concerning any pandemic or public health crisis, which may require businesses in the

* In this disclosure document, "**you**" means the person or legal entity with whom we enter into an agreement. The term "you" also refers to the direct and indirect owners of an entity (such as a corporation, partnership, limited liability company, limited liability partnership, or trust) that signs a Franchise Agreement as the "franchisee."

educational services industry to materially modify, limit, or suspend operations for an indeterminate period.

We recommend that you examine these and all applicable laws, regulations, and standards with your own lawyer before entering into a franchise agreement. The laws in your state or municipality may be more or less stringent, and there may be specific laws or regulations in your state or municipality regarding the operation of a Business.

Competition

The general market for the Services that your Business will offer is primarily children between the ages of 5 through 14+, however we have developed programs for other age groups, including adults. You can expect to compete in your market with other companies and non-profit organizations that offer similar classes, workshops, camps and birthday parties, which may be local, regional or national and franchised or non-franchised. These businesses vigorously compete on the basis of factors such as price, service, location, and program quality. The market for these Services is well-established and highly competitive.

Item 2 Business Experience

The following individuals have management responsibility for the sale or operation of the franchise offered by this disclosure document. Unless otherwise noted, their present place of business is in Atlanta, Georgia.

Chief Executive Officer Sharon D. Estroff

Ms. Estroff has been our Chief Executive Officer since we formed in September 2015 and has served in the same role for our affiliate Kidsplorations since July 2012. Ms. Estroff has owned a Challenge Island Business since September 2002.

Chief Development Officer Robin Bergeron

Ms. Bergeron joined us as our Chief Development Officer in August 2017. She previously served as our Chief Learning Officer from January 2016 until August 2017. Ms. Bergeron has owned a Challenge Island Business since July 2013 and before that, Ms. Bergeron spent 22 years as an Elementary School Teacher, all in Houma, Louisiana.

Chief of Support Leslie Thibodaux

Ms. Thidobaux joined us in August 2017, and since January 2022, has served as our Chief of Support, having previously served as our Chief of Operational Support (August 2017 until January 2022). Ms. Thidobaux has also owned a Challenge Island Business since July 2013, and before that, spent 21 years as a Talented and Gifted Teacher, all in Houma, Louisiana.

Chief Knowledge Officer Lorna Bulpin

Ms. Bulpin has served as our Chief Knowledge Officer since August 2017, having previously worked as a Program Developer for CI Franchise Co. from August 2014 under August 2016. From August 2016 until August 2017, Ms. Bulpin served as our Director of Corporate Franchise Operations. Ms. Bulpin also ~~has~~ worked as a teacher for ~~the~~a corporate-owned Challenge Island Business located in Marietta, Georgia ~~since~~from September ~~2013.~~2013 until May 2021.

Item 3 Litigation

Our Predecessor

On January 19, 2016, a Settlement Order was entered in the matter of Commonwealth of Virginia, *ex rel.* State Corporation Commission v. CI Franchise Company, LLC, Case No. SEC-2015-00027 related to allegations by the State Corporation Commission that our predecessor, CI Franchise Co., sold 4 Challenge Island franchises in Virginia while it was not properly registered. It was also alleged that CI Franchise Co. had engaged in other activities in violation of the Virginia Retail Franchising Act ("Act"). CI Franchise Co. neither admitted nor denied the allegations. CI Franchise Co. paid $60,000 in monetary penalties, $5,000 to defray the cost of investigation; was enjoined from offering and selling franchises in Virginia for 180 days; agreed not to violate the Act in the future; and certain corporate officers were required to complete franchise sales compliance training by the International Franchise Association.

Settled Matters

Beckloff v. Challenge Island Global, LLC, Sharon Duke Estroff, Robin Bergeron, Case No. 8:19-cv-259 (United States District Court for the Central District of California), filed February 8, 2019 (removed from the Superior Court of California for the County of Los Angeles, *Beckloff v. Challenge Island Global, LLC, et al.*, Case No. 18STCV10195, filed on December 27, 2018). We initially engaged in settlement discussions with the franchisee in October 2018 and subsequently issued notice of default to the franchisee in December 2018 related to alleged breaches of the franchise agreement in connection with the operation of the franchisee's Challenge Island business. On December 27, 2018, Plaintiffs filed suit against us in the Superior Court of California for the County of Los Angeles, *Beckloff*, Case No. 18STCV10195, alleging violations of the California Franchise Investment Law for a franchise sold in April 2018 and other claims of fraud, negligent misrepresentation and unfair business practices and seeking rescission and unspecified damages. We removed the lawsuit to the United States District Court for the Central District of California, Case No. 8:19-cv-259, on February 8, 2019. We entered into a settlement agreement with a franchisee on February 14, 2019 for an agreed termination of the franchise agreement, mutual releases and non- disparagement provisions, dismissal of claims against us with prejudice and payment of $145,000 related to alleged violations of the California Franchise Investment Law for a franchise sold in April 2018 and other claims of fraud, negligent misrepresentation and unfair business practices.

Other than the two matters referenced above, no other litigation information is required to be disclosed in this Item.

Item 4 Bankruptcy

There is no bankruptcy is required to be disclosed in this Item.

Item 5 Initial Fees

Initial Franchise Fee

The initial franchise fee is $44,900, and will be due when you sign the Franchise Agreement. The initial franchise fee will be fully earned when you sign the Franchise Agreement, must be paid in one lump-sum amount, and is not refundable.

We offer several discounts to qualified franchisees:

New Franchisee signing multiple Franchise Agreements.	If you are a new Challenge Island franchisee and you simultaneously enter into multiple Franchise Agreements, the initial franchise fee under your first Franchise Agreement will be $44,900, but we will reduce the initial franchise fee to $29,900 under the second and each additional Franchise Agreement that you sign at that same time for each new Franchised Business.
Franchisee signing additional Franchise Agreements	If you are an existing Challenge Island franchisee and enter into additional Franchise Agreements, we will reduce the initial franchise fee under the second and each additional Franchise Agreement to $34,900 for each new Franchised Business.
Educators' Discount	If you are an educator purchasing a Franchised Business, we offer a 10% discount from our initial franchise fee (to $40,410) during ~~2022.~~2023.
Veterans' Discount	If you are a veteran of the U.S. Armed Forces, through our participation in the International Franchise Association's VetFran Program, we offer a 10% discount to first-time purchasers of franchisees for their first Challenge Island franchise (to $40,410). To qualify for the discount, the veteran must own at least a 50% interest in the franchise and must have received an honorable discharge from the U.S. Armed Forces.

Discounts on initial franchise fees may not be combined and do not apply to a transfer of an existing Challenge Island Business.

During ~~2021,~~2022, franchisees paid initial franchise fees ranging from $~~35,910~~33,675 (representing a ~~10~~25% discount from our then-current initial franchisee fee) to $~~39,900~~44,900 (our ~~then~~ current initial franchisee fee)~~. Except as provided above~~; otherwise, the initial fee is uniform for new franchisees.

Item 6 Other Fees

Fees (Note 1)	Amount	Due Date	Remarks
Royalty Fee (Note 2)	7% of Gross Sales for the previous month, or the Minimum Royalty Fee (if greater) (see	Monthly, by the Due Date (which is the 20th day of each Month)	Payments must be made by electronic funds transfer using the Automated Clearing House (ACH) Network. See Note 1.

Fees (Note 1)	Amount	Due Date	Remarks
	Notes 1 and 2)		
Marketing Contributions (Note 3)	2% of Gross Sales or the Minimum Marketing Fee if more.	Monthly, by the Due Date (which is the 20th day of each Month)	See Note 3.
Local Marketing (Note 3)	At least $500 per quarter	Quarterly	Local marketing will be conducted primarily through your local marketing expenditures. If there is a regional fund for your area, you may be required to conduct some or all of your local marketing through that regional fund. We may directly collect contributions for the regional fund from you.
Out of Territory Royalty	Note 4	Note 4	Note 4
Marketing Materials	As invoiced	Upon invoice	We may make available certain marketing materials for you to purchase. If you wish to buy those items, you will have to pay for them at the price that we establish for those items.
Initial Training (Note 5)	First three attendees: $0 For each additional attendee: $1,000	Before Training	Training for the first three people is included in the franchise fee. You must pay the per-person training fee for any extra, new, or replacement employees to attend our initial training program. See Note 6.
Additional Training	$1,000 per day, plus reimburse us for our staff's travel, lodging, meals, and other miscellaneous costs.	Upon demand	Only due if you request that we provide on-site training, or we determine such on-site training is appropriate.

Fees (Note 1)	Amount	Due Date	Remarks
Interest	1.5% per month	Upon demand	Only due if you do not make payments on time and in full. Interest may be charged on all overdue amounts. Interest accrues from the original due date until payment is received in full. Interest will not exceed the limit (if any) that applies to you under state law.
Audit Costs	Will vary under circumstances	Upon demand	If we conduct an audit, you will have to reimburse us for our costs and expenses associated with the audit (including travel, lodging and wages expenses, and reasonable accounting and legal costs). If there is any understatement in the sales that you reported, then you must also pay us the understated amount plus interest.
Transfer Fee	$6,735 or 15% of the then-current initial franchise fee (if greater)	At time of transfer	Only due if you propose to engage in a transfer. Payable by the transferee.
Renewal Fee	$5,000	Before renewal	Due upon renewal.
Annual Convention Registration Fee	$400-$500 (which we may change).	As incurred	If we elect to hold an annual convention, you and your Operating Principal must attend. We may require you to pay a fee to attend the mandatory annual convention. You will be responsible for all other costs of attendance, including travel, room and board, wages, benefits, and other expenses.
Liquidated Damages (Note 6)	See Note 6	15 days after termination	
Indemnification	Will vary under	As incurred	You must reimburse us for

Fees (Note 1)	Amount	Due Date	Remarks
	circumstances		the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business or for costs associated with defending claims that you used the trademarks in an unauthorized manner.

Notes to Item 6 table:

1 **Fees.**

The fees listed in the Item 6 tables are payable only to us or our affiliates. All fees due to us or our affiliates (such as royalty fees, advertising contributions, amounts due for your purchases from us or our affiliates, and other amounts due under the Franchise Agreement) must be paid through electronic funds transfer (using the ACH network). We may debit this account to collect these amounts. You must keep a sufficient balance in the account from which the ACH deductions are made to pay all of the fees due under the Franchise Agreement. We have the right to change payment method requirements. All of the fees payable to us or our affiliates are uniformly imposed, however, we may waive collection of some or all of these fees in certain circumstances. None of the fees payable to us or our affiliates are refundable.

We will have the right to make inflation adjustments to the fixed dollar amounts under the Franchise Agreement (but not the Initial Franchise Fee) if there are changes in the Index from the year in which you signed the Franchise Agreement. "**Index**" means the Consumer Price Index published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we can designate a reasonable alternative measure of inflation.

Gross Sales and Due Date.

For the purpose of determining the fees to be paid under the Franchise Agreement, "**Gross Sales**" means all revenue from the sale of all Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (including Extraterritorial Sales), and also including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit, but excluding: (a) sales taxes and other taxes that you collect from your clients and actually pay to the appropriate taxing authorities; and (b) refunds, discounts, and accommodations reasonably provided to your clients.

Your Royalty Fee and Marketing Contribution payments must be made by ACH, each month on or before the Due Date, based on your Gross Sales for the prior Month. The "**Due Date**" will be the 20th day of each Month by 5:00 pm (Atlanta time) (or the next business day if that falls on a weekend or federal holiday).

2 **Royalty Fees.**

For each month during the term of the Franchise Agreement, you must pay us a Royalty Fee equal to the greater of 7% of your Gross Sales or the Minimum Royalty.

If your Royalty Fee payments for a Month do not meet or exceed the Minimum Royalty, then for that month you must pay the difference between the Royalties that you actually paid to us, and the Minimum Royalty noted below. That payment will be due on the Due Date.

Royalty Fees (including Minimum Royalty fees) are calculated as follows:

For this Period:	**Your Royalty Fee will be:**
Initial Period (the first six months as defined below)	7% of your Gross Sales. (We discount the Minimum Royalty to zero in the Initial Period.)
Year One (after the Initial Period) until the end of *Year Three*	The greater of: (a) 7% of your Gross Sales; and (b) a Minimum Royalty of $400 per month.
Starting with *Year Three* and after that	The greater of: (a) 7% of your Gross Sales; and (b) a Minimum Royalty of $500 per month.

- "**Initial Period**" means the six months after you sign your Franchise Agreement (plus the month in which you sign the Franchise Agreement).
- "**Year One**" means (**a**) the month during which the Opening Date falls; and **(b)** the next twelve (12) consecutive full months.
- **Year Two** will be the next twelve (12) consecutive full months; and **Year Three** will be the following twelve (12) consecutive full months).

3 Marketing.

For each month, you must pay us a **Marketing Fee** equal to the greater of 2% of Gross Receipts and the **Minimum Marketing Fee** of $100, calculated as follows:

For this Period:	**Your minimum marketing contribution will be:**
Initial Period (as explained above)	2% of your Gross Sales. (There is no Minimum Marketing Contribution in the Initial Period.)
Each month after the Initial Period	The greater of (**a**) 2% of your Gross Sales; and (**b**) a Minimum Marketing Contribution of $100 per month.

Each quarter, you must also spend, on your own, at least $500 on local marketing. If we establish a regional fund for your area, we may require that you conduct some or all of your local marketing through that regional fund. All local marketing will be subject to our prior written approval.

4 **Extraterritorial Sales**.

If you sell Services or Products outside the Protected Area ("**Extraterritorial Sales**"), those sales will be included within "Gross Sales" under the Franchise Agreement. If those Extraterritorial Sales make up 25% or more of your average monthly Gross Sales during the trailing year, then we reserve the right to require that you: (a) discontinue Extraterritorial Sales; and/or (b) buy an additional franchise for that additional territory. If you do not buy the additional franchise, then you must pay us an additional "Out of Territory Royalty" of 5% of the Gross Sales that are derived from Extraterritorial Sales. Any Out of Territory Royalty will be in ~~additional~~addition to the standard royalty described in Note 3 above. Extraterritorial Sales are subject to additional requirements as set out in the Franchise Agreement.

5 **Training.**

There is no fee for you and your Manager (defined in Item 15), and one other individual to attend the initial training program. If you request that we provide additional on-site training in connection with the opening of your Franchised Business, or if we determine that such on-site training is appropriate, we will provide such on-site training for a fee of $800 per day to reimburse us for our cost and expenses (up to five days). In addition, if you request and we approve a substitute Manager, you will pay us $1,000 to train your new Manager, or any other replacement individual. (See Item 11 below.)

6 **Liquidated Damages.**

If we terminate the Franchise Agreement based on your default, or if you abandon or otherwise cease to operate the Franchised Business, in addition to all other amounts you may owe to us, you must also pay us, as liquidated damages, an amount calculated as follows: (a) the average of your monthly Royalty Fees that are due under the Franchise Agreement** for the 24 months immediately before your abandonment or our delivery of the notice of default (or, if you have been operating for less than 24 months, the average of your monthly Royalty Fees for the number of months you have operated the Franchised Business); (b) multiplied by the lesser of 24 or the number of months remaining in the then-current term of the Franchise Agreement. (** - Royalty Fees due under the Franchise Agreement include any applicable Minimum Royalty fees, without applying the Minimum Royalty fee discount that we offer for the Initial Period.)

Item 7 Estimated Initial Investment

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Initial Franchise Fee (Note 1)	$44,900	$44,900	Lump Sum	When you sign the Franchise Agreement	Us
Equipment (Note 2)	$0	$1,500	As arranged	By the first day of training	Suppliers

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
Product/supplies (Note 3)	$~~700~~500	$1,000	As arranged	Within a week after training	Suppliers
Insurance Premium (Note 4)	$1,000	$2,000	As arranged	As required	Insurance Broker
Office & Printing Supplies (Note 5)	$200	$800	As arranged	Within a week after signing the Franchise Agreement	Suppliers
Professional Fees (Note 6)	$~~2,000~~1,000	$5,000	As arranged	As required	Professionals
Training Expenses (Note 7)	$~~850~~800	$1,250	As arranged	As required	Employees and Suppliers
Marketing Materials (Note 8)	$0	$500	As arranged	As required	Us and Suppliers
Business License (Note 9)	$50	$500	As arranged	As required	Governmental Licensor
Additional Funds (3 months) (Note 10)	$4,000	$10,000	As arranged	As incurred	
Initial Marketing Plan (Note 11)	$500	$1,000	As arranged	As incurred	Advertising suppliers
Franchise Management Tool (FMT) (Note 12)	$475	$475	As arranged	One day before training and as incurred	Suppliers
Total	$~~54,675~~ 53,425	$68,925			

Notes:

We do not offer direct or indirect financing for any part of the initial investment. We do not guarantee your note, lease or obligations. The availability and terms of financing from other sources will likely depend on factors such as the availability of financing generally, your creditworthiness, and the policies of lending institutions. None of the fees payable to us or our affiliates is refundable.

1 **Initial Franchise Fee.** Our initial franchise fee is $44,900. We offer various discounts to qualified franchisees. If you are eligible for one of these discounts, the initial franchise would be reduced to a range of $29,900 to $41,400 (as explained in Item 5).

2 **Equipment**. You must buy a laptop computer that meets our minimum standards if you do not already own one. See Item 11. The cost will vary depending upon the kind of computer that you choose and its features.

3 **Products/Supplies**. You will be required to buy an initial inventory of items needed to conduct classes and to conduct marketing. We estimate that these items will cost approximately $~~700~~500 and $1,000.

4 **Insurance Premium.** See Item 8 for minimum insurance.

5 **Office & Printing Supplies.** You will use standard office supplies in the operation of your Franchised Businesses, including paper, writing instruments, and related materials.

6 **Professional Fees.** This estimate includes legal fees and accounting fees. Your costs will vary depending upon the professionals you choose to assist you in acquiring and developing the Franchised Business, and the assignments for which you seek their assistance.

7 **Training Expenses.** Your Operating Owner and (if your Operating Owner does not assume full-time responsibility for the franchised business, a Manager) must attend and successfully complete, to our satisfaction, the training program that we offer at a location that we specify. We have the right to conduct training in-person, virtually (especially if there are pandemic limitations), or in any combination of those methods.

We do not charge a training fee for up to three persons to attend training. (For more persons, we charge the fee that is explained in Item 6 above.) However, you will be responsible for all costs and out-of-pocket expenses incurred in connection with attending training in Atlanta. These include travel, lodging, meals, employee compensation, and related expenses.

The estimate in the chart accounts for one person to attend training, with a $250 per day expense allowance (for example, hotels, meals, car rental, etc.), for 3 days, plus a travel allowance of $100 to $500. If you or your staff choose more expensive accommodations, meals, or travel modes (e.g., first class flights), then your costs will be higher. If you send more than one person to attend training, your costs will also be higher.

8 **Marketing Materials.** You will need to purchase materials to market your new business.

9 **Business License.** The state or local governmental authorities in the state where will operate may require you to obtain certain licenses before commencing operations. The cost of these licenses will vary.

10 **Additional Funds.** You will need capital to support on-going expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we

calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Our estimate is based on our own business experience and information and that of our affiliates.

Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history, then lenders and suppliers may afford you less favorable lending and payment terms, which might increase the amount of funds you will need.

You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. Extensive startup costs may be involved, depending upon your circumstances.

11 **Initial Marketing Plan.** We will assist you in developing and conducting an initial marketing program in connection with commencement of operation of your Franchised Business. Your initial marketing program will be implemented during the week preceding commencement of operations and continue for a period of up to 90 days following the date upon which you commence operations.

12 **Franchise Management Tool.** This amount is the initial set-up fee for the subscription to the Franchise Management Tool that you must license from our designated vendor. The vendor currently charges an initial set-up fee of $250 and a monthly subscription fee (currently, $75 per month) to use the Franchise Management Tool. The estimate is for the initial set-up fee plus three months of subscription fees.

Item 8 Restrictions on Sources of Products and Services

Required Purchases of Goods and Services

You must operate the Franchised Business in conformity with the methods, standards, and specifications that we require (whether in the Brand Manual or otherwise). Among other things, these standards require that you must:

- maintain our reputation and the goodwill of our System and our Marks;
- only purchase products, supplies, promotional items and equipment from designated suppliers set forth in the Brand Manual ("**Approved Suppliers**");
- use only proprietary curriculum, lesson plans, program kits, templates, forms, designs and graphics, and materials bearing our Marks from Approved Suppliers (**Proprietary Products**");
- sell or offer for sale only those Products and Services, using the equipment and other items, that we have approved in writing for you to offer and use at your Franchised Business;
- not deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent;

- stop using and offering for use any Products or Services that we at any time disapprove in writing (recognizing that we have the right to do so at any time).

We have the right to amend the Approved Suppliers from time to time. We may designate our affiliates or ourselves as an Approved Supplier of any item. Except for marketing materials, Proprietary Products and other supplies, which you may purchase from us at a cost, currently, neither we nor any of our affiliates are Approved Suppliers of products or services used or offered for sale by the Franchised Business.

If you deviate (or propose to deviate) from our standards and specifications, you will need our prior written approval and, whether or not we provide that approval, those deviations will become our exclusive property.

You must purchase a laptop computer that has basic Microsoft Office capabilities and that otherwise meet our standards, as set forth in the Manual. (See Computer Hardware and Software under Item 11 below for additional information). You must also purchase the Franchise Management Tool software from and contract with our Approved Supplier for support, updating and maintenance services for that software (see Item 7 for estimated cost and Computer Hardware and Software under Item 11 for additional information). You must also purchase and use the data security and firewall programs, subscriptions and services that meet the standards set forth in the Manual and that comply with applicable law.

For all other equipment and materials purchases, we require only that the items that you select meet our brand standards set forth in the Manual. Lists of the manufacturers and brand names of the equipment and materials conforming to our standards and specifications you purchase for your Franchised Business are set forth in the Manual. We also maintain a list of suppliers from whom we recommend that you buy these items. We may require you to purchase other items that are proprietary according to our specifications in the future. We will notify you of such changes though the Manual or by other written notice.

We estimate that the required purchases of Proprietary Products, and other products and services made according to our specifications or from Approved Suppliers will equal approximately 90-95% of the total cost to establish your Franchised Business. We estimate that the purchases we currently require will equal approximately 90-95% of your ongoing operating expenses, depending upon your sales and your control of operating expenses.

Approval of Alternative Suppliers

If you want to buy any supplies or any other items from an unapproved supplier, you first must submit a written request to us asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, given our prior written approval to the proposed new supplier. We will provide our decision in writing within thirty to sixty days after we receive your proposal. We are not required to approve of any particular supplier. When considering whether to approve any particular possible supplier, we will consider (among others) the following factors:

- whether the supplier can show, to our reasonable satisfaction, the ability to meet our then-current standards and specifications;

- whether the supplier has adequate quality controls, insurance, capability, and capacity to supply the System's needs promptly and reliably; and

- whether the supplier's approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies.

Among other things, we will have the right to require that our representatives be permitted to inspect the proposed new supplier's facilities, and that samples from that supplier be delivered either to us or to an independent laboratory that we designate for testing. Either you or the proposed new supplier must pay us a charge (which will not exceed the reasonable cost of the inspection and the actual cost of the tests). We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers.

Our criteria for approving a proposed supplier include various quality related factors, including for example the supplier's history, its other production work, product quality, quality controls, and related benchmarks. We have the right to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria (if we revoke our approval, we will notify you in writing). You may not buy items from any supplier that we do not approve in writing, and you must stop buying items from any supplier that we may have approved but later disapprove.

We (and one of our affiliates) are the only designated supplier for certain items that you must buy for the operation of your Franchised Business, including certain educational materials, books, and other materials.

None of our officers own any interest in any other approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Franchised Business (except through ownership of mutual funds that might hold such an interest).

During our fiscal year ~~2021,~~2022, neither we nor any of our affiliates received revenue or other material consideration from required purchases or leases by franchisees. Certain approved suppliers may in the future pay to us or an affiliate compensation or otherwise credit our account or the account of our affiliate in the form of sales incentives or rebates based on the purchases you make from such suppliers. During fiscal year ~~2021,~~2022, neither we nor any of our affiliates received any revenue from suppliers based on required purchases and leases of products and services or purchases made based on our specifications by franchisees.

We have no purchasing or distribution cooperatives at the current time, although we retain the right to establish them.

We and our affiliates negotiate volume discounted arrangements with certain designated suppliers for Challenge Island franchisees based upon volume purchases of the System. You may, at your option, elect to use such suppliers, but the suppliers may require you to enter into a separate contract for their services and products.

We do not provide material benefits to franchisees based on a franchisee's purchase of particular products or services or use of a designated or approved supplier.

Insurance

You are required to obtain and maintain, throughout the term of the Franchise Agreement, certain minimum insurance types and coverages. Under Section 15 of the Franchise Agreement, these required coverages include:

- Molestation and abuse liability coverage with liability limit of not less than $1,000,000 combined single limit.
- Commercial General Liability insurance in the amount of $1,000,000 combined single limit occurrence and $2,000,000 general aggregate, including broad form contractual liability, independent contractors, products and completed operations and personal, advertising liability ($1,000,000 minimum) and damage to premises rented to Franchisee ($100,000 minimum).
- Employment practices liability insurance of not less than $2,000,000.
- Data privacy/cyber liability insurance coverage will have coverage limits of at least $2,000,000.
- Workers' compensation insurance in accordance with statutory requirements.
- Such additional coverage as may be required by the terms of any lease that you elect to enter into in connection with the operation of your Franchised Business.
- Any other insurance required by the state or locality in which your Franchised Business is operated.

All of your insurance coverages must meet the standards specified in the Franchise Agreement. These include requirements concerning endorsements, additional insured parties, and other important details.

Item 9 Franchisee's Obligations

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other item of this disclosure document.

	Obligation	Section in Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	1.2, 5	11
b.	Pre-opening purchase/leases	5, 6, 7, and 14	6, 7, 8
c.	Site development and other pre-opening requirements	5.5, 6	11
d.	Initial and ongoing training	3.1 and 6	6, 7

	Obligation	Section in Franchise Agreement	Disclosure Document Item
e.	Opening	5.1, 5.4, and 8.2	11
f.	Fees	1.6.3, 2.2.6, 4, 6.3.1, 6.4, 7.1.1, 7.1.5, 9.2.9, 11.2, 12.5, 12.7, 13, 14, 16.5.9, 16.7.1, 16.11, 17.7, 18, 19.10, 21.4, 27.9	5, 6, 7, 8, 11
g.	Compliance with standards and policies/operating manual	1.5, 2.2, 3.2, 5, 6, 7, 8, 10, 12, 13.6, 14 and 15	8, 11, 16
h.	Trademarks and proprietary information	1.1, 7.2, 8.9, 9 and 10	13, 14
i.	Restrictions on products/services offered	1.5 and 7	8, 16
j.	Warranty and customer service requirements	Not Applicable	Not Applicable
k.	Territorial development and sales quotas	1.3, 4.2.2	12
l.	Ongoing product/service purchases	7	8
m.	Maintenance, appearance and remodeling requirements	5 and 8.8	11
n.	Insurance	15	7, 8
o.	Advertising	3.3, 3.4 and 13	6, 7, 11
p.	Indemnification	9.2.9, 16.11.2, 21 and Exhibit B	6
q.	Owner's participation/management/ staffing	6 and 8.3	15
r.	Records and reports	4.2 and 12	6
s.	Inspections and audits	8.11 and 12	11
t.	Transfer	8.10, 16 and 19.5	17
u.	Renewal	2.2	17
v.	Post-termination obligations	11.1.1, 12.1.2, 18, 19.3 and 19.5	17
w.	Non-competition covenants	19	17

	Obligation	Section in Franchise Agreement	Disclosure Document Item
x.	Dispute resolution	27	17
y.	Taxes/permits	4.2.3, 5.3, 8.7 and 20	Not applicable
z.	Other: Personal Guarantee	Exhibit B	Not applicable

Item 10 Financing

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligations.

Item 11 Franchisor's Assistance, Advertising, Computer Systems, and Training

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Assistance:

Before your open your Franchised Business, we will:

- Provide initial training *(Franchise Agreement, Section 6.2)*;
- Designate your Protected Area *(Franchise Agreement, Section 1.3)*;
- Provide you with access to our Manual *(Franchise Agreement, Section 3.2)*; and
- Provide you with a list of approved suppliers and preferred vendors, as set forth in the Manual and other written directives as we deem appropriate *(Franchise Agreement, Section 7.1)*.

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Franchised Business.

Continuing Assistance:

We are required by the Franchise Agreement to provide certain assistance and service to you during the operation of your Franchised Business:

- Provide you access to Proprietary Products that we develop and incorporate into Challenge Island System. *(Franchise Agreement, Section 7.2)*
- Provide additional initial training programs for successor and replacement Managers and other management personnel of the Franchised Business as we deem appropriate. We will not provide any assistance in hiring any of your employees; but all employees must be able to perform the job responsibilities for the position. For additional information, see the "Training" portion of this Item 11. *(Franchise Agreement, 6.3)*

- Conduct meetings, seminars, and other related activities regarding the operation of Challenge Island Businesses for franchisees generally, which you may attend. If we elect to hold an annual convention, you must attend. Except as approved by us, any costs incurred by you or your personnel in attending such events will be your responsibility. *(Franchise Agreement, 6.3.2)*

- Inspect the Franchised Business and inspect the Franchised Business's operations, programs and related materials at such times as we may deem advisable to maintain the high standards of quality, appearance and service of the System, in person or remotely by telephone where possible. *(Franchise Agreement, Section 12.7)*

- Provide, as we deem appropriate, advice and written materials concerning techniques of managing and operating your Franchised Business, including new developments and improvements in the programs offered by your Franchised Business. *(Franchise Agreement, Section 11)*

- Administer the Marketing Fund and maintain the Challenge Island website and social media presence for the benefit of all Challenge Island Businesses and approve or disapprove of any advertising, marketing and promotional materials and programs you propose. *(Franchise Agreement, Section 13)*

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the Franchised Business. We have no obligation to assist you in establishing prices.

Typical Length of Time Before Start of Operations:

We will designate a Protected Area in which you will develop and operate your Franchised Business. We expect that your Franchised Business will be a mobile business that you operate from a home office. You are responsible for identifying sites at which to offer, sell and perform programs, which typically include elementary schools, personal residences, community centers, public parks, and family entertainment centers. We do not assist you in finding these locations nor do we review or approve the locations at which you conduct programs.

We estimate that you will begin operating your Franchised Business as soon as you have signed the Franchise Agreement and completed training, which we estimate to take place by the end of the full calendar month following the month in which you sign the Franchise Agreement. If you do not successfully complete training or open your Franchised Business by that time, that will be a default for which we may terminate the Franchise Agreement. Factors that may affect the time period between signing the Franchise Agreement and opening the Franchised Business include your ability to obtain financing and required permits and/or zoning variances (if one is required to operate a home-based business), and completing training.

Advertising:

Each month, you must contribute an amount equal to 2% of the Gross Sales of the Franchised Business for marketing (the "**Marketing Contribution**").

For this Period:	**Your month minimum marketing contribution will be:**
Initial Period (the first six months as defined in Section 4.2.2.1 below)	2% of your Gross Sales
Each month after the Initial Period	The greater of (**a**) 2% of your Gross Sales; and (**b**) $100 per month.

Marketing Fund. We will administer and maintain a marketing fund for the purpose of promoting the brand, maximizing general public recognition and acceptance of the Marks, and producing marketing materials for the System on a system-wide basis (the "**Marketing Fund**"). The Marketing Fund will conduct advertising on a local, regional, and national basis, and we do not otherwise have any obligation to conduct advertising. The following terms will apply to the Marketing Fund:

- We will have the sole right to make all decisions and set all standards concerning all marketing programs, and any concepts, materials, and media used in such programs.

- The Marketing Fund, all contributions to that fund, and the fund's earnings, will be used exclusively to meet any and all costs of maintain, administering, staffing, directing, conducting, preparing advertising, marketing, public relations or promotional programs and materials, and any other activities that we believe will enhance the image of the System. We or our designee are not obligated, in administering the Marketing Fund, to make expenditures for you that are equivalent or proportionate to your contribution or that are directed to your Protected Area, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund. Our franchisees contribute to the Marketing Fund uniformly (although in certain circumstances, contributions may be waived or not made), and Challenge Island Businesses we or our affiliates operate do not contribute to the Marketing Fund.

- Although the Marketing Fund is intended to be of perpetual duration, we will have the right to terminate the Marketing Fund at our sole option at any time. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended.

- We may use the Marketing Fund at our sole option to satisfy or defray any and all costs of maintaining, administering, directing and preparing marketing campaigns, promotions and advertising.

- All sums paid by you to the Marketing Fund are maintained in a separate account by us or our designee and are not used to defray any of our general operating expenses. We owe no fiduciary duty to you in regard to the Marketing Fees.

- We do not currently have an advertising council composed of franchisees that advises us on advertising policies.

- None of the amounts in the Marketing Fund will be used for marketing that is principally a solicitation for the sale of franchises.

- Any funds not spent in the fiscal year in which they accrue will be carried forward and used in connection with marketing, advertising and promotional programs and activities conducted during subsequent fiscal years.

The Marketing Fund is audited on an annual basis as part of our annual audit. You may obtain an accounting of the Marketing Fund on written request. For fiscal year ending December 31, ~~2021,~~2022, monies in the Marketing Fund were expended as follows:

Category	**Percentage**
PR and Marketing	~~25~~37%
Social Media/Online Marketing	~~32~~20%
Graphic Design/Video Production	~~10~~18%
Website Development, Design, Optimization and Maintenance	~~33~~25%

Local Marketing. Each quarter, you must spend at least $500 on local marketing. If we establish a regional fund for your area, you may be required to join that regional fund and contribute some or all of your quarterly local marketing expenditure to that regional fund.

All local marketing (whether you conduct it directly or if through a regional fund) must be submitted to us for our review and approval before it may be used.

Regional Fund. If we have two or more franchisees operating in the same geographic region, or other circumstances arise that suggest it would be helpful, we have the right (but not the obligation) to establish a Regional Fund for that region. If we establish a Regional Fund for your area, the following provisions (and others in the Franchise Agreement) will apply:

- Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, all of which we will have approved in advance.

- Each Regional Fund will be organized for the sole purpose of administering regional marketing programs and developing, subject to our approval.

- No marketing, advertising or promotional plans or materials may be used by a Regional Fund or provided to its members without our prior written approval.

- Once you become a member of a Regional Fund, you must contribute to a Regional Fund pursuant to the allocation that we specify, together with the statements or reports that we, or the Regional Fund (with our prior written approval) may require. We also have the right to require that you submit your Regional Fund contributions and reports directly to us for distribution to the Regional Fund.

- Voting will be on the basis of one vote per Challenge Island Business, and any Challenge Island Businesses that we (or our affiliates) operate in the region will have the

same voting rights as those owned by franchisees. Each franchised Challenge Island Business in the Regional Fund will have one vote (no matter how many people own the franchisee).

- Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.

Computer Requirements:

You must install and maintain the computer hardware, software, equipment, software, accessories, and capabilities meeting our standards as provided in the Manuals. You may obtain computer hardware and Internet provider from any supplier. You must install an electronic information system that is equipped and configured to our standards.

We currently do not require you to maintain a designated point-of-sale system but reserve the right to require you to use a point-of-sale system that we designate in the future.

You will need to purchase (if you don't already have one) a personal computer that can run the full current "Microsoft" "Office" suite. We estimate that the cost to purchase a laptop computer along those lines is from $500 to $1,000, plus another $150 for the "Microsoft" software, and that there would be minimal if any annual maintenance needed for that laptop computer (although most users will need to replace their laptop every five years). There is no limit under the franchise agreement on how often you must replace or upgrade your laptop; you just have to always have a working and operable computer running the current version of "Microsoft" "Office." The cost you will incur to maintain, update and upgrade your computer hardware and software will depend on the type of equipment that you select, but we estimate these costs to range from $0 to $100 per year.

Our franchisees must establish and maintain an account with our designated franchise management tool ("**FMT**") vendor. The fee to establish an account with our current FMT vendor is $250, and the monthly subscription fee for access to such FMT is $75 (the vendor may periodically change its fees). The FMT enables us to have remote access to communicate directly with your FMT account for sales and customer data. We will access our franchisees' FMT accounts regularly, and you must allow us to maintain continual access to your FMT account. We may use financial operating information obtained from your Franchised Business for any business reason we deem appropriate. You may not modify or manipulate (except for pricing) the database for the computer software systems without our prior consent. In the future, we may change the FMT vendor, and we or one of our affiliates may serve as the FMT vendor.

We require that you implement and use a reporting system that we have approved and may also require you to purchase and maintain remote servers, off-site electronic repositories, and broadband or other high speed Internet connections. You may be required to pay a software license fee for some or all software we require you to use. You must acquire, install, and maintain such anti-virus and anti-spyware software as we require and must comply with such data security and consumer privacy policies as we may prescribe from time to time as set forth in the Manual.

You must: (a) use any proprietary software programs, system documentation standards, and other proprietary materials that we require in connection with the operation of your Franchised Business; (b) input and maintain in your computer such data and information as we prescribe; and (c) purchase new or upgraded or updated computer hardware and software programs, system documentation standards, and other proprietary materials at then- current prices whenever we adopt new or upgraded hardware, programs, standards, and materials system-wide. You must enter into all software license agreements, "terms of use" agreements, and software maintenance agreements, in the form and manner prescribed by our approved vendors, and pay all fees imposed under the agreements.

Digital Sites. You may neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to your Franchised Business or referring to the Proprietary Marks~~,~~ unless we have otherwise approved in writing. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, YouTube, Snapchat, Pinterest, Instagram, TikTok etc.), blogs, vlogs, podcasts, applications to be used on mobile devices (e.g., iOS or Android apps), and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if we give you our prior written consent to have some form of separate Digital Site (which we are not obligated to approve), then each of the following provisions will apply: (1) you may neither establish nor use any Digital Site without our prior written approval; (2) before establishing any Digital Site, you must submit to us, for our prior written approval, a sample of the proposed Digital Site, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including metatags), in the form and manner we may require; (3) you must not use or modify an Digital Site (which is deemed marketing) without our prior written approval; (4) you must comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Manual or otherwise in writing; (5) if we require, you must establish hyperlinks to our Digital Site and other Digital Sites; and (6) we may require period updates to your Digital Site; and (7) we may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf.

Data. All of the data that you collect, create, provide, or otherwise develop is and will be owned exclusively by us, and we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you. All other data that you create or collect in connection with the System, and in connection with operating the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, the Franchise Agreement. ("Data" for this purpose will exclude customers' payment card information.) You will have to transfer to us all data (in the digital machine-readable format that we specify, including printed copies and originals) promptly upon our request, whether during the term of the Franchise Agreement, upon termination or expiration of the Franchise Agreement, or any transfer.

You must comply with all laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**"). You must also comply with our standards and policies concerning the privacy of consumer, employee, and transactional information.

Brand Manual:

We will give you access to a copy of our Brand Manual (which may be digital, on paper, or in the format that we deem appropriate) for your use in connection with the Franchised Business during the term of the Franchise Agreement. The Brand Manual contains our brand standards and specifications for you to follow in connection with your Business. The contents of the Brand Manual will always be our sole property and you must treat the Brand Manual as confidential. You also must promptly return to us any copies that you made of the Brand Manual (whether or not permitted) after the Franchise Agreement terminates or expires.

We have the right to periodically update and modify the contents and format of the Brand Manual. The Brand Manual currently has 2,316 pages, of which 500 pages is comprised of our Brand Standards Manual and the remainder is comprised of our Teacher's Manual. The Table of Contents to the current Brand Manual is found as Exhibit F to this FDD.

Training:

The subjects covered in the initial training program are described below. We may periodically change these topics.

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Welcome to the Ohana: Introduction to Being a Challenge Island Franchisee/ Owner's Drive/Brand Standards Manual Tour and Orientation	2	0	All training will be conducted in the Atlanta, Georgia metropolitan area unless otherwise specified.
Franchise Management Tool (FMT)	3	0	(Same as above)
Business Set Up and Overview	1	0	(Same as above)
Field Trip Marketing and Operations	1	0	(Same as above)
Afterschool Class Marketing and Operations	1	0	(Same as above)
Camp Marketing and Operations	1	0	(Same as above)
Girl Scout Program Marketing and Operations	1	0	(Same as above)
~~B2B~~School and Federal Program Marketing ~~Strategy/Title 1, Title 4 and Other Government Funding Sources/Perfecting Your Pitch~~	1	0	(Same as above)
Secondary Profit Center Marketing and Operating Procedures	1	0	(Same as above)
Perfecting Your Challenge Island Program Pitch	1	0	(Same as above)

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Challenge Island Core Curriculum Overview	1	0	(Same as above)
Hands-On Training with Various Proprietary Challenges	4	0	(Same as above)
Materials Storage and Organization	1	0	(Same as above)
Working with Schools/Student Safety Protocols/Insurance	1	0	(Same as above)
Materials and Supplies Management	1	0	(Same as above)
Staffing: Recruiting, Screening, Training and Supervising Challenge Island Teachers	1	0	(Same as above)
Website/SEO/Social Media	1	0	(Same as above)
Challenge Island STEAM Teams and Classroom Management	1	0	(Same as above)
TOTAL	24	0	

Training will be conducted over a three-day period. Training will be scheduled and conducted as frequently as is necessary, but typically at least once per month. The times indicated in the "Hours of Training" are estimates.

For all training programs, we will provide the instructors and training materials, including the Manual and Teacher's Manual. We do not charge for this initial training or for materials, but you are responsible for all costs and expenses you and your personnel incur in connection with completing our initial training program. We may conduct training through a combination of in-person and online programming as we deem appropriate.

Initial training will be conducted by members of our executive corporate team including: our CEO and President Sharon Duke Estroff, who is the founder of Challenge Island and has been operating her own Challenge Island Business since 2003; our Chief Development Officer Robin Bergeron, who has been teaching children for over 30 years and has been with us since our formation; and other members of our corporate team who have experience in elementary and gifted education and in running the a Challenge Island franchise and have completed our training program. We may ask others who have expertise in particular areas to provide instruction, such as an insurance agent, banker, or a representative of a technology product provider.

If you request that we provide on-site training, or we determine such on-site training is appropriate, then you would have to pay a discounted fee of $1,000 per day, plus reimburse us for our staff's travel, lodging, meals, and other miscellaneous costs.

You must inform us in writing whether your Operating Owner will assume full-time responsibility for the daily supervision and operation of your Franchised Business. If not, then you must

employ a full-time Manager (a "**Manager**") with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of the Franchised Business. Your Operating Owner and (if you have one) your Manager must attend and successfully complete, to our satisfaction, our training program. You must complete training at least three days before opening your Business. If you or your Manager fail to complete the training program to our satisfaction, you must immediately designate a replacement Manager to complete such initial training before opening your Business. We reserve the right to charge you a training fee of $1,000 for training any additional or replacement management personnel (Franchise Agreement, Section 6.3.1). If the initial training program is not satisfactorily completed by the replacement trainee (or the initial trainee, if no replacement is designated), we may delay the opening of your Business or terminate the Franchise Agreement.

We may require that you and your Operating Owner and Manager attend refresher courses, seminars, annual conventions, and other training programs that we may reasonably require periodically we elect to hold an annual convention or refresher training, then you will be required to attend and pay our then-current registration fee for such annual convention or refresher training, as well as all expenses incurred by you and your management personnel in attending.

Item 12 Territory

Under the Franchise Agreement, you have the right to establish and operate one Business at a specific location that we have accepted ("**Accepted Location**"). You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control.

However, during the term of the Franchise Agreement, so long as you remain in compliance with the terms of the Franchise Agreement, we will not establish nor license anyone else to establish, another "Challenge Island" Business at any location within the "**Protected Area**" that is designated in your Franchise Agreement. In designating the Territory, we take into account the demographics of the Territory, as well as the number of public and private elementary schools (at least ~~35~~30 elementary schools in the aggregate) and the number of preschools and middle schools in addition to other factors related to the operation of a Challenge Island business.

We (and our affiliates) retain all other rights. Accordingly, we will have the right (among other things), on the conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

- Use alternative channels of distribution for Challenge Island programs, products, services, or other items bearing our Marks;
- Expand our sale of our programs on a local, regional, national or international basis;
- Advertise and promote the System within and outside your Protected Area;
- Operate, and license others to operate, Challenged Island Businesses at any location outside the Protected Area, including locations that are adjacent to the Protected Area;
- Establish and operate, and license others to establish and operate, businesses offering products or services that are similar or identical to the Products and Services and using

the System or elements of the System (A) under the Marks anywhere outside of the Protected Area, or (B) under names, symbols, or marks other than the Marks anywhere, including inside and outside of the Protected Area; and

- Acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a "Challenge Island" Business inside the Protected Area).

You may offer and sell services and products only: (a) according to the requirements of the Franchise Agreement and the procedures set out in the Brand Manual; and (b) to customers and clients of the Franchised Business.

You may neither offer nor sell Services or Products outside the Protected Area ("**Extraterritorial Sales**") without our prior written consent. This includes making or submitting proposals to third parties, such as a school district, to engage in Extraterritorial Sales.

You may apply for our prior written consent to engage in Extraterritorial Sales so long as: **(a)** you are in compliance with the terms of your franchise agreement; and **(b)** those Customers are not located in the protected area of another Challenge Island business (whether franchised or owned by Franchisor or an affiliate). We will have the right to approve or reject that proposal (and, if we approve, we have the right to condition our approval on terms that we deem appropriate). If we approve your proposal to engage in Extraterritorial Sales, then your performance of Services and sale of Products outside the Protected Area will be subject to, and must fully comply with, the Franchise Agreement and the Standards.

If your Extraterritorial Sales comprise 25% or more of your average monthly Gross Receipts from inside your Protected Area during any twelve month period, then we will have the right to require that: **(a)** you must discontinue those sales; and/or **(b)** you must purchase an additional franchise that includes additional territory (which will be on our then-current form of franchise agreement) and pay our then-current initial franchise fee (less any applicable discount for which you may be eligible) for that additional territory. The provisions of that additional franchise agreement may differ materially from your franchise agreement, but that additional franchise agreement will have a term that is the same as the then-remaining term of your franchise agreement.

If, within thirty days after we give you notice that you must purchase the additional Challenge Island franchise, you either reject that proposal or you do not sign and return the new franchise agreement, then for all additional Extraterritorial Sales that you make (subject to our prior written approval as provided above) you will have to pay us an additional 5% royalty fee (in addition to the standard Royalty Fee), which will be calculated based on the Gross Sales that you derive through Extraterritorial Sales (the "**Out of Territory Royalty Charge**"). Your payment of Out of Territory Royalty Charges will not give you the right to engage in any Extraterritorial Sales (except as may be provided under another valid Challenge Island franchise agreement).

You have no right to any territory outside the Protected Area unless you purchase an additional Challenge Island franchise incorporating such additional territory. While we may grant you permission to operate outside your Protected Area, we may revoke that permission at any time, and we may, at our option, sell that additional territory to another Challenge Island franchisee.

The Accepted Location for the Franchised Business will be specified in the Franchise Agreement. You may not relocate the Franchised Business without our prior written consent.

You do not need to meet any particular sales or revenue volume in order to keep your Protected Area as described above so long as you stay in compliance with the terms of your Franchise Agreement.

We do not have the right to modify your Protected Area so long as you stay in compliance with the terms of your Franchise Agreement. We may modify your Protected Area upon renewal.

Under the Franchise Agreement you will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights, whether inside the Protected Area or elsewhere.

Item 13 Trademarks

Under the Franchise Agreement, we will license you to operate a Franchised Business under the trademark "Challenge Island" (plus the designs, logos, and other current or future trademarks that we authorize you to use to identify your Business).

Our affiliate, CIG IP, owns and has registered the following principal Proprietary Marks (among others) on the principal register of the U.S. Patent and Trademark Office ("**USPTO**"):

Mark	Registration No.	Registration Date
Challenge Island	4197727	August 28, 2012
	5647254	January 8, 2019

We entered into a license agreement dated March 1, 2016 with our affiliate CIG IP concerning the Proprietary Marks, ("**License Agreement**"). Under the License Agreement, CIG IP granted us the non-exclusive right to use the Marks and to sublicense it to our franchises to use in operating their Challenge Island Businesses. The License Agreement is for a perpetual term unless CIG IP or we terminate the license. The License Agreement may only be terminated if we are in an uncured material breach or upon both parties' consent. If the License Agreement is terminated, CIG IP or its designee will license the Proprietary Marks to you for your use as a "Challenge Island" franchisee for the remainder of the term of your Franchise Agreement.

All affidavits and renewals have been or will be filed at the appropriate time.

Your right to use the Proprietary Marks is limited to the uses that are authorized under the Franchise Agreement, and any unauthorized use of the Proprietary Marks will infringe upon our rights. You may not use any Proprietary Marks: (1) as part of any corporate name or other

business name; (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form; (3) in connection with performing or selling any unauthorized services or products; (4) as part of any domain name, electronic address or search engine or in any other manner in connection with an Online Site without our prior written approval; (5) in any H.R. document (such as a paystub, paycheck, employment application, etc.); or (6) in any way that we do not expressly authorize in writing. You must identify yourself as the independent owner and operator of your Franchised Business in the manner we specify (such as on invoices, order forms, receipts, employment agreements, and contracts). You must also use the trademark registration notices that we require and obtain any assumed business name registrations that applicable law requires.

There are no currently effective determinations of the USPTO, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols which is relevant to their use in this state or any other state in which the Franchised Business is to be located. Other than the License Agreement, there are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks (including trademarks, service marks, trade names, logotypes, or other commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks in this state or elsewhere.

We have the right to substitute different Proprietary Marks for use in identifying the System if our currently owned Proprietary Marks no longer can be used or if we determine that updated or changed Proprietary Marks will be beneficial to the System. If we do so, you will have to adopt the new Proprietary Marks (for example, update your signage) at your expense.

You must promptly notify us of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, or your right to use, the Proprietary Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If you used the Proprietary Marks in accordance with the Franchise Agreement, we would defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use. If you did not use the Proprietary Marks in accordance with the Franchise Agreement, we will defend you, at your expense, against those third-party claims, suits, or demands.

If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and do the things that, in our counsel's opinion, may be necessary to carry out such defense or prosecution, such as becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. If the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

Item 14 Patents, Copyrights, and Proprietary Information

Copyrights

To date, we have no registered copyrights with the U.S. Copyright Office as to written and web-based materials or other materials that are critical to the System, but we claim copyright protection for many aspects of the System including the Manual, Proprietary Products, website design and functionality, advertising and promotional material, and training and teaching materials and programs.

Confidential Brand Manual

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Brand Manual. We will lend you one set of our Brand Manual, which we have the right to provide in any format we choose (including paper or digital), for the term of the Franchise Agreement.

You must at all times accord confidential treatment to the Brand Manual, any other Brand Manual we create (or that we approve) for use with the Franchised Business, and the information contained in the Brand Manual. You must use all reasonable efforts to maintain this information as secret and confidential. You may never copy, duplicate, record, or otherwise reproduce the Brand Manual and the related materials, in whole or in part (except for the parts of the Brand Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Brand Manual will always be our sole property. You must always maintain the security of the Brand Manual.

We may periodically revise the contents of the Brand Manual, and you must consult the most current version and comply with each new or changed standard. If there is ever a dispute as to the contents of the Brand Manual, the version of the Brand Manual (that we maintain) will be controlling.

Confidential Information

Except for the purpose of operating the Business under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know how concerning the operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of a Business. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show that came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, you must require each of your teachers, Principals and your General Managers to sign confidentiality covenants. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Business. These agreements must be in a form that we find

satisfactory, and must include, among other things, specific identification of our company as a third-party beneficiary with the independent right to enforce the covenants. Our current forms for the Franchise Agreement are attached as Exhibit E to the Franchise Agreement). Once signed, you must provide us with a copy of each executed confidentiality agreement.

Patents

No patents are material to the franchise.

Item 15 Obligation to Participate in the Actual Operation of the Franchise Business

The Franchise Agreement requires that you (or your Operating Owner or one of your designated Management Personnel who will assume primary day-to-day responsibility for the franchise operations and who we have previously approved in writing) must devote full time, energy, and best efforts to the management and operation of the Franchised Business, and must successfully complete the initial training program. Your Business must be managed at all times by you (or your Operating Owner or Manager) or by a manager who has completed our initial training program to our satisfaction. The Operating Owner must own a voting and ownership interest in the franchisee entity. You must obtain personal covenants from your Management Personnel, supervisors, and principals regarding confidentiality, Proprietary Marks, and non-competition. All of the owners of your entity, and their spouses, must sign the personal guarantee that is attached to the Franchise Agreement.

Item 16 Restrictions on What Franchisee May Sell

You must offer and sell only those goods and services that we have approved. You may not offer any programs or services which we have not specifically approved, and must cease offering any programs or services which became unapproved or unauthorized. We may change the approved product offerings and any related merchandising and promotional materials at any time. You must use only displays, forms and other paper and plastic products imprinted with the trademarks.

We have the right to add other authorized goods and services that you must offer. We will provide you with reasonable notice of any changes. There are no limits on our right to make these changes.

Item 17 Renewal, Termination, Transfer and Dispute Resolution

THE FRANCHISE RELATIONSHIP

The table that follows lists important provisions of the Franchise Agreement, which is attached as Exhibit A to this Franchise Disclosure Document. Please read the portions of the agreement referred to in this chart for a full explanation of these key provisions.

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
a.	Length of the franchise term	2.1	Term is 10 years.
b.	Renewal or extension of the term	2.2	Renewal of right to operate the franchised business for one additional ten-year term by signing our then-current franchise agreement (which may contain terms and conditions materially different from those in your original agreement), subject to contractual requirements described in “c” below
c.	Requirements for you to renew or extend	2.2.1 to 2.2.9	Timely written notice of intent to renew; refurbishment to comply with our then-current standards; compliance with agreement terms during agreement term and at time of renewal; timely compliance with all financial obligations; execution of then-current franchise agreement (which may contain terms and conditions materially different from those in your original agreement); payment of renewal fee; execution of renewal agreement with general release; compliance with then-current personnel and training requirements; and demonstrated right to remain in accepted location.
d.	Termination by you	Not applicable	
e.	Termination by us without cause	Not applicable	
f.	Termination by us with cause	17	Default under Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement.
g.	"Cause" defined – curable defaults	17.3	All defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	17.1 to 17.2	Abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination or non-renewal	18 to 19	Stop operating the Franchised Business, payment of amounts due, and others; see §§ 18.1 to 18.12, and 19.

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
j.	Assignment of contracts by us	16.1	There are no limits on our right to assign the Franchise Agreement.
k.	"Transfer" by you – definition	16.4	Includes any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security, direct, or indirect interest in: (a) the Franchise Agreement; (b) you; (c) any or all of your rights or obligations under the Franchise Agreement; or (d) all or substantially all of the assets of the Franchised Business.
l.	Our approval of transfer by you	16.4 to 16.5	You may not make any transfers without our prior consent.
m.	Conditions for our approval of transfer	16.5	Release, signature of new Franchise Agreement (which may contain terms and conditions materially different from those in your original agreement), payment of transfer fee, and others; see §§ 16.5.1 to 16.5.10.
n.	Our right of first refusal to acquire your business	16.6	We have the right (not obligation) to match any bona fide offer.
o.	Our option to purchase your business	18.4	Upon termination or expiration of the Franchise Agreement, we can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at the lesser of cost or fair market value.
p.	Your death or disability	16.7	Representative must promptly apply for our approval to transfer interest and pay reasonable costs we incur in reviewing transfer.
q.	Non-competition covenants during the franchise term	19.2 to 19.6	Prohibits engaging in “Competitive Business” (meaning any business that offer and provide educational or enrichment programs, classes, curricula, or activities or academic instruction to children and/or young adults) during the Franchise Agreement term with no other temporal or geographical limitation.
r.	Non-competition covenants after	19.2 to 19.6	Prohibits engaging in Competitive Business (a) within the Protected Area; or (b) within

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
	the franchise is terminated or expires		the protected area (and also within 25 miles of the protected area) of any other Challenge Island Business that is then-currently operated or planned in the United States. Applies for two years after expiration, termination, or a transfer.
s.	Modification of the agreement	25.2	Only with mutual agreement and in writing.
t.	Integration/merger clause	25.1	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations, prior statements, or promises will be binding (and supersede all prior agreements). Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document. Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.
u.	Dispute resolution by arbitration or mediation	27	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Franchise Agreement contains provisions that may affect your rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See § 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.
v.	Choice of forum	27.2	Any action you bring against us must be brought only within courts with jurisdiction over Marietta, Georgia. Any action we bring against you may be brought in jurisdiction where we maintain our principal place of business. Your state law may impact this provision.

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
w.	Choice of law	27.1	Georgia law. Your state law may impact this provision.

Item 18 Public Figures

We do not use any public figures to promote our franchise.

Item 19 Financial Performance Representations

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Sharon Estroff, 4590 LaSalle Ct., Marietta, Georgia 30062 (404) 692-3103, the Federal Trade Commission, and the appropriate state regulatory agencies.

Table 1:
System wide Outlet Summary for ~~2019~~2020 to ~~2021~~2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	~~2019~~2020	~~77~~95	~~95~~112	+~~18~~17
	~~2020~~	~~95~~	~~112~~	~~+17~~
	2021	112	135	+23
	2022	135	157	+22
Company-Owned	~~2019~~2020	~~3~~5	~~5~~7	+2
	~~2020~~2021	~~5~~7	7	+~~2~~0
	~~2021~~2022	7	7	+0
Total Outlets	~~2019~~2020	~~80~~100	~~100~~119	+~~20~~19
	~~2020~~	~~100~~	~~119~~	~~+19~~
	2021	119	142	+23
	2022	142	164	+22

Notes to all Item 20 Tables:

(1) The Company-owned units identified above are owned by our affiliate, Kidsplorations.
(2) States not listed had no activity.
(3) Our fiscal years end on December 31st each year.

Table 2:
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
for ~~2019~~2020 to ~~2021~~2022

State	Year	Number of Transfers
Georgia	~~2019~~2020	1
	~~2020~~2021	~~1~~0
	~~2021~~2022	0
Florida	~~2019~~2020	0
	~~2020~~	~~0~~
	2021	2
	2022	0
Hawaii	~~2019~~2020 2021	1 0
	~~2020~~2022	~~1~~0
	~~2021~~	~~0~~
Louisiana	~~2019~~2020 2021 2022	1 0 0
Maryland	2020	~~1~~0
	2021	~~0~~1
	~~2019~~2022	0
Nevada	2020	0
	~~2021~~	~~1~~
	~~2019~~	~~0~~
	2021	0
	2022	1
~~Ohio~~New York	2020	0
	2021	0
	2022	1
Ohio	2020	0
	2021	1
	~~2021~~2022	1
South Carolina	~~2019~~2020	0
	2021	1
	~~2020~~2022	0
	~~2021~~	~~1~~
Texas	~~2019~~2020 2021	1 0
	~~2020~~2022	~~1~~0
	~~2021~~	~~0~~
Total	~~2019~~2020	~~1~~4
	~~2020~~2021	4

	20212022	43

Table 3:
Status of Franchised Outlets For 20192020 to 20212022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
AZ	2019	0	0	0	0	0	0	1
	2020	1	2	0	0	0	0	3
	2021	3	4	0	0	0	0	7
CA	2019	5	2	0	0	0	0	7
	2020	7	1	0	0	0	0	8
	2021	8	1	0	0	0	0	9
CO	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
DC	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
FL	2019	6	2	0	0	0	0	8
	2020	8	2	0	0	0	0	10
	2021	10	5	0	0	0	0	15
GA	2019	9	2	0	0	0	0	11
	2020	11	2	0	0	0	1	12
	2021	12	1	0	0	0	0	13
HA	2019	1	0	0	0	0	0	1
	2020	1	4	0	0	0	0	5
	2021	5	0	0	0	0	0	5
ID	2019	1	1	0	0	0	0	2
	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
IN	2019	1	0	0	0	0	1	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
IA	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
KS	2019	0	0	0	0	0	0	0
	2020	0	2	0	0	0	0	2
	2021	2	1	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
LA	2019	5	0	0	0	0	0	5
	2020	5	1	0	0	0	0	6
	2021	6	0	0	0	0	0	6
MD	2019	3	0	0	0	0	1	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
MA	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
MI	2019	1	2	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
MT	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
NV	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
NJ	2019	5	0	0	0	0	1	4
	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	1	2
NM	2019	0	1	0	0	0	0	1
	2020	1	3	0	0	0	0	4
	2021	4	0	0	0	0	0	4
NY	2019	4	3	0	0	0	0	7
	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
NC	2019	3	1	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
OH	2019	6	1	0	0	0	0	7
	2020	7	0	0	0	0	0	7
	2021	7	2	0	0	0	0	9
PA	2019	0	2	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
PR	2019	0	1	0	0	0	0	1
	2020	1	3	0	0	0	0	4

~~State~~	~~Year~~	~~Outlets at Start of Year~~	~~Outlets Opened~~	~~Termin-ations~~	~~Non-Renew-als~~	~~Re-acquired by Fran-chisor~~	~~Ceased Oper-ations Other Reasons~~	~~Outlets at End of the Year~~
	~~2021~~	~~4~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~4~~
~~SC~~	~~2019~~	~~4~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~4~~
	~~2020~~	~~4~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~4~~
	~~2021~~	~~4~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~4~~
~~TN~~	~~2019~~	~~3~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~4~~
	~~2020~~	~~4~~	~~0~~	~~0~~	~~0~~	~~2~~	~~2~~	~~3~~
	~~2021~~	~~2~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~2~~
~~TX~~	~~2019~~	~~5~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~6~~
	~~2020~~	~~6~~	~~2~~	~~0~~	~~0~~	~~0~~	~~1~~	~~7~~
	~~2021~~	~~7~~	~~5~~	~~0~~	~~0~~	~~0~~	~~0~~	~~12~~
~~UT~~	~~2019~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	~~2020~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	~~2021~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
~~VA~~	~~2019~~	~~4~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~	~~3~~
	~~2020~~	~~3~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~4~~
	~~2021~~	~~4~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~	~~3~~
~~WA~~	~~2019~~	~~2~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~2~~
	~~2020~~	~~2~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~2~~
	~~2021~~	~~2~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~2~~
~~WI~~	~~2019~~	~~2~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~2~~
	~~2020~~	~~2~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~	~~1~~
	~~2021~~	~~1~~	~~2~~	~~0~~	~~0~~	~~0~~	~~0~~	~~3~~
~~Totals~~	~~2019~~	~~77~~	~~22~~	~~0~~	~~0~~	~~0~~	~~4~~	~~95~~
	~~2020~~	~~95~~	~~22~~	~~0~~	~~0~~	~~0~~	~~5~~	~~112~~
	~~2021~~	~~112~~	~~25~~	~~0~~	~~0~~	~~0~~	~~2~~	~~135~~

State	Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renew-als	Re-acquired by Fran-chisor	Ceased Oper-ations Other Reasons	Outlets at End of the Year
AZ	2020	1	2	0	0	0	0	3
	2021	3	4	0	0	0	0	7
	2022	7	3	0	0	0	0	10
CA	2020	7	1	0	0	0	0	8
	2021	8	1	0	0	0	0	9
	2022	9	0	0	0	0	0	9
CO	2020	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renew-als	Re-acquired by Fran-chisor	Ceased Oper-ations Other Reasons	Outlets at End of the Year
	2021	2	1	0	0	0	0	3
	2022	3	1	0	0	0	0	4
DC	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
FL	2020	8	2	0	0	0	0	10
	2021	10	5	0	0	0	0	15
	2022	15	2	0	0	0	0	17
GA	2020	11	2	0	0	0	1	12
	2021	12	1	0	0	0	0	13
	2022	13	2	0	0	0	0	15
HA	2020	1	4	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
ID	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
IN	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
IA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
KS	2020	0	2	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
LA	2020	5	1	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
MD	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
MA	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
MI	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	2	0	0	0	0	5

State	Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renew-als	Re-acquired by Fran-chisor	Ceased Oper-ations Other Reasons	Outlets at End of the Year
MT	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NV	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
NJ	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	1	2
	2022	2	3	0	0	0	0	5
NM	2020	1	3	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
NE	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
NY	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	4	0	0	0	0	11
NC	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
OH	2020	7	0	0	0	0	0	7
	2021	7	4	0	0	0	0	11
	2022	11	0	0	0	0	0	11
PA	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
PR	2020	1	3	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
SC	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
TN	2020	4	0	0	0	2	2	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
TX	2020	6	2	0	0	0	1	7
	2021	7	5	0	0	0	0	12

State	Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renew-als	Re-acquired by Fran-chisor	Ceased Oper-ations Other Reasons	Outlets at End of the Year
	2022	12	3	0	0	0	0	15
UT	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
VA	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	1	3
	2022	3	0	0	0	0	0	3
WA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	00	0	0	0	0	0	0
WI	2020	2	0	0	0	0	1	1
	2021	1	2	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Totals	2020	93	24	0	0	2	6	109
	2021	109	26	0	0	0	2	133
	2022	133	23	0	0	0	1	155

Table 4:
Status of Company-Owned Outlets
for ~~2019~~2020 to ~~2021~~2022

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Re-acquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Georgia	~~2019~~ 2020	~~3~~5	~~2~~1	~~0~~1	0	0	~~5~~7
	~~2020~~ 2021	~~5~~7	~~1~~0	~~1~~0	0	0	7
	~~2021~~ 2022	7	0	0	0	0	7
Totals	~~2019~~ 2020	~~3~~5	~~2~~1	~~0~~1	0	0	~~5~~7
	~~2020~~ 2021	~~5~~7	~~1~~0	~~1~~0	0	0	7
	~~2021~~ 2022	7	0	0	0	0	7

Table 5:
Projected Openings as of December 31, ~~2021~~2022 for ~~2022~~2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
Alabama	0	1	0
Arizona	0	1	0
California	0	1	0
Connecticut	0	1	0
Florida	0	2	0
Illinois	0	1	0
Kansas	0	1	0
Maryland	0	1	0
Massachusetts	0	1	0
Missouri	0	~~1~~0	0
Nebraska	0	1	0
Nevada	0	1	0
New Jersey	0	~~1~~2	0
New York	0	1	0
North Carolina	0	1	0
North Dakota	0	0	0
Pennsylvania	0	1	0
Texas	0	1	0
Washington	0	0	0
TOTAL	0	18	0

*****

The names, addresses, and telephone numbers of our franchisees and developers as of our fiscal year ending December 31, ~~2021~~2022 are listed in Exhibit B.

The name and last known home address and telephone number of every one of our franchisees and developers who has had an agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under an agreement during

one-year period ending December 31, ~~2021,~~2022. or who has not communicated with us within ten weeks of the date of this disclosure document, are also listed in Exhibit B.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, there has only been one instance of a franchisee signing a confidentiality clause in a Franchise Agreement, settlement or other contract that restricts their ability to speak openly about their experience with us.

Item 21 Financial Statements

Exhibit G-1 to this Disclosure Document includes our audited financial statements for our fiscal years ended December 31, ~~2021,~~2022, December 31, ~~2020,~~2021, and December 31, ~~2019.~~2020.

~~Exhibit G-2 to this Disclosure Document includes our unaudited balance sheet and profit and loss statement for fiscal year 2022 through May 31, 2022.~~

Our fiscal years end on December 31st each year.

Item 22 Contracts

Exhibit A	Franchise Agreement with Exhibits A. Data Sheet B. Guarantee, Indemnification, & Acknowledgements C. List of Principals D. ACH – Authorization Agreement for Direct Debit E. Sample Form of Non-Disclosure & Non-Competition Agreement F. Index to Defined Terms
Exhibit E	Form of General Release
Exhibit H	State-Specific Addenda

Item 23 Receipts

The last two pages of this disclosure document (Exhibit J) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy of the receipt page and please keep the other copy together with this disclosure document.

Challenge Island Global, LLC

Challenge Island

Franchise Agreement

Challenge Island Global, LLC
Franchise Agreement

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Exhibits:

A Data Sheet

B Guarantee, Indemnification, and Acknowledgement

C List of Principals

D ACH - Authorization Agreement for Prearranged Payments (Direct Debits)

E Sample Form of Non-Disclosure and Non-Competition Agreement

F Index to Defined Terms

Challenge Island
Franchise Agreement

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of the date that we have indicated on the signature page of this Agreement (the "**Effective Date**") by and between:

- CHALLENGE ISLAND GLOBAL, LLC, a Georgia limited liability company with its principal place of business at 4590 Lasalle Ct., Marietta, GA 30062 ("**we**", "**us**", "**our**", or the "**Franchisor**");
- _____, a [resident of] [corporation organized in] [limited liability company organized in] the State of_____ and having offices at _____ ("**you**" or the "**Franchisee**").

Introduction

*We operate and grant franchises for "Challenge Island" Businesses (each a "**Challenge Island Business**"). Challenge Island Businesses offer educational, challenge-based programs designed to foster critical thinking skills, problem solving methodology and core S.T.E.A.M. (Science, Technology, Engineering, Art and Mathematics) principles in participants (collectively, the "**Services**").*

*Among the distinguishing characteristics of a Challenge Island Business is that it operates under our "Challenge Island" System. Our System includes (among other things): Services; operational procedures; standards and specifications; inventory control for products ancillary to Services; quality and uniformity of Services offered; management procedures; software; training and assistance; the Proprietary Marks (defined below); as well as advertising and promotional programs (together, the "**System**").*

*We identify the System by means of our Proprietary Marks. Our proprietary marks include certain trade names (for example, the mark "CHALLENGE ISLAND" and logo), service marks, trademarks, logos, emblems, and indicia of origin (for example, the "CHALLENGE ISLAND" mark and logo), as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection with the System (all of these are referred to as our "**Proprietary Marks**"). We and our affiliates continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of Services and products marketed under those marks and under the System, and to represent the System's standards of quality, cleanliness, appearance, and service.*

We are in the business of developing, programming and awarding franchise rights to third party franchisees, such as you. You will be in the business of operating a Challenge Island Business, using the same brand and Proprietary Marks as other independent businesses that operate other Challenge Island Businesses under the System (including some operated by us or our affiliates). We will not operate your Challenge Island Business for you, although we have (and will continue) to set standards for Challenge Island Businesses that you will have chosen to adopt as yours by entering into this Agreement and by your day-to-day professional management of your Challenge Island Business according to our brand standards.

You have asked to enter into the business of operating a Challenge Island Business under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we provide as described in this Agreement. You also understand and acknowledge the importance of our standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with our standards and specifications.

In recognition of all of the details noted above, the parties have chosen to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this Agreement, and for other good and valuable consideration (the sufficiency and receipt of which they hereby acknowledge) and they agree as follows:

1 GRANT

1.1 *Rights and Obligations*. We grant you the right, and you accept the obligation, all under the terms (and subject to the conditions) of this Agreement:

1.1.1 To operate one (1) Challenge Island Business under the System (the "**Franchised Business**");

1.1.2 To use the Proprietary Marks and the System, but only in connection with the Franchised Business (recognizing that we may periodically change or improve the Proprietary Marks and the System); and

1.1.3 To do all of those things only: **(a)** from an Office (as defined in Section 1.2 below); and **(b)** at client locations in your Protected Area (as defined in Section 1.3 below) (collectively, "**Permitted Locations**").

1.2 *Office*. The address of the office from which you will operate your Franchised Business is specified in Exhibit A to this Agreement, and is referred to as the "**Office.**" You may offer Services locations only within the Protected Area (without our prior written approval), so long as you conduct Services and offer products only at or from a Permitted Location.

1.3 Protected Area. During the term of this Agreement, we will not operate, nor will we grant to any other party the right to locate, another Challenge Island Business within the area that is specified as your "**Protected Area**," in the Data Addendum (Exhibit A), provided that you are in compliance with the terms of this Agreement (and also subject to the terms of this Agreement, including Sections 1.4 through 1.8 below).

1.4 Our Reserved Rights. We and our affiliates reserve all rights that are not expressly granted to you under this Agreement. Among other things, we have the sole right to do any or all of the following (despite proximity to your Protected Area and/or Franchised Business as well as any actual or threatened impact on sales at your Franchised Business):

1.4.1 We have the right to establish, and franchise others to establish, Challenge Island Businesses anywhere outside the Protected Area;

1.4.2 We have the right to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks licensed under this Agreement, even if those businesses offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located;

1.4.3 We have the right to acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a Challenge Island Business based inside the Protected Area); and

1.4.4 We have the right to market and sell our Services and our Products anywhere, through any channel of distribution (including alternative distribution channels, such

as the internet, other digital media, retailers, bookstores, schools, and in any other setting) that is not a Challenge Island Business based inside the Protected Area.

1.5 Limits on Where You May Operate.

1.5.1 You may offer and sell the Services only: **(a)** to clients of the Franchised Business; and **(b)** in accordance with the requirements of this Agreement and the procedures set out in the Brand Manual (defined below).

1.5.2 You agree that you will offer and sell Services only to clients of the Franchised Business.

1.5.3 You acknowledge and agree that, although another Challenge Island Business will not be based within your Protected Area, other Challenge Island Businesses may provide Services to clients located within your Protected Area.

1.6 Sales Outside the Protected Area. You agree that you will not engage in the sale of Services or Products outside the Protected Area ("**Extraterritorial Sales**") without our prior written consent. This includes making or submitting proposals to third parties, such as a school district, to engage in Extraterritorial Sales.

1.6.1 You may apply for our prior written consent to engage in Extraterritorial Sales so long as: **(a)** you are in compliance with the terms of this Agreement; and **(b)** those Customers are not located in the protected area of another Challenge Island business (whether franchised or owned by Franchisor or an affiliate). We will have the right to approve or reject that proposal (and, if we approve, we have the right to condition our approval on terms that we deem appropriate).

1.6.2 You agree that if we approve your proposal to engage in Extraterritorial Sales, then your performance of Services and sale of Products outside the Protected Area will be subject to, and must fully comply with, this Agreement and the Standards.

1.6.3 If your Extraterritorial Sales comprise twenty-five percent (25%) or more of your average monthly Gross Receipts from inside your Protected Area during any twelve (12) month period, then we will have the right to require that: **(a)** you must discontinue such sales; and/or **(b)** you must purchase an additional franchise that includes additional territory, which will be on our then-current form of franchise agreement, and pay our then-current initial franchise fee (less any applicable discount for which you may be eligible) for that additional territory. The provisions of that additional franchise agreement may differ materially from this Agreement, but that additional franchise agreement will have a term that is the same as the then-remaining term of this Agreement (under Section 2 below). If, within thirty (30) days after we give you notice that you must purchase the additional Challenge Island franchise, you either reject that proposal or you do not sign and return the new franchise agreement, then for all additional Extraterritorial Sales that you make (subject to our prior written approval as provided above) you agree to pay us an additional five percent (5%) royalty fee (calculated based on the Gross Sales that you derive through Extraterritorial Sales, as provided in Section 4 below) (the "**Out of Territory Royalty Charge**") (in addition to the base Royalty Fee required under Section 4(b) below). You also agree that even if you pay the Out of Territory Royalty Charge, you will not have the right to engage in any Extraterritorial Sales (except as may be provided under another valid Challenge Island franchise agreement).

1.6.4 You also acknowledge and agree that (unless otherwise provided under another valid “Challenge Island” franchise agreement):

1.6.4.1 We have the right to approve or reject any request to engage in soliciting or engaging in Extraterritorial Sales;

1.6.4.2 If we approval one or more proposed Extraterritorial Sales operations, that approval does not imply or guarantee that we will approve future such proposals;

1.6.4.3 We have the right to decline any proposal to engage in Extraterritorial Sales for any reason (including our decision to award an opportunity to another franchisee or to take advantage of opportunity thru a company-owned or affiliate-owned Challenge Island business; and

1.6.4.4 We have the right to grant a franchise to another party (or to operate itself) for an adjacent area even if you have proposed and/or conducted sales in that area. If we do so, you may be required to turn over some or all of the accounts in that area to the new operation, and to cooperate in transitioning the accounts to those other Challenge Island businesses.

1.7 *Large Accounts*. The term "**Large Account**" means any client, or group of clients, that together have multiple affiliated outlets that we designate based upon our determination that these businesses in multiple locations are of strategic importance to us. We have the right to negotiate the terms and conditions of all Services and products to be provided to Large Account clients, in accordance with the terms of Section 8.16 below.

1.8 *Other Concepts*. You understand that we may operate (or be affiliated with companies that operate) businesses under brand names (whether as company-owned concepts, as a franchisor, as a franchisee, or otherwise) in addition to the “Challenge Island” Business concept licensed to you under this Agreement, and also that we may acquire and operate businesses and Other Concepts (or be acquired by a company that operates Other Concepts) (collectively, “**Other Concepts**”). You understand and agree that this Agreement does not grant you any rights with respect to any such Other Concepts.

2 TERM AND RENEWAL

2.1 *Term*. The term of this Agreement starts on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, will expire ten (10) years following the Effective Date.

2.2 *Renewal*. You will have the right to renew your rights to operate the Franchised Business for one (1) additional renewal term of ten (10) years, so long as you have satisfied all of the following conditions before renewal:

2.2.1 You agree to give us written notice of your choice to renew at least nine (9) months before the end of the term of this Agreement (but not more than twelve (12) months before the term expires).

2.2.2 You must upgrade and refresh the materials used for the Franchised Business (including, without limitation, any vehicles that you operate in connection with the Franchised Business) to comply with our then-current standards in effect for new

Challenge Island Businesses (if necessary and not already meeting those standards).

2.2.3 At the time of renewal: **(a)** you must be in compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates) and **(b)** in our reasonable judgment, you must have been in material compliance with this Agreement during its term, even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet those obligations.

2.2.4 You must have timely met all of your financial obligations to us, our affiliates, the Marketing Fund, and/or the Regional Fund, as well as your vendors (including your lessors, suppliers, staff, and all other parties with whom you do business), throughout the term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations).

2.2.5 You must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which will not supersede this Section 2), and which you agree may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, a higher percentage Royalty Fee and marketing contribution). Your direct and indirect owners must also sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement. (In this Agreement, the term "**entity**" includes a corporation, a limited liability company, a partnership, a trust, and/or a limited liability partnership.)

2.2.6 Instead of a new initial franchise fee, you agree to pay to us a renewal fee of Five Thousand Dollars ($5,000).

2.2.7 You agree to sign and deliver to us a renewal agreement. The renewal agreement will be in a form that we will provide and will include a mutual general release (which will include limited exclusions), and which will be effective as of when signed as well as the date of renewal (this will release all claims against us and our affiliates, and our respective officers, directors, members, managers, agents, and employees). Your affiliates and your respective direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver to us that renewal and release agreement.

2.2.8 You and your personnel must meet our then-current qualification and training requirements.

2.2.9 You must be current with respect to your financial and other obligations to your suppliers and all other parties with whom you do business.

3 OUR DUTIES

3.1 *Training*. We will provide you with the training specified in Section 6 below.

3.2 *Brand Manual*. We will lend to you (or provide you with digital access to) one (1) copy of our confidential brand manuals and other written instructions relating to the operation of a

Challenge Island Business (the "**Brand Manual**"), in the manner and as described in Section 10 below, for your use in solely in connection with the Franchised Business during the term of this Agreement.

3.3 *Marketing Materials*. We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.

3.4 *Marketing Funds*. We will administer the Marketing Fund (as defined in Section 13 below) in the manner set forth in Section 13 below.

3.5 *Assistance*. We will provide you with assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine.

3.6 *Services Performed*. You agree that any of our designees, employees, agents, or independent contractors (such as an "area representative") may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).

3.7 *Our Decision-Making*. In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: **(a)** to take into account, as we see fit, the effect on, and the interests of, other franchised and company-owned or affiliated businesses and systems; **(b)** to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with our affiliates; **(c)** to test market various items in some or all parts of the System; **(d)** to introduce new proprietary services and items (and non-proprietary services, items, and/or operational equipment); and/or **(e)** to allocate resources and new developments between and among systems, and/or our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section, and that nothing in this Section will in any way affect your obligations under this Agreement.

3.8 *Confirmation of Performance*. After we have performed our pre-opening obligations to you under this Agreement, we may ask that you sign and return to us a confirmation (the "**Confirmation of Performance**"), in a form we reasonably request, verifying that we have performed those obligations. If we ask you to provide us with such a certificate, you agree to sign and deliver the Confirmation of Performance to us within three (3) business days after our request. However, if you do not reasonably believe that we have performed all of our pre-opening obligations, you must, within that same three (3) day period, provide us with written notice specifically describing the obligations that we have not performed. Not later than three (3) business days after we complete all the obligations that you specified in that notice, you agree to execute and deliver the Confirmation of Performance to us. You agree to do so even if we performed such obligations after the time performance was due under this Agreement. The term "pre-opening obligations" means the obligations we have to you under this Agreement that must be performed before the date when your Franchised Business starts operating.

4 FEES; SALES REPORTING

4.1 *Initial Fees*. When you sign this Agreement, you agree to pay us an initial franchise fee of Forty-Four Thousand Nine Hundred Dollars ($44,900) (the "**Initial Franchise Fee**") (unless otherwise provided in Exhibit A). The Initial Franchise Fee is not refundable, and is payable

in consideration of the services that we provide to you in connection with helping you to establish your Franchised Business.

4.2 Royalty Fees and Sales Reports.

4.2.1 For each month during the term of the Franchise Agreement, you must pay us a Royalty Fee equal to the greater of seven percent (7%) of the Gross Sales of the Franchised Business ("**Royalty Fees**" or "**Royalties**") or the Minimum Royalty, as set out in Section 4.2.2 below.

4.2.2 If the Royalty Fee payments due under Section 4.2 1 above for a month do not meet or exceed the Minimum Royalty noted below, then for that month you must pay us the difference between the Royalties that you paid and the Minimum Royalty noted below (which payment will be payable on the Due Date, as defined below). The "**Minimum Royalty**" is as follows:

For this Period:	**Your Royalty Fee will be:**
Initial Period (the first six months as defined below)	7% of your Gross Sales. (We discount the Minimum Royalty to zero in the Initial Period.)
Year One (after the Initial Period) until the end of *Year Three*	The greater of: (a) 7% of your Gross Sales; and (b) a Minimum Royalty of Four Hundred Dollars ($400) each month.
Starting with *Year Three* and after that	The greater of: (a) 7% of your Gross Sales; and (b) a Minimum Royalty of Five Hundred Dollars ($500) each month.

4.2.2.1 "**Initial Period**" means the six (6) months after you sign your Franchise Agreement (plus the month in which you sign the Franchise Agreement).

4.2.2.2 "**Year One**" will be (**a**) the month during which the Opening Date falls; and **(b)** the next twelve (12) consecutive full months. **Year Two** will be the next twelve (12) consecutive full months; and **Year Three** will be the following twelve (12) consecutive full months).

4.2.3 Each month you also must report to us your Gross Sales, in the form and manner that we specify (a "**Sales Report**"), by the Due Date (defined in Section 4.3 below).

4.2.4 As used in this Agreement, the term "**Gross Sales**" means all revenue from the sale of all Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit, but excluding: **(a)** sales taxes and other taxes that you collect

from your clients and actually pay to the appropriate taxing authorities; and **(b)** refunds, discounts, and accommodations reasonably provided to your clients. Gross Sales include Extraterritorial Sales.

4.3 *Due Date*. All payments required by Section 4.2 above, Section 13 below, as well as any Out of Territory Royalty Charge must be made by ACH (as specified below) by the Due Date, based on the Gross Sales of the previous month. (If the Due Date falls on a federal holiday, then the Due Date shall be the next business day.) In addition, you agree to all of the following:

4.3.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12 below, at the time and in the format that we reasonably request. You also agree to deliver the Sales Report to us by the Due Date based on the sales of the previous month.

4.3.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under this Agreement. Among other things, to implement this point, you agree to sign and return to us our current form of "ACH - Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.4.2), and you agree to: **(a)** comply with the payment and reporting procedures that we may specify in the Brand Manual or otherwise in writing; and **(b)** maintain an adequate balance in your bank account at all times to pay by electronic means the charges that you owe under this Agreement. If we elect to use ACH withdrawal to sweep payment of fees, then you will not be required to submit a separate payment to us unless you do not maintain sufficient funds to pay the full amount due. Accordingly: **(i)** you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement; and **(ii)** if you do not do so, then you agree to pay us upon demand the amounts due and also reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose. You also agree that we may initiate an ACH withdrawal earlier than the Due Date so that the funds are actually transferred by the bank into our account on the Due Date.

4.3.3 You agree that your obligations to make full and timely payment of Royalty Fees and Marketing Contributions (and all other sums due to us) are absolute, unconditional, fully-earned (by us), and due as soon as you are first open to the public.

4.3.4 You agree that you will not, for any reason: delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may assert that you have against us, the Marketing Fund, the Regional Fund, our affiliates, suppliers, or others.

4.3.5 You agree that if you do not provide us, as requested, with access to your Computer System to obtain sales information (or, if pursuant to Section 12.1.4 below or otherwise, we require printed and signed sales reports, but you do not comply with that request) then: **(a)** we will have the right to impute your sales for any period using (among other things) your sales figures from any one or more months that we choose (which may be those with your highest grossing sales); and **(b)** you agree to

pay the Royalties on that amount by our deduction of that amount from your direct debit account (or at our request payment by other reasonable means).

4.3.6 The term "**Due Date**" means 5:00 pm (local time at our offices) on the twentieth (20th) day of each month (or the next business day if the 20th day of the month falls on a weekend or a holiday).

4.4 *No Subordination*. You agree: **(a)** not to subordinate to any other obligation your obligation to pay us the Royalty Fee and/or any other amount payable to us, whether under this Agreement or otherwise; and **(b)** that any such subordination commitment that you may give without our prior written consent will be null and void.

4.5 *Late Payment*. If we do not receive any payment due under this Agreement (and if the appropriate marketing fund does not receive payment due) on or before the due date, then that amount will be deemed overdue. If any payment is late, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month (but if a maximum interest rate applies to you in your jurisdiction, not more than that rate). Our entitlement to interest will be in addition to any other remedies we may have. Any report that we do not receive on or before the due date will also be deemed overdue.

4.6 *Other Funds Due*. You agree to pay us, within ten (10) days of our written request (which is accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, and/or that we choose to pay on your behalf.

4.7 *Index*. We have the right to adjust, for inflation, the fixed-dollar amounts (that is, those expressed in a numeral and not as a percentage of Gross Sales) under this Agreement (except for the Initial Franchise Fee) once a year to reflect changes in the Index from the year in which you signed this Agreement. For the purpose of this Section 4.7, the term "**Index**" means the Consumer Price Index as published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.

4.8 *Funds*. You agree to make all payments to us in U.S. Dollars to such bank account as we may periodically designate in writing (or as we otherwise direct in writing).

5 FRANCHISED BUSINESS COMMENCEMENT

5.1 *Opening Deadline.* You agree to establish the Franchised Business and have it open and in operation immediately upon your completion of training as provided under Section 6 below. **Time is of the essence.**

5.2 *Your Office*. You agree to operate your Franchised Business only from the Office.

5.2.1 You may choose to have your Office in your home (so long as it is suitable as a place from which to conduct business professionally and properly) or in a separate facility (e.g., an office building). Your Office must be inside your Protected Area.

5.2.2 You agree to inform us of the details regarding your Office by giving us written notice of the place at which you propose to have your Office and such other information as we may reasonably request concerning that Office.

5.2.3 If you wish to relocate your Office, you must give us at least thirty (30) days' prior written notice and provide such information as we may reasonably request concerning that relocated Office.

5.2.4 You agree that it is your sole responsibility to make sure that your Office complies with all of the Operating Codes, and to obtain any licenses, permits, or approvals needed to operate your Franchised Business from the Office.

5.2.5 You agree that we may inspect your Office and the places at which you store "Challenge Island" materials, as provided in this Agreement (including Section 12 below). If you propose to operate your Office from your home and/or to store Challenge Island materials at your home, then we will work with you so that these requirements do not impose unreasonable obligations upon your home, so long as it remains suitable as a place from which to conduct business professionally and properly.

5.3 *Pre-Opening*. Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Brand Manual, and/or that we may otherwise specify in writing. Your Business will be considered fully open upon the completion of training, unless we have specifically granted you an exception to operate programs before doing so.

6 OPERATING OWNER, PERSONNEL, AND TRAINING

6.1 Operating Owner and Management.

6.1.1 One of the parties that owns an interest in you must serve as your "**Operating Owner**." The Operating Owner must supervise the operation of the Franchised Business and must own at least fifty-one percent (51%) of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Owner to hold a smaller interest. The Operating Owner (and any replacement for that individual) must have qualifications reasonably acceptable to us to serve in this capacity, complete our training program as described below, must have authority over all business decisions related to the Franchised Business, must have the power to bind you in all dealings with us, and must have signed and delivered to us the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.

6.1.2 You must inform us in writing whether the Operating Owner will assume full-time responsibility for the daily supervision and operation of the Franchised Business. If not, then you must employ a full-time Manager (a "**Manager**") with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of the Franchised Business.

6.1.3 The Franchised Business must at all times be under the active full-time management of either Operating Owner or Manager (who must have successfully completed our initial training program to our satisfaction).

6.1.4 The term "**Additional Trained Personnel**" means Challenge Island Business personnel, in addition to the Operating Owner and Manager, such as other administrative personnel, who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management

and/or service roles that each such person will perform in operating the Franchised Business.

6.2 Initial Management Training.

6.2.1 Owners Training. The Operating Owner and Manager must attend and successfully complete, to our satisfaction, the training program that we offer at a location that we specify (which we have the right to require be conducted on an in-person basis, virtually, or any combination of those methods).

6.2.2 Brand Management Training.

6.2.2.1 The Operating Owner must also attend and successfully complete, to our satisfaction, the brand management training program that we offer at our headquarters or another location that we specify. (Your Manager will train your subsequently hired managers and other personnel.)

6.2.2.2 You may send up to three (3) individuals to the initial training program to our designated training facilities. If you wish to send additional individuals to be trained to the initial training program, you must pay us a discounted training fee in the amount as shown in 6.3.1.

6.3 Additional Obligations and Terms Regarding Training.

6.3.1 If for any reason your Operating Owner and/or Manager cease active management or employment at the Franchised Business, or if we revoke the certification of your Operating Owner or your Manager to serve in that capacity, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty (30) days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. You agree to pay us a discounted training fee in the amount of One Thousand Dollars ($1,000) for each replacement individual to be trained at our next new owner training, with payment to be made in full before training starts.

6.3.2 We may require that you and your Operating Owner, Manager and Additional Trained Personnel attend such refresher courses, new product launches, seminars, and other training programs as we may reasonably require periodically. (For example, we may have a “Virtual Launch: or “Mini-Training” that you must complete before you can start to operate, teach certain programs, or administer certain curriculum.)

6.3.3 We may require you to enroll each of your employees in web-based training programs relating to the Services that will be offered to clients of the Franchised Business.

6.3.4 All of your trainees must sign and deliver to us a personal covenant of confidentiality in substantially the form of Exhibit E to this Agreement.

6.3.5 Training Costs and Expenses.

6.3.5.1 We agree to bear the cost of providing the instruction and required materials, except as otherwise provided in Sections 6.2.2.2**,** 6.3**,** 6.4**,** and 6.5 of this Agreement.

6.3.5.2 You agree to bear all expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance for you and your employees. Training may take place at one or more locations that we designate, including the San Francisco metropolitan area or elsewhere.

6.3.5.3 You also agree to cover all of your employees at all times (including the pre-opening period, and including those attending training) under the insurance policies required in Section 15 below.

6.3.5.4 We have the right to reduce the duration or content of the training program for any trainee who has prior experience with our System or in similar businesses.

6.4 *Conventions and Meetings*. You agree to attend the conventions and meetings that we may periodically require and to pay a reasonable fee (if we charge a fee) for each person who is required to attend (and, if applicable, additional attendees that you choose to send as well), whether or not those persons attend. You will also be responsible for all of the other costs of attendance, including travel, room and board, and your employees' wages, benefits and other expenses.

6.5 *Teachers, Instructors, and Staff*. You agree to engage only teachers, instructors, and staff who are professional, well-trained, and who have successfully completed (and maintain) all necessary background checks that apply in your jurisdiction (as well as meeting other applicable requirements, such as credentialing, licensure, and other related standards).

7 PURCHASING AND SUPPLY

While your Business will focus principally on the provision of Services, you will also offer certain products at your Franchised Business. This Section 7 addresses those items.

7.1 *Products*. You agree to buy all products, curriculum, educational materials, books, student supplies, equipment, furniture, supplies, materials, fonts, and all other products used or offered for sale at or from the Business only from suppliers as to whom we have given you our prior written approval (and that we have not later disapproved). In this regard, the parties further agree:

7.1.1 In determining whether we will approve any particular supplier, we will consider various factors, including: **(a)** whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; **(b)** whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; **(c)** whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and **(d)** whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights).

7.1.2 For the purpose of this Agreement, the term "**supplier**" includes, but is not limited to, manufacturers, distributors, resellers, publishers, and other vendors.

7.1.3 You acknowledge and agree that we have the right to appoint only one supplier for any particular product or item (which may be us or one of our affiliates).

7.1.4 You agree to offer and sell all of the Services and products that we require be offered for sale through the Franchised Business (and only those Services and products).

7.1.5 If you want to buy any products or any item from an unapproved supplier (except for proprietary items, which are addressed in Section 7.2 below), then you must first submit a written request to us asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria. We are not required to approve any particular supplier, nor to make available our standards, specifications, or formulas to prospective suppliers, which we have the right to deem confidential.

7.1.6 You agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some Challenge Island Businesses with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Challenge Island Businesses, notwithstanding anything to the contrary contained in this Agreement. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all products and other products and services, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of Challenge Island Businesses. We have the right to approve or disapprove of the suppliers who may be permitted to sell products to you. Any of our affiliates that sell products to you will do so at our direction. If you are in default of this Agreement, we reserve the right to direct our affiliates not to sell products to you, or to withhold certain discounts which might otherwise be available to you.

7.1.7 You acknowledge and agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of products and other goods and services. These Allowances include those based on purchases of products, other products, paper goods, beverages, and other items (such as packaging). You assign to us or our designee all of your right, title and interest in and to any and all such

Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.

7.1.8 If we require you to offer and sell items that bear our Proprietary Marks, or to use items that bear our Proprietary Marks, then you must buy, use, and sell only the items that we require, and you must buy those items only from our approved suppliers.

7.2 *Proprietary Items*. You acknowledge and agree that: **(a)** we have the right to require that certain items that you offer at the Franchised Business must be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates), and that such items are our proprietary products; and **(b)** we have the right to require that you purchase and offer branded non-proprietary private-label products at your Franchised Business. In order to maintain the high standards of quality and uniformity associated with proprietary items, and other products and packaging bearing the Proprietary Marks, you agree to purchase those proprietary items and products, as well as any packaging bearing the Proprietary Marks (and any other products we may now or in the future designate), only from us, our affiliates, and/or our approved suppliers, and not to offer or sell any other such products at or from the Franchised Business. We have the right to determine whether any particular item will be a "Proprietary Item."

7.3 *Book Sales*. We have the right to designate books and other educational materials for use and sale in the Franchised Business (including materials that are authored, edited, published, or otherwise associated with us and our executives). You agree to buy and resell the books and educational materials that we designate.

7.4 *Sales Taxes*. You must pay as well as collect (and remit to the proper taxing authorities) any sales taxes that may apply to purchases that you make, as well as Services and products that you sell (including books and educational materials).

7.5 *Use of the Marks*. You must require all marketing materials, signs, decorations, paper goods (including, without limitation, and all forms and stationery used in the Franchised Business), and other items which we may designate to bear the Proprietary Marks in the form, color, location, and manner we prescribe (and subject to our prior written approval, for example as provided in Section 13.8 below).

7.6 *Manufacturing*. You agree that you will not manufacture any items in the Franchised Business, including products that we have otherwise authorized and approved for production.

8 YOUR DUTIES

In addition to all of the other duties specified in this Agreement, for the sake of brand enhancement and protection, you agree to all of the following:

8.1 *Importance of Following Standards*. You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other Challenge Island Business franchisees in order to develop and maintain our brand and operating standards, to provide client service to clients and participants, to increase the demand for the Services and products sold, by all franchisees, and to protect and enhance the reputation and goodwill associated with our brand.

8.2 *Opening*. In connection with the opening of the Franchised Business:

8.2.1 You agree to conduct, at your expense, such promotional and marketing activities as we may require.

8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above.

8.2.3 You agree not to open the Franchised Business until the Operating Owner, Manager, and Additional Trained Personnel have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Franchised Business's clients.

8.2.4 In addition, you agree not to open the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.

8.3 Staffing.

8.3.1 You agree to maintain a competent, conscientious staff in numbers sufficient to promptly service clients and comply with staffing, service criteria, and applicable teacher-child ratio legal standards. This may include specified positions that we may periodically designate as necessary or appropriate for providing quality member experience according to our standards. We will provide our requirements for service/function positions that we may periodically establish, and which will be set forth in our Brand Manual.

8.3.2 For the sake of efficiency and to enhance and protect our brand you and your staff must, at all times, cooperate with us and with our representatives, and conduct the operation of the Franchised Business in a first-class and professional manner in terms of dealing with clients, vendors, and our staff as well.

8.3.3 Your employees must comply with such dress code or standards as we may require, which may include use of branded (or other "**uniform**") apparel, and otherwise identify themselves with the Proprietary Marks at all times in the manner we specify (whether in the Brand Manual or otherwise in writing) while on a job for the Franchised Business. We may also require that you and your employees comply with personal appearance standards (including dress code, shoes, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays at workstations, etc.).

8.4 *Operate According to Our Standards.* To ensure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such methods, standards, and specifications that we may periodically require in the Brand Manual or otherwise in writing. In this regard, you agree to do all of the following:

8.4.1 You agree to maintain in sufficient supply, and to use at all times only the items, products, equipment, services, materials, and supplies that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.

8.4.2 You agree: **(a)** to sell or offer for sale only those Services and products that we have approved in writing for you to sell at your Franchised Business (including Services that may be offered by and/or through third parties we designate); **(b)** to sell or offer for sale all those Services and products, employing the techniques that we (and/or third parties) specify in writing; **(c)** not to deviate from our standards and specifications, including manner of maintenance of your equipment and products and the operation and maintenance of vehicles; **(d)** to stop selling and offering for sale any Services or products that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and **(e)** that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation will become our property. You further agree that before you may offer test preparation Services to clients you must be certified as qualified for such by us or our designee.

8.4.3 If you will operate a motor vehicle in connection with your Franchised Business, you must provide us with all of the details concerning that motor vehicle that we may reasonably require, and before you may use that motor vehicle, you must comply with our requirements, obtain the necessary insurance coverages, and sign an agreement with us in connection with your use of that motor vehicle.

8.4.4 You agree to permit us, or our agents, at any reasonable time, to inspect the products, equipment and to remove samples of items or products, without payment, in amounts reasonably necessary for testing by us or an independent third party to determine whether the products, equipment, or samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.

8.4.5 You agree to immediately notify us in writing if you or any of your Principals or employees are charged with and/or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein.

8.5 *Use of the Premises.* You may use your Office only for the purpose of operating the Franchised Business and for no other purpose. You agree not to co-brand or permit any other business to operate at the Office.

8.6 *Hours and Days of Operation.* You agree to keep the Franchised Business open and in normal operation for such hours and days as we may periodically specify in the Brand Manual or as we may otherwise approve in writing.

8.7 *Health Standards and Operating Codes*. You agree to fully and faithfully comply with all Operating Codes that apply to your Franchised Business. You will have the sole responsibility to fully and faithfully comply with any Operating Codes, and we will not review whether you are in compliance with any Operating Codes. The term "**Operating Codes**" means applicable federal, state, and local laws, codes, ordinances, and/or regulations that apply to the Services, products, and other aspects of operating the Franchised Business, including the Americans with Disabilities Act (the "**ADA**").

8.7.1 You agree to send us, within two (2) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business.

8.7.2 You must also obtain and maintain during the term of this Agreement all licenses and approvals from any governmental or regulatory agency required for the operation of the Franchised Business or provision of the Services you will offer, sell, and provide. Where required, you must obtain the approval of any regulatory authority with jurisdiction over the operation of your Franchised Business.

8.7.3 You acknowledge that we will have no liability to you or any regulatory authority for any failure by you to obtain or maintain during the term of this Agreement any necessary licenses or approvals required for the operation of the Franchised Business.

8.8 *Upgrading.* You agree to upgrade the Franchised Business at your expense to conform to our then-current standards and requirements concerning presentation of the Proprietary Marks in a manner consistent with the then-current image for new Challenge Island Businesses. If you request approval to open a location, we will have the right to renew your proposal and request details from you concerning that proposal. We will also have the right to approve and/or reject that proposal and may condition our approval upon your agreement to meet the standards and requirements that we establish for such a location.

8.9 *Use of the Marks*. You agree to follow all of our instructions and requirements regarding any marketing and promotional materials, signs, decorations, merchandise, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos (including our requirements as to the form, color, location, and manner for making use of those marks).

8.10 Depending on your type of Entity:

8.10.1 *Corporation*. If you are a corporation, then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** maintain stop transfer instructions on your records against the transfer of any equity securities and will only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; **(c)** not issue any additional shares (whether voting securities or securities convertible into voting securities); and **(d)** maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.

8.10.2 *Partnership/LLP*. If you are a general partnership, a limited partnership, or a limited liability partnership (LLP), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all of your general and limited partners; and **(d)** consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.

8.10.3 *LLC*. If you are a limited liability company (LLC), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and **(d)** maintain stop transfer instructions on your records against the transfer of equity securities and will only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

8.10.4 *Trust*. If you are a trust, then you agree to: **(a)** confine your commercial activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your trust agreement as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all of your trustees and beneficiaries; and **(d)** consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any trustee's rights and/or obligations, and against any beneficiary's interest, without our prior written approval.

8.10.5 *Guarantees*. If you (the Franchisee under this Agreement) are an entity, then you agree to obtain, and deliver to us, a guarantee of your performance under this Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future direct and indirect: **(a)** shareholder of a corporate Franchisee; **(b)** member of a limited liability company Franchisee; **(c)** partner of a partnership Franchisee; **(d)** partner of a limited liability partnership Franchisee; and/or **(e)** trustee and beneficiaries of a Franchisee that is a trust..

8.11 *Quality-Control and Client Survey Programs.* We may periodically designate an independent evaluation service to conduct client surveys and/or similar quality-control and evaluation programs. You agree to participate in those programs and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to: **(a)** immediately implement any remedial actions we require; and **(b)** reimburse us for the expenses we incur as a result thereof (including the cost of having the evaluation service re-evaluate the Franchised Business, our inspections of the Franchised Business, and other costs or incidental expenses).

8.12 Prices.

8.12.1 We may periodically provide suggested pricing for Services; however (subject to Section 8.12.2 below), you will always have the right to set your own prices.

8.12.2 You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the Services and products offered and sold at the Franchised Business under this Agreement. You will have the right to set the prices that you will charge to your clients; provided, however, that (subject to applicable law): **(a)** if we have established a maximum price for a particular Service, then you may charge any price for that Service up to and including the maximum price we have established; and **(b)** if we have established a minimum price for a particular

Service, then you may charge any price for that Service that is equal to or above the minimum price we have established.

8.13 *Environmental Matters*. Both parties recognize and agree that there are changing standards in this area in terms of applicable law, competitors' actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Brand Manual, and you agree to abide by those standards.

8.14 *Innovations.*

8.14.1 Without our prior written approval, you agree not to deviate from our standards, specifications, and requirements.

8.14.2 You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the Franchised Business. All such products, services, concepts, methods, techniques, and new information (whether we have approved them or not) will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without compensation to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

8.15 *Suspending Operation*. You agree to immediately suspend operating the Franchised Business and promptly notify us in writing if: **(a)** any Services sold, or products or equipment used, at the Franchised Business deviate from our standards; **(b)** any Services sold, or equipment or products used, at the Franchised Business fail to comply with applicable laws or regulations; and/or **(c)** you fail to maintain the personnel or operation of the Franchised Business in accordance with any applicable law or regulations. In the event of such closing, you agree to immediately notify us, in writing, and also remedy the unsafe, or other condition or other violation of the applicable law or regulation. You agree not to reopen the Franchised Business until after we have inspected the Franchised Business premises (physically or otherwise), and we have determined that you have corrected the condition and that all Services to be sold, or products or equipment used, at the Franchised Business comply with our standards. This Section 8.15 does not limit or restrict our other rights under this Agreement.

8.16 Large Accounts.

8.16.1 We will have the exclusive right, unless otherwise specifically delegated in writing, on behalf of us, you, and/or other franchisees utilizing the Proprietary Marks, to negotiate and enter into agreements or approve forms of agreement to provide services to "Large Account" clients, including any affiliate, company owned or franchised locations within the Protected Area.

8.16.2 Following the execution of a contract with or the acceptance of a bid by a Large Account client which contemplates the provision of Services to one or more Large Account client locations within or outside of the Protected Area, we may, in our discretion, and if you are qualified to perform the Services and conditioned upon your substantial compliance with the terms of this Agreement and any addendum, refer the Large Account to you. If we refer the Large Account to you, you must perform such Services pursuant to the terms and conditions of the Large Account contract and the guidelines contained in the Brand Manual.

8.16.3 If you fail to provide services to a Large Account client in conformity with the terms and conditions of the Large Account contract or the Brand Manual, we will have the right to:

8.16.3.1 Terminate this Agreement in accordance with Section 17.3.1; and/or

8.16.3.2 Provide, directly or through any other licensee or franchisee utilizing the Proprietary Marks, services to the Large Account client location(s) within the Protected Area on the terms and conditions contained in the Large Account bid or contract; and/or

8.16.3.3 Contract with another party to provide such services to the Large Account client location(s) within the Protected Area on the terms and conditions contained in the Large Account bid.

8.16.4 Any dispute as to whether a particular client is a Large Account will be determined by us and our determination will be final and binding.

9 PROPRIETARY MARKS

9.1 *Our Representations*. We represent to you that we own (and/or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks.

9.2 *Your Agreement*. With respect to your use of the Proprietary Marks, you agree that:

9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.

9.2.2 You will use the Proprietary Marks only for the operation of the Franchised Business under this Agreement and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).

9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Business only under the name “Challenge Island” without prefix or suffix (except with our prior written approval).

9.2.4 During the term of this Agreement and any renewal of this Agreement, you agree to identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations

on the premises of the Franchised Business (visible to clients, visible only to your staff, and otherwise as we may designate in writing).

9.2.5 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.

9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.

9.2.7 You agree not to use the Proprietary Marks: **(a)** as part of your corporate or other legal name; **(b)** as part of any e-mail address, domain name, social networking site page, or other identification of you in any electronic medium (except as otherwise provided in Section 14.11); and/or **(c)** in any human relations (HR) document or materials, including job applications, employment agreements, pay checks, pay stubs, and the like.

9.2.8 You agree to: **(a)** comply with our instructions in filing and maintaining requisite trade name or fictitious name registrations; and **(b)** execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability, including any additional license agreements we may require for use of the Proprietary Marks on the Internet or in other marketing.

9.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:

9.2.9.1 You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of, or your right to use, the Proprietary Marks licensed under this Agreement. You agree to communicate only with us, our affiliates, our counsel, or your counsel regarding any such infringement or challenge. You acknowledge that we have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

9.2.9.2 Defense and Costs:

(a) *If You Used the Marks in Accordance with this Agreement*: If you have used the Proprietary Marks in accordance with this Agreement, then we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof, and we agree to reimburse you for your out-of-pocket litigation costs in doing such acts and things (except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement). .

(b) *If You Used the Marks But Not in Accordance with this Agreement*: If you used the Proprietary Marks in any manner that was not in accordance with this Agreement (including our instructions), then we

will still defend you, but at your expense, against such third party claims, suits, or demands (including all of the costs of defense as well as the cost of any judgment or settlement). You agree to reimburse us for the cost of such litigation (or, upon our written request, pay our legal fees directly), including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses, as well as the cost of any judgment or settlement. If you infringe upon another party's intellectual property rights (including trademarks, copyrights, patents, trade secrets, domain names, etc.) then you agree to reimburse us for the cost of any claim raised against us and the cost that we incur in connection with your infringement (as provided in Section 21.4 below) (and you must also indemnify us in connection with any such matter as provided in Section 21.4 below).

9.2.9.3 If we undertake the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, then you agree to sign any and all documents, and do those acts and things that may, in our counsel's opinion, be necessary to carry out the defense or prosecution of that matter (including becoming a nominal party to any legal action).

9.3 Your Acknowledgements. You agree that:

9.3.1 We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

9.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.

9.3.3 Neither you nor any of your owners, principals, or other persons acting on your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will you, directly or indirectly, seek to register the Proprietary Marks with any government agency (unless we have given you our express prior written consent to do so).

9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

9.3.5 Any and all goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Proprietary Marks.

9.3.6 The license that we have granted to you under this Agreement to use our Proprietary Marks is not exclusive, and therefore we have the right, among other things:

9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Services;

9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to you and other licensees; and

9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.

9.4 *Change to Marks*. We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different, updated, or changed Proprietary Marks will be beneficial to the System. In such circumstances, you agree to adopt the new Proprietary Marks and that your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

10 BRAND MANUAL

10.1 *You Agree to Abide by the Brand Manual*. In order to protect our reputation and goodwill and to maintain our standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Brand Manual. We will lend to you (or permit you to have access to) one (1) copy of our Brand Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.

10.2 *Format of the Brand Manual*. We will have the right to provide the Brand Manual in any one or more format that we determine is appropriate (including paper and/or by making some or all of the Brand Manual available to you only in electronic form, such as through an internet website or an extranet), and we may change how we provide the Brand Manual from time to time. If at any time we choose to provide some or all of the Brand Manual electronically, you agree to immediately return to us any and all physical copies of the portions of the Brand Manual that we have previously provided to you.

10.3 *We Own the Brand Manual*. The Brand Manual will at all times remain our sole property and you agree to promptly return the Brand Manual (including any and all copies of some or all of the Brand Manual) when this Agreement expires and/or is terminated.

10.4 Confidentiality and Use of the Brand Manual.

10.4.1 The Brand Manual contains our proprietary information, and you agree to keep the Brand Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will insure that your copy of the Brand Manual will be available at the Franchised Business premises in a current and up-to-date manner. Whenever the Brand Manual is not in use by authorized personnel, you agree to maintain secure access to the Brand Manual at the premises of the Franchised Business, and you agree to grant only authorized personnel (as defined in the Brand Manual) with access to the security protocols for the Brand Manual.

10.4.2 You agree to never make any unauthorized use, disclosure, and/or duplication of the Brand Manual in whole or in part.

10.5 *You Agree to Treat Brand Manual as Confidential*. You agree that at all times, you will treat the Brand Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential,

and you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.

10.6 *Which Copy of the Brand Manual Controls*. You agree to keep your copy of the Brand Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to insure that the Brand Manual is kept current and up to date. You also agree that if there is any dispute as to the contents of the Brand Manual, the terms of the master copy of the Brand Manual that we maintain in our head office will be controlling. Access to any electronic version of the Brand Manual will also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.

10.7 *Revisions to the Brand Manual*. We have the right to revise the contents of the Brand Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Brand Manual and to comply with each new or changed standard.

10.8 *Modifications to the System*. You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques) as if they were part of this Agreement at the time when you and we signed this Agreement. You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement. You may not make any modifications to the System without our prior written approval.

11 CONFIDENTIAL INFORMATION

11.1 Confidentiality.

11.1.1 You agree that you will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use (for yourself and/or for the benefit of any other person, persons, partnership, entity, association, or corporation) any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You agree that you will divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business.

11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by another party that has the right to publish or communicate that information.

11.1.3 Any employee who may have access to any Confidential Information regarding the Franchised Business must execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants must be on a form that we provide, which form will, among

other things, designate us as a third-party beneficiary of such covenants with the independent right to enforce them. You must inform us when any staff member leaves (or enters) your Franchised Business so that we can deactivate (or activate) their access to our Confidential Information accordingly (including online systems).

11.1.4 As used in this Agreement, the term "**Confidential Information**" includes, without limitation, information about our clients and all information about students and their families (including client profiles, preferences, and statistics), our business concepts and plans, business model, financial model, recruiting techniques, standards of teaching and related procedures, equipment, printing and digital document management methods, operating techniques, marketing methods, processes, formulae, manufacturing and vendor information, results of operations and quality control information, financial information, sales, royalty rates, accounting chart, demographic and trade area information, market penetration techniques, plans, or schedules, the Brand Manual, itemized costs, franchisee composition, territories, and development plans, this Agreement and other agreements related to the Franchised Business, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made before or at the time any Confidential Information is disclosed to you.

11.2 *Consequences of Breach*. You agree that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including, reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS

12.1 Accounting Records and Sales Reports.

12.1.1 With respect to the operation and financial condition of the Franchised Business, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System.

12.1.2 With respect to the Franchised Business, you agree to maintain for at least seven (7) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed periodically in the Brand Manual or otherwise in writing, including: **(a)** daily cash reports; **(b)** cash receipts journal and general ledger; **(c)** cash disbursements and weekly payroll journal and schedule; **(d)** monthly bank statements, bank reconciliations, daily deposit slips, and cancelled checks; **(e)** all tax returns; **(f)** supplier's invoices (paid and unpaid); **(g)** dated daily and weekly cash register journals and POS reports in accordance with our standards; **(h)** periodic balance sheets, periodic profit and loss statements, and periodic trial balances; **(i)** operational schedules and weekly inventory records; **(j)** records of promotion and coupon redemption; and **(k)** such other records that we may periodically and reasonably request. You agree to allow us access to review all of these records as specified below in Section 12.6.

12.1.3 We have the right to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us.

12.1.3.1 We have the right (among other things) to require that you use only an approved **(a)** bookkeeping service; **(b)** payroll processing vendor; and/or **(c)** an approved independent certified public accountant.

12.1.3.2 You agree to provide to the accounting service provider complete and accurate information that we or the accounting service provider require, and agree that we will have full access to the data and information that you provide to the accounting service provider or through the designated program.

12.1.3.3 Nothing in this Agreement requires your CPA to share with us its advice or guidance to you.

12.1.4 Each month, you agree to submit to us, in the form we specify and/or utilizing our Required Software (as that term is defined in Section 14.1.2 below), a Sales Report for the immediately preceding month. You agree to submit the report to us by whatever method that we reasonably require (whether electronically through your use of our Required Software or otherwise) for our receipt no later than the times required under Section 4.3 above. You agree that if you do not submit those reports to us in a timely manner, and/or if you do not permit us to access your Computer System as provided, we will have the right to charge you for the costs that we incur in auditing your records.

12.2 Financial Statements.

12.2.1 You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within sixty (60) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.

12.2.2 In addition, each month during the term of this Agreement after the opening of the Franchised Business, you agree to submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): **(a)** a fiscal period and fiscal year-to-date profit and loss statement and a periodic balance sheet (which may be unaudited) for the Franchised Business and a periodic trial balance through the end of each month; **(b)** reports of those income and expense items of the Franchised Business for the month that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); **(c)** copies of all state sales tax returns for the Franchised Business; and **(d)** copies of withholding remittances. You agree to provide to us the

materials required by Sections 12.2.2(a) and 12.2.2(b) above within five (5) days after the close of each Due Date, and the materials required by Sections 12.2.2(c) and 12.2.2(d) within ten (10) days after you have filed those returns with the appropriate taxing authorities.

12.2.3 You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2. You also agree to provide us with copies of your federal, state, and local income tax returns within ten (10) days after you file those items, but not more than one hundred and eighty (180) days after each of your fiscal year ends. If you do not meet your obligation to provide us with access to your books and records, as well as copies of required accounting records and financial statements, as specified in this Section 12, or if you fail to provide us with required reports (such as sales reports), then we will have the right to require you to have your annual financial statement prepared on a review basis by an independent certified public accountant that is reasonably satisfactory to us (however, if you have failed on more than one occasion to meet the foregoing standards, then we will have the right to require that your annual financial statement be prepared on an audited basis by an independent certified public accountant that is reasonably satisfactory to us).

12.2.4 You agree that upon our request, and for a limited period of time, you will provide us (and/or our agents, such as our auditors) with passwords and pass codes necessary for the limited purpose of accessing your Computer System in order to conduct the inspections specified in this Section 12. You also agree that you will change all passwords and pass codes after the inspection is completed.

12.3 *Additional Information*. You also agree to submit to us (in addition to the sales reports required pursuant to Section 12.1.4 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Brand Manual or otherwise in writing, including: **(a)** information in electronic format; **(b)** restated in accordance with our financial reporting periods; **(c)** consistent with our then-current financial reporting periods and accounting practices and standards; and/or **(d)** as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business and/or our company. The reporting requirements of this Section 12.3 will be in addition to, and not in lieu of, the electronic reporting required under Section 14 below. You agree to reimburse us for any and all costs and expenses we incur in connection with any review of audit conducted pursuant to this Section 12.3 (including travel, lodging and wages expenses, and reasonable accounting and legal costs).

12.4 *PCI Compliance and Credit Cards*. With respect to processing client payments by credit and debit cards, you agree to do all of the following:

12.4.1 You agree to comply with all of our policies regarding client payment by credit and/or debit cards, including for example the required use of credit and/or debit cards and other payment methods offered by Payment Vendors, minimum purchase requirements for a client's use of a credit and/or debit card, and other such requirements that we may set out in the Brand Manual.

12.4.2 You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center

services, merchant service providers, and electronic-fund-transfer systems (together, "**Payment Vendors**") that we may periodically designate as mandatory. The term "Payment Vendors" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").

12.4.3 You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.

12.4.4 We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.

12.4.5 In addition to the other requirements of this Agreement to provide us with various information and reports, you agree to provide us with the information that we reasonably require concerning your compliance with data and cybersecurity requirements.

12.4.6 You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.3 below.

12.4.7 You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

12.5 *Gift Cards and Incentive Programs.* You agree to offer for sale, participate in, and honor for purchases by clients, all gift cards and other incentive or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate, as well as mobile apps, mobile payment, and/or other client affinity applications; together, "**Client Apps**"); and you agree to do all of those things in compliance with our standards and procedures for such programs (which may be set out in the Brand Manual or otherwise in writing). You agree to abide by our written standards with respect to gift card residual value. For this purpose, you must purchase the software, hardware, and other items needed to participate in, sell, and process Client Apps, and to contact with Client App vendors (including suppliers of gift cards and gift card processing services), as we may specify in writing in the Brand Manual or otherwise. You must also pay such transaction fees as may be required by the vendors of the gift card system. You agree not to sell, issue, or redeem coupons, gift certificates and gift cards other than gift cards that we have approved in writing.

12.6 *Our Right to Inspect Your Books and Records*. We have the right at all reasonable times to examine, copy, and/or personally review or audit all of your sales receipts, books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that you have understated any payments in any report to us, then this will constitute a default under this Agreement, and you agree to immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month (but if a

maximum interest rate applies to you in your jurisdiction, not more than that rate). If we conduct an inspection because you did not timely provide sales reports to us, or if an inspection discloses that you understated your sales, in any report to us (and/or underpaid your Royalties), by two percent (2%) or more, or if you did not maintain and/or provide us with access to your records, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connection with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies will be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us. You agree to reimburse us for any and all costs and expenses we incur in connection with any review of audit conducted pursuant to this Section 12.6 (including travel, lodging and wages expenses, and reasonable accounting and legal costs).

12.7 *Operational Inspections*. In addition to the provisions of Section 12.6 above, you also grant to us and our agents the right, at any reasonable time, to conduct inspections of the operation of the Franchised Business, for among other purposes, preserving the validity of the Proprietary Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Brand Manual. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. You further agree to pay us our then-current per diem fee for our representative(s) and to reimburse us for our reasonable travel expenses if additional inspections at the Franchised Business are required when a violation has occurred and you have not corrected the violation, or if you did not provide us with your records or access to your records upon reasonable request that is permitted under this Agreement.

13 MARKETING

13.1 Marketing Contribution.

13.1.1 For each month during the term of this Agreement, you agree to contribute an amount as specified in Section 13.1.2 below (the "**Marketing Contribution**"). You agree to pay the Marketing Contribution in the manner and at the times required under Section 4.3 above (and as otherwise provided in this Section 13).

13.1.2 You agree to pay the Marketing Fee each month as provided below:

For this Period:	**Your minimum marketing contribution will be:**
Initial Period (the first six months as defined in Section 4.2.2.1 below)	Two percent (2%) of your Gross Sales
Each month after the Initial Period	The greater of (**a**) two percent (2%) of your Gross Sales; and (**b**) One Hundred Dollars ($100) per month.

13.1.3 No part of the Marketing Contribution shall be subject to refund or repayment under any circumstances.

13.2 *Marketing Fund*. We have the right (but not the obligation) to establish, maintain, and administer the Marketing Fund. All of the following provisions will apply to the Marketing Fund:

13.2.1 We (or our designee) will have the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. You agree that the Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Marketing Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.

13.2.2 The Marketing Fund, all contributions to that fund, and any of that fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, geo-targeted online and social marketing, search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; and providing promotional and other marketing materials and services to the Challenge Island Businesses operated under the System).

13.2.3 You agree to contribute the portion of the Marketing Contribution allocated to the Marketing Fund in the manner and at the times that are specified above in Section 4.3. The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will promote general public awareness and favorable support for the System. All sums you pay to the Marketing Fund will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Marketing Fund and marketing programs for franchisees and the System. The Marketing Fund and its earnings will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Marketing Fund.

13.2.4 The Marketing Fund is not and will not be our asset. We will prepare and make available to you upon reasonable request an annual statement of the operations of the Marketing Fund as shown on our books.

13.2.5 Although once established the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes.

13.2.6 We will not use the Marketing Fund for solicitations that are primarily for the purpose of promoting the sale of new franchises.

13.3 *Local Marketing.* You are required to spend additional funds on local marketing in the amount of at least Five Hundred Dollars ($500) per quarter, which will be conducted primarily through your local marketing expenditures. We reserve the right to establish a regional fund if there is one created for your area, all as specified in Sections 13.4 and 13.5 below, and require that you conduct some or all of your local marketing through that regional fund.

13.4 *Regional Fund*. We have the right (but not the obligation) to designate any geographical area for purposes of establishing a cooperative Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located has been established at the time you commence operations under this Agreement, then you must immediately become a member of such Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, you must become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation. You will not be required to join more than one Regional Fund. If we establish a Regional Fund, then all of the following provisions will apply to that Regional Fund:

13.4.1 Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, all of which we must have approved in advance, in writing.

13.4.2 Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval.

13.4.3 No marketing, advertising or promotional plans or materials may be used by a Regional Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 13.9 below.

13.4.4 Once you become a member of a Regional Fund, you must contribute to a Regional Fund pursuant to the allocation that we specify in Section 13.1.2 above, at the time required under Section 4.3 above, together with such statements or reports that we, or the Regional Fund (with our prior written approval) may require. We also have the right to require that you submit your Regional Fund contributions and reports directly to us for distribution to the Regional Fund.

13.4.5 Voting will be on the basis of one vote per Challenge Island Business, and any Challenge Island Businesses that we (or our affiliates) operate in the region will have the same voting rights as those owned by franchisees. Each franchised Challenge

Island Business in the Regional Fund shall also have one vote (no matter how many people own the franchisee).

13.4.6 Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.

13.5 *Local Marketing Expenditure*. As used in this Agreement, the term "**Local Marketing Expenditure**" will consist only of the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties agree that local marketing may not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:

13.5.1 Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities, or incentives provided or offered to such employees, including discount coupons;

13.5.2 Charitable, political, or other contributions or donations; and/or

13.5.3 The value of discounts provided to clients.

13.6 *Materials Available for Purchase*. We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.

13.7 *Standards*. All of your local marketing and promotion must: **(a)** be in the media, and of the type and format, that we may approve; **(b)** be conducted in a dignified manner; and **(c)** conform to the standards and requirements that we may specify. You agree not to use any advertising, marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 13.9 below.

13.8 *Our Review and Right to Approve All Proposed Marketing*. For all proposed local marketing and promotion, advertising, and promotional plans, you (or the Regional Fund, where applicable) must submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval, which we agree to provide within seven (7) business days. If you (or the Regional Fund) have not received our written approval within seven (7) business days after we have received those proposed samples or materials, then we will be deemed to have disapproved them. You agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to promptly sign such documents) that we deem reasonably necessary to give effect to this provision.

13.9 *Rebates*. You agree that periodic rebates, giveaways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, giveaways, marketing

programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.

13.10 *Considerations as to Charitable Efforts*. You agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions, positions, and/or make statements that are (or that may be perceived by the public to be) taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.

13.11 *Additional Marketing Expenditure Encouraged*. You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

14 TECHNOLOGY

14.1 *Computer Systems and Required Software.* With respect to computer systems and required software:

14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Challenge Island Businesses, and in accordance with our standards, including:

a. back office and point of sale systems, data, audio, video, telephone, voice messaging, retrieval, and transmission systems for use at Challenge Island Businesses, between or among Challenge Island Businesses, and between and among the Franchised Business, and you, and us;

b. printers and other peripheral devices;

c. archival back-up systems;

d. internet access mode (such as form of telecommunications connection) and speed;

e. franchise management tool ("**FMT**") communication and reporting systems;

f. cloud-based back-end management systems and storage sites; and

g. consumer-marketing oriented technology (including Client Apps, affinity and rewards hardware and software, facial and other client-recognition technology, and approved social media/networking sites)

(collectively, all of the above in this Section 14.1.1 are referred to as the "**Computer System**").

14.1.2 We have the right, but not the obligation, to develop or have developed for us, or to designate: **(a)** programs, computer software, and other software (e.g., accounting system software) that you must use in connection with the Computer System (including applications, technology platforms, and other such solutions) ("**Required Software**"), which you must install and maintain; **(b)** updates, supplements, modifications, or enhancements to the Required Software, which you must install and maintain; **(c)** the media upon which you must record data; and **(d)** the database file structure of your Computer System. If we require you to use any or all of the above items, then you agree that you will do so. The term "Required Software" also includes the affinity program cards that are required under Section 12.5 above.

14.1.3 You agree to install, use, maintain, update, and replace (as needed) all elements of the Computer System and Required Software at your expense. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.

14.1.4 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**") (which may be in conjunction with a Minor Refurbishment or as is otherwise needed).

14.1.5 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.

14.1.6 You also agree that we will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).

14.1.7 We have the right to change vendors for any part of the Computer System upon reasonable notice to you, and we or our affiliates may become one of or the sole vendor for any one or more components of the Computer System.

14.2 Data.

14.2.1 You agree that all data relating to the Franchised Business that you collect, create, provide, or otherwise develop on your Computer System (whether or not uploaded to our system from your system and/or downloaded from your system to our system) is and will be owned exclusively by us, and that we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you.

14.2.2 You agree that all other data that you create or collect in connection with the System, and in connection with your operation of the Franchised Business (including client and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, this Agreement.

14.2.3 In order to operate your Franchised Business under this Agreement, we hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and for your use in connection with operating the Franchised Business.

You agree that except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.

14.2.4 You agree to transfer to us all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, or at the time of any transfer of an interest in you and/or of the Franchised Business.

14.2.5 For the limited purpose of this Section 14.2, references to "data" exclude consumers' credit card and/or other payment information.

14.3 *Data Requirements and Usage*. We may periodically specify in the Brand Manual or otherwise in writing the information that you agree to collect and maintain on the Computer System installed at the Franchised Business, and you agree to provide to us such reports as we may reasonably request from the data so collected and maintained. In addition:

14.3.1 You agree to abide by all applicable laws pertaining to the data (including those pertaining to the collection, use, maintenance, disposition, and/or privacy of consumer, employee, vendor, student, family, school district, and transactional information) ("**Privacy Laws**").

14.3.2 You agree to also comply with any standards and policies that we may issue (without any obligation to do so) pertaining to the collection, use, maintenance, disposition, and/or privacy of consumer, employee, vendor, and transactional information. If you become aware (and/or if you should be aware) that there is a conflict between our standards and policies and Privacy Laws, then you agree to: **(a)** comply with the requirements of the Privacy Laws; **(b)** immediately give us written notice of that conflict; and **(c)** promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.

14.3.3 You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.

14.3.4 You agree to implement at all times appropriate physical and electronic security as is necessary to secure your Computer System, including complex passwords that you change periodically, and to comply with any standards and policies that we may issue (without obligation to do so) in this regard.

14.4 *Extranet*. You agree to comply with our requirements (as set forth in the Brand Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term "**Extranet**" means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish an Extranet (but are not required to do so or to maintain an Extranet). The Extranet may include, among other things, the Brand Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as may be required to connect to and utilize the Extranet. You

agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.

14.5 *No Separate Digital Sites*. Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to the Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, YouTube, Snapchat, Pinterest, Instagram, TikTok etc.), blogs, vlogs, podcasts, applications to be used on mobile devices (e.g., iOS or Android apps), and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if we give you our prior written consent to have some form of separate Digital Site (which we are not obligated to approve), then each of the following provisions will apply:

14.5.1 You agree that you will not establish or use any Digital Site without our prior written approval.

14.5.2 Any Digital Site that you own or that is maintained by or for your benefit will be deemed "marketing" under this Agreement, and will be subject to (among other things) our right of review and prior approval under Section 13.8 above.

14.5.3 Before establishing any Digital Site, you agree to submit to us, for our prior written approval, a sample of the proposed Digital Site domain name, format, visible content (including, proposed screen shots, links, and other content), and non-visible content (including, meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.

14.5.4 You may not use or modify such Digital Site without our prior written approval as to such proposed use or modification.

14.5.5 In addition to any other applicable requirements, you agree to comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Manual or otherwise in writing (including requirements pertaining to designating us as the sole administrator or co-administrator of the Digital Site).

14.5.6 If we require, you agree to establish such hyperlinks to our Digital Site and others as we may request in writing.

14.5.7 If we require you to do so, you agree to make weekly or other periodic updates to the Digital Site to reflect information regarding specials and other promotions at your Franchised Business.

14.5.8 We have the right to require that you make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.

14.6 *Recordation of Gross Sales*. You agree to record all sales and transactions for the Franchised Business on computer-based systems that we have approved in writing or on

such other types of equipment that we may designate in the Brand Manual or otherwise in writing, which will be deemed part of your Computer System. You agree to record all sales and transactions within twenty-four (24) hours of receipt, and all receivables within twenty-four (24) hours of booking the corresponding program. You agree to utilize computer-based systems that are fully compatible with any program or system (which we will have the right to require) and you agree to record all Gross Sales and all sales information on such equipment.

14.7 *E-Mail*. You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic method without obtaining our prior written consent as to: **(a)** the content of such electronic advertisements or solicitations; and **(b)** your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003"), the Federal Telephone Consumer Protection Act, and the Canada Anti-Spam Law (known as "CASL"). (As used in this Agreement, the term "**electronic communication**" includes all methods for sending communication electronically, whether or not currently invented or used, including e-mails, text messages, app- and/or internet-based communication, and faxes.)

14.8 *Outsourcing*. You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor's agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent.

14.9 *Telephone Service*. You agree to use the telephone service for the Franchised Business that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Business, and you agree to sign the forms necessary to implement this clause.

14.10 *Changes*. You agree that changes to technology are dynamic and likely to occur during the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards as if this Section 14 were periodically revised by us for that purpose, and you also agree to pay vendors' charges for those new items and services.

14.11 *Electronic Communication – Including E-Mail, Texts, and other Messaging*. You agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees,

vendors, and affiliates (on matters pertaining to the Franchised Business) (together, "**Official Senders**") to you during the term of this Agreement.

14.11.1 In order to implement the terms of this Section 14.11, you agree that: **(a)** Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; **(b)** you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of electronic communication to those persons, and that such persons may not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and **(c)** you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.

14.11.2 The consent given in this Section 14.11 will not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

14.11.3 We may permit or require you to use a specific e-mail address (or address using another communications method) (for example, one that will contain a Top Level Domain Name that we designate, such as "pat.jones@CIfranchisee.com") (the "**Permitted E-mail Address**") in connection with the operation of the Franchised Business, under the standards that we set for use of that Permitted E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we assign you a Permitted E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Franchised Business. We may require you to use an auto-signature that we designate for the Permitted E-mail Address.

15 INSURANCE

15.1 *Required Insurance Coverage*. Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the operation of the Franchised Business or other facilities on premises. Such policy or policies must be written by an insurance company or companies we have approved, having at all times a rating of at least "A-" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Franchised Business is located, and must include, at a minimum (however, you agree that we may reasonably specify additional coverages and higher policy limits in the Brand Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and/or other relevant changes in circumstances), the following (all subject to the additional requirements of this Section 15):

15.1.1 Molestation and abuse liability coverage (subject to section 15.2 below) with limits of liability not less than One Million Dollars ($1,000,000) combined single limit.

15.1.2 Commercial general liability insurance (subject to Section 15.2 below) protecting against any and all claims for personal, bodily and/or property injury occurring in or about the Franchised Business and protecting against assumed or contractual liability under this Agreement with respect to the Franchised Business and your operations, with such policy to be placed with minimum limits of One Million Dollars ($1,000,000) combined single limit per occurrence and Two Million Dollars ($2,000,000) general aggregate per location; provided, however, that at our election, such minimum limits may be periodically increased. This coverage shall not exclude losses due to assault, battery, and/or the use or brandishing of firearms.

15.1.3 Data theft and cybersecurity coverage (subject to Section 15.2 below) with limits of liability not less than Two Million Dollars ($2,000,000) combined single limit.

15.1.4 Employment practices liability insurance (subject to Section 15.2 below) with limits of liability not less than Two Million Dollars ($2,000,000) combined single limit.

15.1.5 Any other insurance coverage that is required by federal, state, or municipal law (subject to Section 15.2 below).

15.1.6 All coverages must be written with no coinsurance penalty.

15.2 *Additional Terms Applicable to All Policies.* In addition to the other provisions of this Section 15 (above and those below), you agree that:

15.2.1 All policies listed in Section 15.1 above (unless otherwise noted below) must contain such endorsements as we will periodically specify in the Brand Manual.

15.2.2 All policies must waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).

15.2.3 All public liability and property damage policies must: **(a)** list as additional insureds all of the Atlanta Parties (defined below) and each of those parties' respective members, managers, shareholders, directors, officers, partners, joint venturers, employees, servants, and agents, and their successors and assigns; and **(b)** contain a provision that we, although named as an additional insured, will nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees, including as additional insureds. The term "**Atlanta Parties**" means Challenge Island Global, LLC, Challenge Island IP Holdings, LLC and any other affiliate of Challenge Island Global, LLC.

15.2.4 You agree to provide us with sixty (60) days' advance written notice In the event of cancellation, change, and/or non-renewal of any policy, in the manner provided in Section 24 below.

15.3 *Invalidation*. You agree to not undertake any activities that may invalidate, undermine, and/or nullify any part of your insurance coverage.

15.4 *Other Insurance Does Not Impact your Obligation*. Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4 below. Additionally,

the requirements of this Section 15 will not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including other Challenge Island Businesses that you (and/or your affiliates) operate under the System.

15.5 *Certificates of Insurance*. At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy (and also on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date), you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates must expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and must expressly provide that any interest of same therein will not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.

15.6 *Required Coverages are Minimums*. You agree that the specifications and coverage requirements in this Section 15 are minimums only, and that we recommend that you review these with your own insurance advisors to determine whether additional coverage is warranted in the operation of your Franchised Business.

15.7 *Obtaining Coverage*. If you fail to maintain or acquire insurance, we will have the right (but not the obligation) to obtain insurance coverage on your behalf, in which case we will invoice you for the insurance premiums plus our reasonable expenses, and you agree to pay those invoices within five (5) days after we send them to you.

16 TRANSFER OF INTEREST

16.1 *By Us*. We will have the right to transfer or assign this Agreement and/or all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.

16.2 *Your Principals*. Each party that holds any interest whatsoever in you (whether directly, indirectly, and/or beneficially) (each, a "**Principal**"), and the interest that each Principal holds in you (directly, indirectly, and/or beneficially) is identified in Exhibit C to this Agreement. You represent and warrant to us, and agree, that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, and/or their respective interests in you, to change without complying with this Agreement.

16.3 *Principals*. We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C will be so amended automatically upon written notice to you.

16.4 *By You*. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:

16.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.

16.4.1.1 As used in this Agreement, the term "**transfer**" is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any direct or indirect interest in: **(a)** this Agreement; **(b)** you; **(c)** any or all of your rights and/or obligations under this Agreement; and/or **(d)** all or substantially all of the assets of the Franchised Business.

16.4.1.2 Any purported assignment or transfer that does not have our prior written consent as required by this Section 16 will be null and void and will also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.

16.4.2 You agree (unless you are a partnership) that: **(a)** without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and **(b)** the recipient of any such security or other interest will become a Principal under this Agreement, if we designate them as such. If you are a general partnership, limited partnership, or limited liability partnership, then the partners of that partnership will not, without our prior written consent, admit additional limited or general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership will automatically be deemed to be a Principal. If you are a trust, then the trustee(s) of that trust shall not, without our prior written consent, admit additional trustees, remove a trustee, or otherwise materially alter the powers of any trustee, nor admit new beneficiaries or change beneficiaries. Each trustee in such a trustee will automatically be deemed to be a Principal.

16.4.3 Principals must not, without our prior written consent, transfer, pledge, and/or otherwise encumber their interest in you. Any such transaction shall also be deemed a "transfer" under this Agreement.

16.4.4 You also agree that in the case of any proposed transfer, you authorize us to truthfully answer questions posed to us by the proposed transferee, including providing that party with information relating to your Franchised Business (such as sales reports) (although we also have the right not to provide any or all such information).

16.5 *Transfer Conditions*. We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:

16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective officers, directors, members, managers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, claims arising under this Agreement, any other agreement between you and us, and/or your affiliates, our affiliates, and federal, state, and local laws and rules.

16.5.2 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal must guarantee the performance of all such obligations in writing in a form satisfactory to us.

16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.

16.5.4 We will have the right to require that you execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the Franchised Business under this Agreement, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, higher Royalties and marketing fees.

16.5.5 If we request, then you must conduct Major Remodeling and purchase new equipment to conform to the then-current standards and specifications of new Challenge Island Businesses then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.8.2 within the time period that we specify.

16.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).

16.5.7 The transferor must remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and must execute any and all instruments that we reasonably request to evidence such liability.

16.5.8 A Principal of the transferee whom we designate to be a new Operating Owner, and those of the transferee's Operating Owner, Manager, and Additional Trained Personnel as we may require, must successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee will be responsible for the salary and all expenses of the person(s) that attend training).

16.5.9 You agree to pay us a transfer fee to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer. The transfer fee will be the greater of **(a)** Six Thousand Seven Hundred and Thirty-Five Dollars ($6,735); and **(b)** fifteen percent (15%) of our then-current initial franchise fee charged to new Challenge Island Business franchisees. If any party has engaged a

broker with respect to the transfer, you must also pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the transfer. (If we or any of our affiliates (or persons who work for us or our affiliates) were the party to introduce you to a buyer, then you agree to also pay us a fee of five percent (5%) of the total compensation paid to you in connection with the transaction.)

16.5.10 The transferor must acknowledge and agree that it/she/he will remain bound by the covenants contained in Sections 19.3, 19.4, and 19.5 below.

16.6 *Right of First Refusal*. If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following will apply:

16.6.1 You (or the Principal who proposes to sell his/her interest) must promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase will occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.

16.6.2 Any material change in the terms of the offer before closing will constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6 that will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.

16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we will promptly designate an independent appraiser and you will promptly designate another independent appraiser and those two appraisers will, in turn, promptly designate a third appraiser; and all three appraisers will promptly confer and reach a single determination (or, if unable to reach a single determination, a valuation determined by a majority vote of those appraisers), which determination will be binding upon both you and us. Both parties will equally share the cost of any such appraisal.

16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you (including one-half (½) of the cost of an appraisal, if any, conducted under Section 16.6.3 above) against any payment to you.

16.7 *Death or Incapacity*. If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within six (6) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting your proposed transaction, including our attorneys' fees.

16.7.1 In addition, if the deceased or incapacitated person is the Operating Owner, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.

16.7.2 For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: **(a)** for a period of thirty (30) or more consecutive days; or **(b)** for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.

16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2 below.

16.8 *Consent to Transfer*. Our consent to a transfer that is the subject of this Section 16 will not constitute a waiver of any claims that we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar Challenge Island Business*. You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business at the Office but not under the System and the Proprietary Marks, and not under a franchise agreement with us.

16.10 *Bankruptcy Issues*. If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including the terms of Sections 16.4, 16.5, and 16.6 above.

16.11 *Securities Offers*. All materials for an offering of stock, ownership, trust, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use. (Among other things, this Section 16.11 applies to conventional IPOs as well as secondary offerings, private placements, and crowdfunding under the JOBS Act.)

16.11.1 You agree that: **(a)** no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; **(b)** our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and **(c)** we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above.

16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Franchisor Parties (as defined in Section 21.5.2 below) in connection with the offering.

16.11.3 You agree to make reasonable revisions to your offering documents in response to our reasonable requests for changes to accurately reflect the arrangements between your company and us, the terms of your Franchise Agreement, and the performance of your Franchised Business.

16.11.4 For each proposed offering, you agree to pay us a non-refundable fee of Five Thousand Dollars ($5,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing, documenting, and discussing the proposed offering with you and your representatives.

16.11.5 You agree to give us written notice at least thirty (30) days before starting any offering or other transaction described in this Section 16.11. Any such offering will be subject to all of the other provisions of this Section 16, including the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.

16.11.6 You also agree that after your initial offering, described above, for the remainder of the term of the Agreement, you will submit to us for our review and prior written approval all additional securities documents (including periodic reports, such as quarterly, annual, and special reports) that you prepare and file (or use) in connection with any such offering. You agree to reimburse us for our reasonable costs and expenses (including legal and accounting fees) that we incur in connection with our review of those materials.

17 DEFAULT AND TERMINATION

17.1 *Automatic with no notice and no opportunity to cure*. If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement will automatically terminate without notice to you: **(a)** if you will become insolvent or make a general assignment for the benefit of creditors; **(b)** if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; **(c)** if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; **(d)** if proceedings for a composition with creditors under any state or federal law is instituted by or against you; **(e)** if a material final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); **(f)** if you are dissolved; or if execution is levied against your business or property; **(g)** if suit to foreclose any lien or mortgage against the Franchised

Business premises or equipment is instituted against you and not dismissed within thirty (30) days; and/or **(h)** if the real or personal property of your Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable.

17.2 *With Notice and no opportunity to cure.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 24 below):

17.2.1 If you do open the Franchised Business within the time limit specified in Section 5.1 above (and within the requirements specified in Section 5);

17.2.2 If at any time: **(a)** you cease to operate or otherwise abandon the Franchised Business for five (5) or more consecutive business days and/or five (5) or more business days within any week (during which you are otherwise required to be open, and without our prior written consent otherwise, unless necessary due to an event of force majeure as defined in Section 22 below); or **(b)** forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located;

17.2.3 If you or any of your Principals are charged with and/or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;

17.2.4 If a threat or danger to public health or safety results from the maintenance or operation of the Franchised Business and/or if you fail to comply with the requirements of Section 8.15 above;

17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;

17.2.6 If you fail to comply with the requirements of Section 19 below;

17.2.7 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Brand Manual or other confidential information that we provide to you;

17.2.8 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Section 16.7 above;

17.2.9 If you maintain false books or records, or submit any false reports (including information provided as part of your application for this franchise) to us;

17.2.10 If you commit three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;

17.2.11 If, after receipt of notice from us of a violation of the provisions of Section 8.4 above, you continue to sell anything from the Franchised Business that is not a Service;

17.2.12 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or

17.2.13 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.

17.3 With Notice and Opportunity to Cure.

17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: **(a)** immediately initiating a remedy to cure such default; **(b)** curing the default to our satisfaction; and **(c)** promptly providing proof of the cure to us, all within the thirty (30) day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.

17.4 *Bankruptcy*. If, for any reason, this Agreement is not terminated pursuant to this Section 17, and this Agreement is assumed, or assignment of same to any person or entity who has made a *bona fide* offer to accept an assignment of this Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: **(a)** the name and address of the proposed assignee; and **(b)** all of the terms and conditions of the proposed assignment and assumption; must be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment or assumption of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment or assumption of this Agreement.

17.5 *Our Rights Instead of Termination*. If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement.

17.6 *Reservation of Rights under Section 17.5*. If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5 above, such action will be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

17.7 *Damages*. You agree that you will pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

17.8 *Lost Future Royalties*. If we terminate this Agreement based on your default, or if you abandon or otherwise cease to operate the Franchised Business, in addition to all other amounts due to us under this Agreement, you agree to pay to us, as liquidated damages, an amount calculated as follows: **(a)** the average of your monthly Royalty Fees that are due under this Agreement for the twenty-four (24) months immediately before your abandonment or our delivery of the notice of default (or, if you have been operating for less than twenty-four (24) months, the average of your monthly Royalty Fees for the number of months you have operated the Franchised Business); **(b)** multiplied by the lesser of twenty-four (24) or the number of months remaining in the then-current term of this Agreement under Section 2 above. Our rights under this Section 17.8 are in addition to and not instead of any other right that we may have (including those under this Agreement, at law, and/or in equity). For the purpose of this Section 17.8, "Royalties" includes Out of Territory Royalties that may have been due.

18 OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you will forthwith terminate, and all of the following will take effect (except to the extent otherwise permitted under a separate valid franchise agreement between you and/or one of your affiliates and us):

18.1 *Cease Operation*. You agree to: **(a)** immediately and permanently stop operating the Franchised Business; and **(b)** never directly or indirectly represent to the public that you are a present or former franchisee of ours.

18.2 *Stop Using Marks and Intellectual Property*. You agree to immediately and permanently cease to use, in any manner whatsoever, all aspects of the System, including any confidential methods, procedures and techniques associated with the System, the "Challenge Island" mark, as well as any other current and former Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the above, you agree to stop making any further use of any and all signs, marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.

18.3 *Cancel Assumed Names*. You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the "Challenge Island" mark, as well as any other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.

18.4 *Our Option to Buy Your Assets*. We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business, at the lesser of your cost or fair market value. The parties agree that "fair market value" will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase provided in this Section, we will have the right to set off all amounts due from you.

18.5 *No Use of the Marks in Other Businesses*. You agree, if you continue to operate or subsequently begin to operate any other business, that you will not use any reproduction, counterfeit copy, and/or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the equipment, and/or the Proprietary Marks.

18.6 *Pay All Sums Due*. You agree to promptly pay all sums owing to us and our affiliates (regardless of whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums will include all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.

18.7 *Pay Damages*. You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which will be in addition to amounts due to us under Section 18.11 below.

18.8 *Return Confidential Information*. You agree to immediately return to us the Brand Manual and all other manuals, records, and instructions containing confidential information (including, any copies of some or all of those items, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.

18.9 *Right to Enter and Continue Operations*. In order to preserve the goodwill of the System following termination, we (or our designee) will have the right to enter the Franchised Business (without liability to you, your Principals, or otherwise) for the purpose of continuing the Franchised Business's operation and maintaining the goodwill of our business.

18.10 *Client Deposits and Teacher/Instructor Payments*. In order to preserve the goodwill of the System following expiration and/or termination, you agree to: **(a)** provide to us a written report of all funds taken from clients for services that have not yet been fully delivered as of the date of termination and/or expiration ("**Pre-Payments**"), including such detail as we may require; **(b)** refund all Pre-Payments in full to the appropriate clients (unless we require you to pay them to us or to our designee); **(c)** provide us with a written report concerning all teachers and instructors that you have engaged, including such detail as we may require,

including any unfulfilled obligations that you may have to make payments to those teachers and instructors.

18.11 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.

18.12 *Offsets*. We have the right to offset amounts that you owe to us against any payment that we may be required to make under this Agreement.

19 COVENANTS

19.1 *Full Time Efforts*. You agree that during the term of this Agreement, except as we have otherwise approved in writing, you (or the Operating Owner and/or Manager) will devote full time, energy, and best efforts to the management and operation of the Franchised Business.

19.2 Understandings.

19.2.1 You agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our System if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.

19.2.2 As used in this Section 19, the term "**Competitive Business**" is agreed to mean any business that offer and provide educational or enrichment programs, classes, curricula, or activities or academic instruction to children and/or young adults.

19.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you will not (directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party) in any manner whatsoever, do any of the following:

19.3.1 Divert or attempt to divert any actual or potential business or client of any Challenge Island Business to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.

19.3.2 Contact any current, past, or identified client of the Franchised Business and/or any other Challenge Island Business.

19.3.3 Own, maintain, develop, operate, engage in, assist, franchise or license, make loans to, lease real or personal property to, and/or have any whatsoever interest in, or render services or give advice to, any Competitive Business.

19.4 *Where Restrictions Apply*. During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 16 above, these restrictions will apply only **(a)** within the Protected Area; and/or **(b)** within the protected area (and also within twenty-five (25) miles of the protected area) of any other Challenge Island Business that is then-currently operated or planned in the United States. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you (or your affiliates) pursuant to a valid franchise agreement with us or one of our affiliates.

19.5 *Post-Term*. You further covenant and agree that, for a continuous period of two (2) years after **(a)** the expiration of this Agreement, **(b)** the termination of this Agreement, and/or **(c)** a transfer as contemplated in Section 16 above: you will not (directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party) in any manner whatsoever, sell, assign, lease, and/or transfer the Office to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Office.

19.6 *Non-Compliance*. Any time during which you do not comply with the requirements of this Section 19, whether that non-compliance takes place after termination, expiration, and/or a transfer, will not be credited toward satisfying the cumulative two-year obligation specified above.

19.7 *Publicly-Held Entities*. Section 19.3.3 above will not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held entity. As used in this Agreement, the term "**publicly-held entity**" refers to an entity whose securities have been registered under the Securities Exchange Act of 1934.

19.8 *Personal Covenants*. You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Operating Owner, Manager, and Additional Trained Personnel and other managerial and/or executive staff, as well as your Principals. The covenants required by this section must be in the form provided in Exhibit E to this Agreement. If you do not obtain execution of the covenants required by this section and deliver to us those signed covenants, that failure will constitute a default under Section 17.2.6 above.

19.9 *Construction*. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.

19.10 *Claims Not a Defense*. You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.

19.11 *Covenant as to Anti-Terrorism Laws*. You and the owners of your business ("**Owners**") agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or relating to terrorist acts and/or acts of war.

19.12 *Defaults*. You agree that if you violate this Section 19, that will result in irreparable injury to us for which no adequate remedy at law may be available, and accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

20 TAXES, PERMITS, AND INDEBTEDNESS

20.1 *Payment of Taxes*. You agree to promptly pay when due all taxes levied or assessed, including, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax imposed on us with respect to any payments that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.

20.2 *Payment of Trade Creditors*. You agree to promptly pay when due all trade creditors and vendors (including any that are affiliated with us) that supply goods or services to you and/or the Franchised Business.

20.3 *Your Right to Contest Liabilities*. If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.

20.4 *Compliance with Law*. You agree to comply with all Operating Codes and to timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of any Operating Codes are in conflict with the terms of this Agreement, the Brand Manual, or our other instructions, you agree to: **(a)** comply with said laws; **(b)** immediately provide us with written notice describing the nature of the conflict; and **(c)** cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.

20.5 *Notice of Violations and Actions*. You agree to notify us in writing within two (2) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within two (2) days occurrence of any

accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

21 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

21.1 Independent Contractor Relationship. The parties agree that:

21.1.1 this Agreement does not create a fiduciary relationship between them;

21.1.2 you are the only party that will be in day-to-day control of your franchised business, even though we will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, computer programs, processes, or requirements under which you operate alter that basic fact;

21.1.3 nothing in this Agreement and nothing in our course of conduct is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and

21.1.4 neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa.

21.2 *Notice of Status*. At all times during the term of this Agreement and any extensions hereof, you will hold yourself out as an independent contractor operating the business pursuant to a franchise from us both to the public and also to your staff. You agree to take such action as may be necessary to do so, including exhibiting a notice of that fact in conspicuous places at the Office, the content and placement of which we reserve the right to specify in the Brand Manual or otherwise.

21.3 *No Contracts in our Name*. It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will we be liable by reason of any act or omission in your conduct of the Franchised Business or for any claim or judgment arising therefrom against either party to this Agreement.

21.4 Indemnification.

21.4.1 You agree to indemnify, defend, and hold harmless each of the Franchisor Parties harmless against any and all Expenses arising directly or indirectly from any Claim, as well as from any claimed breach by you of this Agreement. Your indemnity obligations shall: **(a)** survive the expiration or termination of this Agreement, and shall not be affected by any insurance coverage that you and/or any Franchisor Party may maintain; and **(b)** exclude any Claim and/or Expense that a court with competent jurisdiction determines was caused solely by a Franchisor Party's gross negligence and/or willful misconduct.

21.4.2 *Procedure*. We will give you notice of any Claim and/or Expense for which the Franchisor Parties intend to seek indemnification; however, if we do not give that notice, it will not relieve you of any obligation (except to the extent of any actual prejudice to you). You will have the opportunity to assume the defense of the Claim,

at your expense and through legal counsel reasonably acceptable to us, provided that in our judgment, you proceed in good faith, expeditiously, and diligently, and that the defense you undertake does not jeopardize any defenses of the Franchisor Parties. We shall have the right: **(a)** to participate in any defense that you undertake with counsel of our own choosing, at our expense; and **(b)** to undertake, direct, and control the defense and settlement of the Claim (at your expense) if in our sole judgment you fail to properly and competently assume defense of the Claim within a reasonable time and/or if, in our sole judgment, there would be a conflict of interest between your interest and that of any Franchisor Party.

21.4.3 *Definitions*. As used in this Section 21.4, the parties agree that the following terms will have the following meanings:

21.4.3.1 "**Claim**" means any allegation, cause of action, and or complaint asserted by a third party that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including any claim associated with your operation of the Franchised Business, provision of Services, data theft or other data-related event, or otherwise, whether asserted by a client, vendor, employee, or otherwise), a violation of the Operating Codes, and/or any default by you under this Agreement (including all claims, demands, causes of action, suits, damages, settlement costs, liabilities, fines, penalties, assessments, judgments, losses, and Expenses). For the sake of clarify, the parties confirm that the indemnification obligations under Sections 9.2.9.2(b) and 16.11.2 are included within this definition of a Claim.

21.4.3.2 "**Expenses**" includes interest charges; fees for accountants, attorneys and their staff, arbitrators, and expert witnesses; costs of investigation and proof of facts; court costs; travel and living expenses; and other costs and expenses associated with litigation, investigative hearings, or alternative dispute resolution, whether or not a proceeding is formally commenced.

21.4.3.3 "**Franchisor Parties**" means us and our shareholders, parents, subsidiaries, and affiliates, and their respective officers, directors, members, managers, agents, and employees.

21.4.4 *Our Indemnity of You*. We agree to indemnify you with respect to your use of the Proprietary Marks as provided in Section 9.2.9.2(a) above.

22 FORCE MAJEURE

22.1 *Impact*. Neither party will be responsible to the other for non-performance or delay in performance occasioned by causes reasonably beyond its control (except as otherwise provided in Section 22.1), including: **(a)** acts of nature; **(b)** acts of war, terrorism, or insurrection; **(c)** public health emergencies, epidemics, pandemics, hurricanes, tornadoes, environmental emergencies, strikes, lockouts, labor actions, boycotts, floods, fires, and/or other casualties; and/or **(d)** our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any services or products used in the operation of the Franchised Business.

22.2 *Transmittal of Funds*. The inability of either party to obtain and/or remit funds will be considered within control of such party for the purpose of Section 22.1 above. If any such

delay occurs, any applicable time period will be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

23 APPROVALS AND WAIVERS

23.1 *Request for Approval*. Whenever this Agreement requires our prior approval or consent, you agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.

23.2 *No Warranties or Guarantees*. You agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

23.3 *No Waivers*. The parties agree that: **(a)** no delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement; **(b)** no custom or practice by the parties at variance with the terms of this Agreement, will constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you; **(c)** if we accept late payments from you or any payments due, that will not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement; and **(d)** no course of dealings or course of conduct will be effective to amend the terms of this Agreement.

24 NOTICES

24.1 Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by certified U.S. mail, or by other means that provides the sender with evidence of delivery, rejected delivery, and/or attempted delivery. Any notice by a means that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.

24.2 Notices shall be sent to the address designated on the signature page of this Agreement (unless a party changes its address for those notices by giving prior written notice to the other party in the manner specified above). If the parties have designated a specific e-mail address, then notices sent to that e-mail address (which may be changed as noted above) will be considered as having been sent at the time they are delivered into that e-mail address.

24.3 The Brand Manual, any changes that we make to the Brand Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be "notices" for the purpose of the delivery requirements in this Section 24.

25 ENTIRE AGREEMENT AND AMENDMENT

25.1 *Entire Agreement*. This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning

the subject matter hereof, and supersede all prior agreements, communications, statements, and representations. The parties confirm that: **(a)** they were not induced by any representations other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; and **(b)** they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. However, nothing in this Agreement or any other document is meant to (or shall have the effect of) disclaiming any representation that we made in our Franchise Disclosure Document ("**FDD**") (including its exhibits).

25.2 *Amendment*. Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

26 SEVERABILITY AND CONSTRUCTION

26.1 *Introductory Paragraphs*. The parties agree that the introductory paragraphs of this Agreement, under the heading "Introduction," are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here in full.

26.2 *Severability*. Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any portion, section, part, term, and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.

26.3 *No Third Party Rights*. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.

26.4 *Captions Don't Amend Terms*. All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision hereof.

26.5 *Including*. The parties agree that when used in this Agreement, the terms "include", "includes", and "including" shall be understood to mean "*including but not limited to*".

26.6 *Survival*. All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, will so survive the expiration and/or termination of this Agreement.

26.7 *Expenses*. Each party agrees to bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.

26.8 *Counterparts*. This Agreement may be signed in counterparts, and signature pages may be exchanged by electronic means, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, will be considered as one complete Agreement.

27 APPLICABLE LAW AND DISPUTE RESOLUTION

27.1 *Choice of Law*. This Agreement takes effect when we accept and sign this document. This Agreement will be interpreted and construed exclusively under the laws of the State of Georgia, which laws will prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Georgia choice-of-law rules); provided, however, that if the covenants in Section 19 of this Agreement would not be enforced as written under Georgia law, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 27.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the Commonwealth of Georgia (or any other state) that would not otherwise apply if the words in this Section 27.1 were not included in this Agreement.

27.2 *Choice of Venue.* Subject to Section 27.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within the courts that have jurisdiction over where we then currently have our principal place of business (currently, in Marietta, Georgia). Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.

27.2.1 The parties agree that this Section 27.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.

27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

27.2.3 Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.

27.3 *Mediation*. Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location in or nearest to Marietta, Georgia.

27.4 *Parties Rights Are Cumulative*. No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

27.5 *Injunctions*. Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.6 *Waiver of Jury Trials*. Each party to this agreement irrevocably waives trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other, whether or not there are other parties in such action or proceeding.

27.7 *Must Bring Claims Within One Year*. Each party to this Agreement agrees that any and all claims and actions arising out of or relating to this Agreement, the parties' relationship, and/or your operation of the Franchised Business, brought by any party hereto against the other (excluding claims seeking indemnification), shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or, it is expressly acknowledged and agreed by all parties, such claim or action shall be irrevocably barred.

27.8 *Waiver of Punitive Damages*. Each party to this Agreement hereby waives to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other, and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages it has sustained (including lost future royalties).

27.9 *Payment of Legal Fees*. You agree to pay us all damages, costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in: **(a)** obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including Sections 9 and 17 above); and/or **(b)** successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

28 ACKNOWLEDGMENTS

28.1 *No Waivers*. Nothing in this Agreement is meant as, or may be construed, or otherwise interpreted: (a) as a waiver of any state law that may apply to you; nor (b) as a disclaimer of any statement or representation that we have made in our FDD.

28.2 ~~28.1~~ *Your Investigation~~ of the Challenge Island Business Possibilities~~*. ~~You acknowledge, recognize, and agree that:~~ **~~(a)~~**. We have recommended that you ~~conducted~~conduct an independent investigation of the business franchised under this Agreement~~; **(b)** this business venture involves business and financial risks; and **(c)** your success will be largely dependent upon your personal ability (and that of your owners as independent businesspersons)~~.

28.3 ~~28.2~~ *No Warranties or Guarantees.* We ~~expressly disclaim the making of (and you agree that you did not receive)~~do not make (and do not permit anyone speaking on our behalf) to make any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business contemplated by this Agreement.

~~28.3 *Receipt of FDD and Complete Agreement*. You acknowledge receipt of a copy of this Agreement, the exhibit(s), and agreements relating to this Agreement (if any), with all of the blank lines filled in, with sufficient time to review it with your advisors. You also acknowledge receipt of our FDD at least fourteen (14) days before you signed this Agreement and made any payment to us.~~

~~28.4 *You Have Read the Agreement*. You agree that you have read and understood the FDD, this Agreement, and all of the exhibits to this Agreement.~~

28.4 ~~28.5~~ *Your Advisors.* ~~You acknowledge that we~~We recommended that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement~~, and that you had sufficient time and opportunity to consult with those advisors~~.

28.5 ~~28.6~~ *No Conflicting Obligations.* Each party represents and warrants to the other party that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict that party from: **(a)** negotiating and entering into this Agreement; **(b)** exercising its rights under this Agreement; and/or **(c)** fulfilling its obligations and responsibilities under this Agreement

28.6 *Your Responsibility for the Choice of the Accepted Location.* You agree that you have sole and complete responsibility for the choice of the Accepted Location; that we have not (and will not be deemed to have, even by our requirement that you use a location service and/or our approval of the site that is the Accepted Location) given any representation, promise, or guarantee of your success at the Accepted Location; and that you will be solely responsible for your own success at the Accepted Location.

28.7 *Your Responsibility for Operation of the Franchised Business.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your ~~Franchised Business~~franchised Store, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.

28.8 *Different Franchise Offerings to Others.* ~~You agree that we~~We may modify the terms under which we ~~will~~ offer franchises to other parties ~~in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that~~(which may differ from the terms, conditions, and obligations in this Agreement).

28.9 *Our Advice*. You agree that our advice is only that; that our advice is not a guarantee of success; and that you must reach and implement your own decisions about how to operate your Franchised Business on a day-to-day basis under the System.

28.10 *Your Independence*. You agree that:

28.10.1 you are the only party that employs your staff (even though we may provide you with advice, guidance, and training);

28.10.2 we are not your employer nor are we the employer of any of your staff, and even if we express an opinion or provide advice, we will play no role in your decisions regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);

28.10.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;

28.10.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and

28.10.5 you have made (and will remain always responsible for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.

~~28.11 *Success Depends on You.* You agree that the success of the business venture contemplated under this Agreement is speculative and depends, to a considerable extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided by you and your staff, as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.~~

28.11 ~~28.12~~ *General Release*. If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, members, managers, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, "**Releasors**") freely and without any influence forever release (and covenant not to sue) us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively "**Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), which any Releasor now owns or holds or may at any time have owned or held, including, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Franchised Business and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. You understand as well that you may later learn of new or different facts, but still, it is your intention to fully, finally, and forever release all of the claims that are released above. This includes your waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."). You agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise affect any claims arising after the date of this Agreement.

*****

IN WITNESS WHEREOF, intending to be legally bound by this Agreement, the parties have duly signed and delivered this Agreement as of the Effective Date (as written below).

CHALLENGE ISLAND GLOBAL, LLC
Franchisor

By:_____

Name:_____

Title:_____

Effective Date:_____

_____
Franchisee Entity

By:_____

Name:_____

Title:_____

By:_____

Name:_____

Title:_____

Address for Notices:

Challenge Island Global, LLC

4590 LaSalle Ct.
Marietta, Georgia 30062
Attn: Sharon Duke Estroff
E-mail: OfficialNotices@challenge-island.com

Address for Notices:

_____
_____
Telephone:_____
Fax:_____
Attn:_____
E-mail:_____

Challenge Island
FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET

¶	Section Cross-Reference	Item
1	1.2	The Office under this Agreement will be: _____ _____.
2	1.3	The Protected Area under this Agreement will be _____ _____ (subject to Section 1.3 of this Agreement).
3	4.1	The initial franchise fee under this Agreement will be _____Dollars

Initials

_____ Franchisee

_____ Franchisor

Challenge Island
FRANCHISE AGREEMENT
EXHIBIT B
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce Challenge Island Global, LLC ("**Franchisor**") to sign the Challenge Island Franchise Agreement between Franchisor and _____ ("**Franchisee**"), dated _____, 202___ (the "**Agreement**"), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor's affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor's demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract (including another franchise agreement) with Franchisor and/or its affiliates.

- S/he waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee.

- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor's affiliates).

- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and/or any amendment to the Agreement.

- S/he will be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement.

- S/he agrees to be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 9.3** (generally regarding trademarks), **Section 11** (generally regarding confidentiality), **Section 16** (generally regarding Transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.

- S/he understands that: **(a)** this Guarantee does not grant her/him any rights under the Agreement (including but not limited to the right to use any of Franchisor's marks such as the "Challenge Island" marks) or the system licensed to Franchisee under the Agreement; **(b)** s/he have read, in full, and understands, all of the provisions of the Agreement that are referred to above in this paragraph, and that s/he intends to fully comply with those provisions of the Agreement as if they were printed here in full; and **(c)** s/he have had the opportunity to consult with a lawyer of her/his own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 27** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of Georgia, and that in the event of any conflict of law, Georgia law will prevail (without applying Georgia conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned persons has signed this Guarantee as of the date of the Agreement.

_____	_____	_____
(signed in his/her personal capacity)	(signed in his/her personal capacity)	(signed in his/her personal capacity)
Printed Name:_____	Printed Name:_____	Printed Name:_____
Date:_____	Date:_____	Date:_____
Home Address:	Home Address:	Home Address:
_____	_____	_____
_____	_____	_____

Challenge Island
FRANCHISE AGREEMENT
EXHIBIT C
LIST OF PRINCIPALS

Name of Principal	Home Address	Percentage Interest Held in Franchisee

Initials

Franchisee

Franchisor

Challenge Island
FRANCHISE AGREEMENT
EXHIBIT D

AUTHORIZATION AGREEMENT FOR ACH PAYMENTS
(DIRECT DEBITS FOR ROYALTY, MARKETING CONTRIBUTION, AND OTHER FEES)

_____ (Name of Person or Legal Entity)

_____ (Tax ID Number (FEIN))

The undersigned depositor ("**Depositor**" or "**Franchisee**") hereby authorizes Challenge Island Global, LLC ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**" or "**Bank**") to debit or credit such account(s) pursuant to our instructions.

_____	_____
Depository/Bank Name	Branch Name
_____	_____ _____
City	State Zip Code
_____	_____
Bank Transit/ABA Number	Account Number

This authorization is to remain in full and force and effect until sixty (60) days after we have received written notification from Franchisee of its termination.

Printed Name of Depositor: _____

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

Challenge Island
FRANCHISE AGREEMENT
EXHIBIT E-1

SAMPLE FORM OF
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
(to be signed by franchisee with its executive/management staff)

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("**Agreement**") is made on _____, 202___, by and between _____ (the "**Franchisee**"), and _____, who is a Principal, manager, supervisor, member, partner, or a person in an executive or managerial position with, Franchisee (the "**Member**").

Background:

A. Challenge Island Global, LLC ("**Franchisor**") owns (and/or is a licensee for) a format and system (the "**System**") relating to the establishment and operation of "Challenge Island" businesses providing educational and enrichment programs, under the Franchisor's Proprietary Marks, as defined below (each, a "**Challenge Island Business**").

B. Franchisor identifies Challenge Island Businesses by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Challenge Island") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Challenge Island Business (the "**Franchised Business**") and to offer and sell services, products, and other ancillary services approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Member, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information. During the time that Member is engaged by Franchisee, and after that engagement ends, Member will not communicate, divulge, or use for the benefit of any other party the methods of operation of the Franchised Business that the Member learns about during the Member's engagement by Franchisee. Any and all information, knowledge, know-how, and techniques that are deemed confidential are will be deemed confidential for purposes of this Agreement.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of his/her position with Franchisee, Member will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

(b) Member covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or client of the Franchised Business or of any Franchised Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System; or

(ii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member will not own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located within a three (3) mile radius of the Office.

(d) As used in this Agreement, the term "same as or similar to the Franchised Business" means any business offering and providing educational or enrichment programs, classes, curricula, or activities or academic instruction to children and/or young adults.

(e) As used in this Agreement, the term "Post-Term Period" means one (1) year from the date of termination of Member's employment with Franchisee (except as may otherwise be required under applicable law). Any period of non-compliance with this requirement shall not count toward satisfying this requirement.

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this

Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

7. Employer. Member hereby acknowledges and agrees that Franchisee is its employer, and that Franchisor does not employ Member, is not a "joint employer" with Franchisee, nor does Franchisor have anything to say about Member's employment relationship to Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE	MEMBER
_____	_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Challenge Island
FRANCHISE AGREEMENT
EXHIBIT E-2

SAMPLE FORM OF
NON-DISCLOSURE AGREEMENT
(to be signed by franchisee with its non-management staff)

THIS NON-DISCLOSURE AGREEMENT ("**Agreement**") is made on _____, 202___, by and between _____ (the "**Franchisee**") and _____, who is an employee of Franchisee (the "**Employee**").

Background:

A. Challenge Island Global, LLC ("**Franchisor**") owns (and/or is a licensee for) a format and system (the "**System**") relating to the establishment and operation of "Challenge Island" businesses providing educational and enrichment programs, under the Franchisor's Proprietary Marks, as defined below (each, a "**Challenge Island Business**").

B. Franchisor identifies Challenge Island Businesses by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Challenge Island") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Challenge Island Business (the "**Franchised Business**") and to offer and sell services, products, and other ancillary services approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Employee, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information. During the time that Member is engaged by Franchisee, and after that engagement ends, Member will not communicate, divulge, or use for the benefit of any other party the methods of operation of the Franchised Business that the Member learns about during the Member's engagement by Franchisee. Any and all information, knowledge, know-how, and techniques that are deemed confidential are will be deemed confidential for purposes of this Agreement.

2. Injunctive Relief. Employee acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Employee agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related

expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

3. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Employee agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Employee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Employee agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

4. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

5. Third-Party Beneficiary. Employee hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

6. Employer. Employee hereby acknowledges and agrees that Franchisee is its employer, and that Franchisor does not employ Employee, is not a "joint employer" with Franchisee, nor does Franchisor have anything to say about Employee's employment relationship to Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Employee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE	EMPLOYEE
_____	_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Challenge Island
FRANCHISE AGREEMENT
EXHIBIT F

INDEX TO DEFINED TERMS

Defined Term	Section #	Defined Term	Section #
ADA		Initial Franchise Fee	8.7
Additional Trained Personnel		Initial Period	6.1.4
Affiliates		Manager	28.2
Agreement		Marketing Contribution	Introduction
Allowances		Marketing Fund	7.1.7
Anti-Terrorism Laws		Minimum Royalty	19.11
BLS		Office…	4.7
Brand Manual		Official Senders	3.3
Challenge Island Business		Operating Codes	Introduction
Claim		Operating Owner	21.4.3.1
Competitive Business		Other Concepts	19.2.2
Computer System		Out of Territory Royalty Charge	14.1
Computer Upgrades		Owners	14.1.4
Confidential Information		Payment Vendors	11.1.4
Confirmation of Performance		Permitted E-mail Address	3.10
Client Apps		Principal	12.5
Digital Site		Privacy Laws	14.5
Effective Date		Proprietary Items	Introduction
Electronic communication		Proprietary Marks	14.7
Entity		Protected Area	2.2.5
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Extranet		Releasees	14.4
FDD		Releasors	25.1
FMT		Required Software	14.1.1
Franchised Business		Royalty Fees	1.1.1
Franchisor, we, or us		Sales Report	Introduction
Franchisor Parties		Services	21.4.3.3
Franchisee or you		Supplier	Introduction
Gross Sales		System	4.2.2.1
Incapacity		Transfer	16.7.2
Index		Year One	4.7

EXHIBIT B **List of Current and Franchisees**

Current franchisees as of our fiscal year ended Dec. 31, ~~2021~~2022:

First	Last	Address	City	State	Zip	Phone#
Stephanie	Edwards +	3371 E Virgil Drive	Gilbert	AZ	85298	513-907-6970
Jessica	Nathan +	7480 E. Camino Santo	Scottsdale	AZ	85260	917-843-2122
Aaska	Patel	39497 Sundale Drive	Fremont	CA	94538	510-359-1205
Kim	Chieffo	3 Vercelli	Irvine	CA	92620	714-594-5510
Rebeca	Tanag +	13120 Old Sycamore Dr.	San Diego	CA	92128	858-633-7648
Ritika	Seghal	11594 Lorirae Place	San Diego	CA	92126	858-922-7489
Candida	Ramdass +	1341 Dentwood Drive	San Jose	CA	95118	408-507-1651
Leanne	Lloyd	16933 Kimball Creek Rd.	Collbran	CO	81624	970-314-1532
Sandi	Schwartz	678 South Pontiac Way	Denver	CO	80224	719-244-3270
Cristine	Singh	3990 S Spruce St	Denver	CO	80237	505-604-6254
Lindsay	Parks	1952 Golden Horizon Drive,	Windsor	CO	80550	214-715-0687
Victoria	Hrebicek +	1900 N. Bayshore Dr, Apt. 2612	Miami	FL	33132	786-354-1797
Marcia	Anderson+	285 Palm Breeze Drive	Ponte Vedra	FL	32081	813-494-8447
Rod	Recine	9714 Magnolia View Ct Apt 306	Riverview	FL	33578	813.940.5282
Kelly	Wix +	200 2nd Avenue S, #719	St. Petersburg	FL	33701	727-455-3480
Caleigh	Smith +	3798 Hamilton Key	W. Palm Beach	FL	33411	704-443-1453
Stella	Bush	3296 Gentle Dell Ct	Wesley Chapel	FL	33543	716-998-3486
Joann	Mannarino	6527 San Francesco Way	Windermere	FL	34786	407-663-9816
Ally	Habif +	6020 Blackwater Trail	Atlanta	GA	30328	770-337-3716
Mary Kaye	Pepperman	3620 Schooner Ridge	Alpharetta	GA	30005	617-990-7245
Abby	Asem	9779 Talisman Drive	John's Creek	GA	30022	678-922-9640
Sherry	Anglin +	155 Firethorne Dr.	Newnan	GA	30277	908-494-0586
Keri	Daniele +	107 Highlands Drive	Woodstock	GA	30188	770-605-5034
Madeline	Ballesteros +	91-1054 Makahou Street	Kapolei	HA	96707	808-253-1980
Tyler	Schlagenhauf	525 N Ave H Apt 703	Boise	ID	83705	907-244-0067

First	Last	Address	City	State	Zip Code	Phone#
~~Stephanie~~	~~Edwards +~~	~~3371 E Virgil Drive~~	~~Gilbert~~	~~AZ~~	~~85298~~	~~513-907-6970~~
~~Jessica~~	~~Nathan +~~	~~7480 E. Camino Santo~~	~~Scottsdale~~	~~AZ~~	~~85260~~	~~917-843-2122~~
~~Aaska~~	~~Patel~~	~~39497 Sundale Drive~~	~~Fremont~~	~~CA~~	~~94538~~	~~510-359-1205~~
~~Kim~~	~~Chieffo~~	~~3 Vercelli~~	~~Irvine~~	~~CA~~	~~92620~~	~~714-594-5510~~
~~Rebeca~~	~~Tanag +~~	~~13120 Old Sycamore Dr.~~	~~San Diego~~	~~CA~~	~~92128~~	~~858-633-7648~~
~~Ritika~~	~~Seghal~~	~~11594 Lorirae Place~~	~~San Diego~~	~~CA~~	~~92126~~	~~858-922-7489~~
~~Candida~~	~~Ramdass +~~	~~1341 Dentwood Drive~~	~~San Jose~~	~~CA~~	~~95118~~	~~408-507-1651~~
~~Eser~~	~~Büyükaydın +~~	~~325 Soquel Ave~~	~~Santa Cruz~~	~~CA~~	~~95062~~	~~831-201-0808~~
~~Leanne~~	~~Lloyd~~	~~16933 Kimball Creek Rd.~~	~~Collbran~~	~~CO~~	~~81624~~	~~970-314-1532~~
~~Sandi~~	~~Schwartz~~	~~678 South Pontiac Way~~	~~Denver~~	~~CO~~	~~80224~~	~~719-244-3270~~
~~Cristine~~	~~Singh~~	~~3990 S Spruce St~~	~~Denver~~	~~CO~~	~~80237~~	~~505-604-6254~~
~~Victoria~~	~~Hrebicek +~~	~~1900 North Bayshore Dr, Apt. 2612~~	~~Miami~~	~~FL~~	~~33132~~	~~786-354-1797~~
~~Marcia~~	~~Anderson~~	~~285 Palm Breeze Drive~~	~~Ponte Vedra~~	~~FL~~	~~32081~~	~~813-494-8447~~
~~Kelly~~	~~Wix +~~	~~200 2nd Avenue S, #719~~	~~St. Petersburg~~	~~FL~~	~~33701~~	~~727-455-3480~~
~~Stella~~	~~Bush~~	~~3296 Gentle Dell Ct~~	~~Wesley Chapel~~	~~FL~~	~~33543~~	~~716-998-3486~~
~~Caleigh~~	~~Smith +~~	~~3798 Hamilton Key~~	~~W. Palm Beach~~	~~FL~~	~~33411~~	~~704-443-1453~~
~~Joann~~	~~Mannarino~~	~~6527 San Francesco Way~~	~~Windermere~~	~~FL~~	~~34786~~	~~407-663-9816~~
~~Ally~~	~~Habif +~~	~~6020 Blackwater Trail~~	~~Atlanta~~	~~GA~~	~~30328~~	~~770-337-3716~~
~~Michelle~~	~~Etkind~~	~~700 Orchard Pt~~	~~Atlanta~~	~~GA~~	~~30350~~	~~770-331-4728~~
~~Julie~~	~~Utley +~~	~~3916 Carriage Gate~~	~~Duluth~~	~~GA~~	~~30096~~	~~678-477-3880~~
~~Abby~~	~~Asem~~	~~9779 Talisman Drive~~	~~John's Creek~~	~~GA~~	~~30022~~	~~678-922-9640~~
~~Sherry~~	~~Anglin +~~	~~155 Firethorne Dr.~~	~~Newnan~~	~~GA~~	~~30277~~	~~908-494-0586~~
~~Dwight~~	~~Parker~~	~~O Box 1637~~	~~Palmetto~~	~~GA~~	~~30268~~	~~404-784-4308~~
~~Keri~~	~~Daniele +~~	~~107 Highlands Drive~~	~~Woodstock~~	~~GA~~	~~30188~~	~~770-605-5034~~
~~Madeline~~	~~Ballesteros +~~	~~91-1054 Makahou Street~~	~~Kapolei~~	~~HA~~	~~96707~~	~~808-253-1980~~
~~Tyler~~	~~Schlagenhauf~~	~~525 N Ave H Apt 703~~	~~Boise~~	~~ID~~	~~83705~~	~~907-244-0067~~
~~Dwayne~~	~~Davis +~~	~~4315 N. Nuova St~~	~~Meridian~~	~~ID~~	~~83646~~	~~208-953-1330~~
Wendy	Kem	1270 West 60th St	Davenport	IA	52806	832-654-4944
Kate	Mahoney +	14004 Parkhill Lane	Overland Park	KS	66221	913-909-5054
Robin	Bergeron +	3911 Benton Dr.	Bourg	LA	70343	985-868-0151
Allison	Walker	3737 Napoleon Ave.	New Orleans	LA	70125	504-913-9451

Eric	McFarland +	652 Pickett's Mill Dr.	Shreveport	LA	71115	318-383-3638
~~Genet~~	~~Asegid~~	~~2445 Lyttonsville Rd~~	~~Silver Spring~~	~~MD~~	~~20910~~	~~703-615-3255~~
Erin	VanNostrand +	169 Steamboat Court	White Marsh	MD	21901	443-935-2414
Theresa	Taylor	21 Charnock Hill Rd~~, Rutland MA 01543~~.	Rutland	MA	01543	508-887-1652
Todd	Ruggere	21 Gardner Ave.	Sturbridge	MA	01566	781.974.8768
Mike	Magri	25928 Cobblers Lane	South Lyons	MI	48178	313-418-6755
Renee	Allen	8205 Mapleleaf Drive	Traverse City	MI	49684	231-633-4955
Mike & Michelle	Peterson	2362 Lansbury Drive	Waterford	MI	48329	248-618-8109
Rachel	Franklin+	874 Esker Dr.	Zeeland	MI	49464	616-610-3689
Dani	Stern	530 Concord Drive	Bozeman	MT	59715	406-219-8344
Nichole	Mahoney	2101 North 144 Ave	Omaha	NE	68116	402-769-9126
~~Deborah~~Megan	~~Torvinen~~ Cargile+	~~4089 Royal Sage Drive~~2425 Buttermere Ct.	Reno	NV	~~89503~~89521	775-~~846~~813-~~67 33~~2411
~~Kristen~~Judy & Michael	~~Sanford~~Braverman	~~2 Locust Street~~225 Belaire Terrace	~~Netcong~~Mount Laurel	NJ	~~07857~~08054	~~973~~856-~~529-33 61~~308-8089
Samuel	Pinkava	9 Central Ave	Waretown	NJ	08758	443-757-2590
Jamie	Trujillo +	10637 Gentry Lane SW	Albuquerque	NM	87121	980-221-9860
~~Jill~~	~~Schantz~~	~~57 Travis Rd~~	~~Baldwin Place~~	~~NY~~	~~10505~~	~~917-538-2367~~
Toni	Wren	1464 Horseshoe Rd	Bellmore	NY	11710	631-813-9636
Julie and Hank	Brummer	3410 Ewings Rd	Lockport	NY	14094	716-628-9679
Terri	Lowe	4860 Lawless Rd.	Marcellus	NY	13108	315-309-4800
Kisses	Deschamps +	19 Trumbull Place	Staten Island	NY	10301	347-951-3554
Julie	Termini+	156 Hardwood Drive	Tapan	NY	10983	201-588.3693
~~Julie~~Nan & Tony	~~Termini~~Elmore+	~~156 Hardwood Drive~~2020 Maple Hill St #1184 Yorktown	~~Tapan~~Yorktown Heights	NY	~~10983~~10598	~~201.588.3693~~914-960-6680
Jill	Garcia +	3206 Williams Rd	Matthews	NC	28105	980-221-9860
LaKeisha	Hall-Davis	1801 Hinnant Road NW	Pikeville	NC	27863	919-583-7417
Anne	Vaughan +	2080 Ridgewood Rd	Akron	OH	44313	330-217-3811
Teri	Skrinska +	7150 Brook Lane	Chesterland	OH	44026	216-513-2957
Stephanie	Murphy	4201 Grove Ave	Cincinnati	OH	45212	513-884-1616
~~Gina~~	~~Kairys~~	~~559 Country Manor Drive~~	~~North Lima~~	~~OH~~	~~44452~~	~~330-717-0657~~

Sharyn	Ham +	424 Woodard Place	Powell	OH	43065	614-733-9780
Kristin	McMahon +	760 Seitz Dr	Lewisberry	PA	17339	717-831-8717
Breanna	Darden	2824 Rossiter Ave	Avington	PA	19001	
Prisca	Rodriguez +	Box 2016	Boqueron	PR	00622	407-394-8458
Michelle	Paddenburg +	PO BOX 454	Mauldin	SC	29662	864-286-8061
Kelly	Macbride +	9104 Stoney Mountain Dr	Chattanooga	TN	37421	423-567-5439
Brandi	Johnson	3009 Gilmer Ave	Abilene	TX	79606	325-238-1275
Monica	Taylor	2301 Poplar Ln.	Colleyville	TX	76034	682-651-7476
Tia	Sukenik +	6014 Laurel Oaks Dr	Dallas	TX	75248	469-779-7844
Matt and Misty	Demecs	28927 Stevenson Gate	Fair Oaks Ranch	TX	78015	281-851-7433
Naima	Garrett	6909 Windwood Trail	Fort Worth	TX	76132	682-803-0651
Aishwarya	Srinivasan	9293 Spruce Valley Dr	Frisco	TX	75033	214-870-0900
Shachi	Sanghavi +	3818 Meandering Spring Dr	Katy	TX	77494	281-901-1034
Meg	Pelzel	3537 Scranton Dr. Richland Hills, TX 76118	Richland Hills	TX	76118	817-691-9680
Deepthi	Gopinath	6932 Morehouse Avenue	Chino	UT	84094	801-997-0519
Grace	Marin	406 Nottoway Walk	Alexandria	VA	22304	571-312-7231
Shameera	Carr	PO Box 6013	Charlottesville	VA	22906	434-260-0217
Ashley	Fisher	1161 Hawkford Ct	Maidens	VA	23102	804-920-7492
Tamara	Gonzales +	12008 32nd Dr. SE	Everette	WA	98020	206-445-8513
Sherry	May	3511 16th St	Kenosha	WI	53144	312-802-0111
Viviana	Romero +	3423 S 87th St	Milwaukee	WI	53227	414-915-9685

First	Last	Address	City	State	Zip Code	Phone#
Sharyn	Ham +	424 Woodard Place	Powell	OH	43065	614-733-9780
Kristin	McMahon +	760 Seitz Dr	Lewisberry	PA	17339	717-831-8717
Breanna	Darden	2824 Rossiter Ave	Avington	PA	19001	
Prisca	Rodriguez +	Box 2016	Boqueron	PR	00622	407-394-8458
Michelle	Paddenburg +	PO BOX 454	Mauldin	SC	29662	864-286-8061
Kelly	Macbride +	9104 Stoney Mountain Dr	Chattanooga	TN	37421	423-567-5439
Monica	Taylor	2301 Poplar Ln.	Colleyville	TX	76034	682-651-7476
Tia	Sukenik +	6014 Laurel Oaks Dr	Dallas	TX	75248	469-779-7844
Naima	Garrett	6909 Windwood Trail	Fort Worth	TX	76132	682-803-0651
Aishwarya	Srinivasan	9293 Spruce Valley Dr	Frisco	TX	75033	214-870-0900
Meg	Pelzel+	3537 Scranton Dr.	Richland Hills	TX	76118	817-691-9680
Karen	Cox	3221 Tamarack Lane	Argyle	TX	76226	214 766 6605
Brandi	Johnson	3009 Gilmer Ave	Abilene	TX	79606	325-238-1275
Shachi	Sanghavi +	3818 Meandering Spring Dr	Katy	TX	77494	281-901-1034
Deepthi	Gopinath	6932 Morehouse Avenue	Chino	UT	84094	801-997-0519
Grace	Marin+	406 Nottoway Walk	Alexandria	VA	22304	571-312-7231
Sherry	May	3511 16th St	Kenosha	WI	53144	312-802-0111
Viviana	Romero +	3423 S 87th St	Milwaukee	WI	53227	414-915-9685

+ includes a multi-territory franchisee

EXHIBIT B **List of Former Franchises**

The following is a list of franchisees that left the system in the year ended December 31, ~~2021~~2022 or with whom we have not communicated in the ten weeks before this FDD was issued:

~~First~~	~~Last~~	~~Address~~	~~City~~	~~State~~	~~Zip Code~~	~~Phone~~
~~Lidya~~	~~Demian~~	~~6223 Champlain Terrace~~	~~Davie~~	~~Florida~~	~~33331~~	~~305-814-0417~~
~~Leah~~	~~Rise~~	~~5021 Bridgeport Dr~~	~~Safety Harbor~~	~~Florida~~	~~34695~~	~~727-599-6677~~
~~Kelly~~	~~Martin~~	~~484 Web Foot Ln~~	~~Stevensville~~	~~Maryland~~	~~21666~~	~~443-906-0362~~
~~Mihir & Purvi~~	~~Dharia~~	~~1 Springfield Road~~	~~East Brunswick~~	~~New Jersey~~	~~08816~~	~~732-447-5240~~
~~Leslie~~	~~Mosley~~	~~5910 Timbergate Trail~~	~~Huber Heights~~	~~Ohio~~	~~45424~~	~~937-524-3928~~
~~Evin~~	~~Symmes~~	~~114 Glen Burnie D~~	~~Easley~~	~~South Carolina~~	~~29642~~	~~864-671-0412~~
~~Amy~~	~~Broocke~~	~~1931 Carbon Hill Drive~~	~~Midlothian~~	~~Virginia~~	~~23113~~	~~804-233-2347~~

First	Last	Address	City	State	Zip Code	Phone
Gina	Kairys	559 Country Manor Drive	North Lima	OH	44452	330-717-0657
Dwayne	Davis	4315 N. Nuova St	Meridian	ID	83646	208-953-1330
Jill	Schantz	57 Travis Rd	Baldwin Place	NY	10505	917-538-2367
Deborah	Torvinen	4089 Royal Sage Drive	Reno	NV	89503	775-846-6733

EXHIBIT C List of State Administrators

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Dep't of Financial Protection & Innovation 320 West Fourth St., Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	**NEW YORK** Dep't of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, NY 10005 / (212) 416-8236
HAWAII Commissioner of Securities Dep't of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant St., Room 205 Honolulu, HI 96813 / (808) 586-2722	**NORTH DAKOTA** Securities Dep't State Capitol – Dep't 414 600 East Boulevard Av., Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712
ILLINOIS Office of the Attorney General Franchise Bureau 500 South Second St. Springfield, IL 62706 (217) 782-4465	**RHODE ISLAND** Dep't of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, RI 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681	**SOUTH DAKOTA** Div. of Insurance Securities Regulation 124 South Euclid Av., Suite 104 Pierre, SD 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Div. 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	**VIRGINIA** State Corporation Commission Div. of Securities and Retail Franchising 1300 East Main St., 9th Floor Richmond, VA 23219 (804) 371-9051
MICHIGAN Attorney General's Office Corporate Oversight Div., Franchise Section 525 West Ottawa St., 1st Floor Lansing, MI 48913 (517) 335-7567	**WASHINGTON** Dep't of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, WA 98501 (360) 902-8760
MINNESOTA Dep't of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	**WISCONSIN** Div. of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139

EXHIBIT D List of Agents for Service of Process

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Financial Protection & Innovation 320 West Fourth St., Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	**NEW YORK** Secretary of State One Commerce Plaza, 99 Washington Av., 6th Fl. Albany, NY 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities Dep't of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant St., Room 205 Honolulu, HI 96813 / (808) 586-2722	**NORTH DAKOTA** Securities Commissioner State Capitol 600 East Boulevard Av., Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712
ILLINOIS Attorney General 500 South Second St. Springfield, IL 62706 (217) 782-4465	**RHODE ISLAND** Director of Dep't of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, RI 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681	**SOUTH DAKOTA** Div. of Insurance Director of the Securities Regulation 124 South Euclid Av., Suite 104 Pierre, SD 57501 (605) 773-3563
MARYLAND Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	**VIRGINIA** Clerk of the State Corporation Commission 1300 East Main St., 1st Floor Richmond, VA 23219 (804) 371-9733
MICHIGAN Attorney General's Office Corporate Oversight Div., Franchise Section 525 West Ottawa St., 1st Floor Lansing, MI 48913 (517) 335-7567	**WASHINGTON** Director of Dep't of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, WA 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	**WISCONSIN** Div. of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139

EXHIBIT E Form of General Release

The following is our current general release language that we expect to include in a release that a franchisee or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the release.

> Franchisee, its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the "Franchisee Group"), hereby forever release and discharge, and forever hold harmless Challenge Island Global, LLC and its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "Franchisor Group"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of the Franchised Business.
>
> Each party represents and warrants to the others, and agrees, that it may later learn of new or different facts, but that still, it is that party's intention to fully, finally, and forever release all of the Demands that are released above. This includes the parties' waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.") The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or the Franchised Business. The Franchisee Group and its owners represent and warrant that they have not asserted (nor made an assignment or any other transfer of any interest in) the claims, causes of action, suits, debts, agreements, or promises described above.

TABLE OF CONTENTS OF BRAND STANDARDS AND TEACHERS' MANUALS
(subject to change)
**NOTE: All Items in the Table of Contents are Available on Our Challenge Island Owner's Drive in the "Brand Standards and Teaching" Folders

Welcome to the Ohana ..... pages 1-5
Franchisee Commitments… ..... pages 6-7
Business Set-up ..... pages 8-40
Staffing and managing teachers……,… ..... pages 41-55
Brand Consistency and Curricular Modifications… ..... pages 56-57
Using Your Franchise Management Tool ..... pages 58-146
Digital Tools and Technology. ..... pages 147-201
Challenge Island Profit Centers… ..... pages 202-298
Materials and Organization ..... pages 299-356
Marketing Challenge Island ..... pages 357-426
Working with Schools ..... pages 427-502
Challenge Island Classroom Experience ..... pages 503-511
Students and Ohanas… ..... pages 512-517
Starting the Class Right/Keeping the Class Happy… ..... pages 518-524
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Shark Tooth Island Teaching Unit (8 Lessons) ..... pages 542-614
Amusement Park Island Teaching Unit (8 Lessons)… ..... pages 615-686
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Time Machine Island Teaching Unit (8 Lessons) ..... pages 825-902
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Mythology Island Teaching Unit (8 Lessons) ..... pages 1025-1104
Hollywood Island Teaching Unit (8 Lessons) ..... pages 1105-1197
Challenge Island World Tour (8 Lessons) ..... pages 1198-1297
Fantastic Fiction Island (9 Lessons) ..... pages 1298-1405
Cool Careers Island (9 Lessons) ..... pages 1406-1520
Disaster Island (8 Lessons) ..... pages 1521-1615
Super Star Island (9 Lessons) ..... pages 1616-1750
Dazzling Decades Island (8 Lessons) ..... pages 1751-1850
Camp Curriculum ..... pages 1851-2114
Birthday Parties ..... pages 2115-2130
Girl Scouts ..... pages 2131-2204
In School Workshops ..... pages 2205-2242
Office ..... pages 2243-2316
Total Pages 2316

EXHIBIT G-1 **Audited Financial Statements**

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT.

PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM

State-Specific Disclosures
and
State-Specific Amendments

Exhibit H-1 **California Disclosure Addendum**

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Franchise Disclosure Document for Challenge Island Global, LLC in connection with the offer and sale of franchises for use in the State of California shall be amended to include the following:

1. The State Cover Page of the Franchise Disclosure Document ***shall*** be amended by the addition of the following paragraph:

   THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

2. Item 1, "The Franchisor, Its Predecessors, and Affiliates," shall be amended by adding the following paragraph at the conclusion of the Item:

   OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

3. In Item 3, "Litigation," shall be amended by adding the following paragraphs:

   Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of nolo contendere.

   Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.

4. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by adding the following paragraphs at the conclusion of the Item:

   California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

   The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code § 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires application of the laws of the State of Georgia. This provision may not be enforceable under California law.

You must sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).

5. The Franchise Disclosure Document is amended to include the following:

   Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

6. The Franchise Disclosure Document is amended to include the following:

   The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

7. The Franchise Disclosure Document is amended to include the following:

   You must comply with the requirements set forth in the Alcohol Beverage Control Act and the California Code of Regulations for the sale of alcoholic beverages.

8. This addendum will apply only if the California Franchise Investment Act would apply on its own, without referring to this addendum.

Exhibit H-2 **Hawaii Disclosure Addendum**

The following paragraphs are to be added in the state cover page for use in the State of Hawaii:

THESE FRANCHISES WILL HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE COMMISSIONER OF SECURITIES, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, AND THIS ADDENDUM, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS ADDENDUM AND THE DISCLOSURE DOCUMENT CONTAIN A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

The name and address of the Franchisor's agent in this state authorized to receive service of process is: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

Exhibit H-3 **Illinois Disclosure Addendum**

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44 the Franchise Disclosure Document for Challenge Island Global, LLC for use in the State of Illinois shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

A. Illinois law governs the agreements between the parties to this franchise.

B. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

C. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

D. Your right upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently, without reference to this addendum.

Exhibit H-4 Illinois Amendment to the Franchise Agreement

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached Challenge Island Global, LLC Franchise Agreement (the "Agreement") for use in the State of Illinois agree as follows:

1. Illinois law governs the agreements between the parties to this franchise.

2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

3. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. Your right upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Illinois amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Challenge Island Global, LLC	_____
Franchisor	Franchisee Entity
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Exhibit H-5 **Maryland Disclosure Addendum**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Disclosure Document for Challenge Island Global, LLC for use in the State of Maryland shall be amended as follows:

1. Item 5, “Initial Fees” is amended by adding the following sentence at the end of the first paragraph:

> Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is open.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language:

A. The general release required as a condition of renewal, sale/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

B. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

C. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

D. The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under the U.S. Bankruptcy Code (11 U.S.C. Section 101, et seq.).

3. This addendum will apply only if the Maryland Franchise Registration and Disclosure Law would apply on its own, without referring to this addendum.

Exhibit H-6 Maryland Franchise Agreement Amendment

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Challenge Island Global, LLC Franchise Agreement (the "Agreement") for use in the State of Maryland agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term and Renewal," shall be amended by the addition of the following:

> The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section 4.1 of the Agreement, under the heading “Initial Fees” shall be amended by the addition of the following:

> Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is open.

3. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be amended by the addition of the following:

> The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. Sections 27.2 and 27.7 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be amended by the addition of the following:

> A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
>
> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

5. Section 28 of the Agreement, under the heading "Acknowledgments," shall be amended by the addition of the following:

> 28.13 The general release required as a condition of renewal, sale/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
>
> 28.14 The foregoing acknowledgments are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

28.15 The Franchisee Compliance Certification is not intended to, and shall not act, as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

6. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Challenge Island Global, LLC Franchisor	_____ Franchisee Entity
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN FRANCHISE DOCUMENTS FOR USE IN THE STATE OF MICHIGAN, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN five YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, MARKETING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST six MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.*

(* NOTE: NOTWITHSTANDING PARAGRAPH (F) ABOVE, WE INTEND TO ENFORCE FULLY ANY PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (F) IS UNCONSTITUTIONAL AND CANNOT PRECLUDE US FROM ENFORCING THE ARBITRATION PROVISIONS UNDER THE FEDERAL ARBITRATION ACT.)

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

(i) THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE

FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN $100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATION AND SECURITIES BUREAU, 6546 MERCANTILE WAY, P.O. BOX 30222, LANSING, MICHIGAN 48910.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:
MICHIGAN ATTORNEY GENERAL'S OFFICE
CORPORATE OVERSIGHT DIVISION, FRANCHISE SECTION
525 WEST OTTAWA STREET
G. MENNEN WILLIAMS BUILDING, 1st FLOOR
LANSING, MICHIGAN 48913
(517) 335-7567

* NOTE: NOTWITHSTANDING PARAGRAPH (F) ABOVE, WE INTEND TO, AND YOU AGREE THAT WE AND YOU WILL, ENFORCE FULLY ANY PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (F) IS UNCONSTITUTIONAL AND CANNOT PRECLUDE US FROM ENFORCING THE ARBITRATION PROVISIONS UNDER THE FEDERAL ARBITRATION ACT

Exhibit H-8 **Minnesota Disclosure Addendum**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document for Challenge Island Global, LLC for use in the State of Minnesota shall be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs:

> With respect to franchisees governed by Minnesota law, we will comply with Minn. Stat. § 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.
>
> Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.
>
> Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.
>
> Minn. Stat. § 80C.17 prohibits any action from being commenced under the Minnesota Franchises Law more than three years after the cause of action accrues.

2. This addendum will apply only if the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce would apply on its own, without referring to this addendum.

Exhibit H-9 **Minnesota Franchise Agreement Amendment**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached Challenge Island Global, LLC Franchise Agreement (the "Agreement") for use in the State of Minnesota agree as follows:

1. Section 2 of the Agreement shall be amended by the addition of the following paragraph:

> Minnesota law provides franchisees with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that a franchisee be given 180 days' notice of non-renewal of the Franchise Agreement.

2. Section 16.5.1 of the Agreement shall be amended by the addition of the following:

> The release provided under this Section shall exclude only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

3. Section 16 of the Agreement shall be amended by the addition of the following paragraph:

> Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

4. Sections 17 and 18 of the Agreement shall be amended by the addition of the following paragraph:

> Minnesota law provides franchisees with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement.

5. Section 27 of the Agreement shall be amended by the following new Section 27.10, which shall be considered an integral part of the Agreement:

> 27.10 Minn. Stat. § 80C.17 prohibits any action from being commenced under the Minnesota Franchises Law more than three years after the cause of action accrues. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

6. This amendment will apply only if the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce would apply on its own, without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this amendment on the same date as the Franchise Agreement was executed.

Challenge Island Global, LLC Franchisor	_____ Franchisee
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Exhibit H-10 **New York Disclosure Addendum**

In recognition of the requirements of the N.Y. Gen. Bus. Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs. tit. 13, §§ 200.1 through 201.16), the Franchise Disclosure Document for Challenge Island Global, LLC for use in the State of New York shall be amended as follows:

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT D OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded *nolo contendere* to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of a misdemeanor or pleaded *nolo contendere* to a misdemeanor charge or has been the subject of civil action alleging: violation of a franchise, antifraud, or securities law; fraud;

embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added at the end of Item 4:

Neither we, our affiliate, predecessor, officers or general partner, during the 10 year period immediately preceding the date of this franchise disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer in a company, or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year of the time that the officer or general partner held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

6. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

7. The following language is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

Exhibit H-11 New York Franchise Agreement Amendment

In recognition of the requirements of the N.Y. Gen. Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Challenge Island Global, LLC Franchise Agreement (the "Agreement") for use in the State of New York agree as follows:

1. Section 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

> 2.2.7 You must sign and deliver to us a release, in a form that we will provide (which will be a mutual release with limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, agents, and employees. If you are an entity, then your affiliates and your direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us, provided, however, that all rights enjoyed by you and any causes of action arising in your favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied; and

2. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

> 16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under the Franchise Agreement, any other agreement between you and us, and/or our respective affiliates, and federal, state, and local laws and rules, provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

3. Section 18.7 of the Agreement, under the heading "Obligations upon Termination or Expiration," shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in its place:

> 18.7 *Pay Damages*. You agree to pay us all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under the Franchise Agreement and/or subsequent to the termination or expiration of the Franchise Agreement in seeking injunctive or other relief for the enforcement of any provisions of this Section 18.

4. Section 27.5 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted and the following shall be substituted in its place:

27.5 *Injunctions*. Nothing contained in the Franchise Agreement shall bar our right to seek injunctive relief (without having to post a bond) against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

5. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if you are domiciled in or the franchise will be opening in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Challenge Island Global, LLC Franchisor	_____ Franchisee Entity
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Exhibit H-12 **North Dakota Disclosure Amendment**

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51-19-01 through 51-19-17, and the policies of the office of the State of North Dakota Securities Commission, the Franchise Disclosure Document for Challenge Island, LLC for use in the State of North Dakota shall be amended by the addition of the following language:

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

I. Limitation on Claims. Requiring North Dakota franchisees to consent to a limitation on when claims may be brought.

2. This addendum will apply only if the North Dakota Franchise Investment Law would apply on its own, without referring to this addendum.

Exhibit H-13 **North Dakota Franchise Agreement Amendment**

This Addendum relates to franchises sold in North Dakota and is intended to comply with North Dakota statutes and regulations. In consideration of the execution of the Franchise Agreement, Challenge Island Global, LLC and Franchisee agree to amend the Franchise Agreement for use in the State of North Dakota as follows:

1. Releases. Sections 2.2.7 and 16.5.1 of the Franchise Agreement are each amended to provide that any release required as a condition of renewal or assignment, respectively, will not apply to liability under the North Dakota Franchise Investment Law.

2. Covenant Not to Compete. Section 19.3 of the Franchise Agreement is amended to add the following:

> The enforceability of a covenant not to compete upon termination or expiration of the Franchise Agreement is subject to Section 9-08-06, N.D.C.C.

3. Choice of Law. Section 27.1 of the Franchise Agreement is amended by adding the following:

> If Franchisee purchased the franchise in the State of North Dakota, the relationship between Franchisor and Franchisee is governed by and will be construed in accordance with the laws of the State of North Dakota. In the event of any conflict-of-law question, North Dakota conflict-of-law rules will apply.

4. Venue. Section 27.2 of the Franchise Agreement is amended by adding the following:

> Pursuant to the North Dakota Franchise Investment Law, any provision requiring Franchisee to consent to litigate disputes at a location outside the State of North Dakota is unenforceable.

5. Waiver of Trial by Jury; Waiver of Punitive Damages. Sections 27.6 and 27.8 of the Franchise Agreement are amended by adding the following:

> Pursuant to the North Dakota Franchise Investment Law, any provision requiring Franchisee to consent to a waiver of the right to a trial by jury or of exemplary or punitive damages is unenforceable.

6. Limitation of Claims. Section 27.7 is amended to add the following:

> Notwithstanding the foregoing, the statute of limitations under North Dakota Law will apply to any claim that arises under the North Dakota Franchise Investment Law.

7. Costs and Legal Fees. Section 27.9 of the Franchise Agreement is amended to read as follows:

> In connection with any failure by Franchisee to comply with the Franchise Agreement, regardless of whether there is any legal proceeding to enforce the terms of the Franchise Agreement, Challenge Island may seek reimbursement from Franchisee for the costs and expenses incurred by Challenge Island as a result of such failure and for our enforcement of the terms of the Franchise Agreement, including, without limitation, accountants', attorneys', attorneys' assistants and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel expenses. If Franchisee initiates a legal proceeding against Challenge Island, and if Franchisee does not prevail in obtaining the relief Franchisee was seeking in such legal proceedings, Challenge Island may seek reimbursement from Franchisee for the costs and expenses incurred by Challenge Island as a result of such legal proceedings, including, without limitation, accountants', attorneys', attorneys' assistants and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel expenses, whether incurred before, in preparation for, in contemplation of, or in connection with such legal proceedings. This Section 27.9 shall survive termination of the Franchise Agreement.

8. Construction. In all other respects, the Franchise Agreement will be construed and enforced in accordance with its terms.

Challenge Island Global, LLC Franchisor	_____ Franchisee
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Exhibit H-14 **Rhode Island Disclosure Addendum**

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34 the Franchise Disclosure Document for Challenge Island Global, LLC for use in the State of Rhode Island shall be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. This addendum will apply only if the Rhode Island Franchise Investment Act would apply on its own, without referring to this addendum.

Exhibit H-15 **Rhode Island Franchise Agreement Amendment**

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties to the attached Challenge Island Global, LLC Franchise Agreement (the "Agreement") for use in the State of Rhode Island agree as follows:

1. Section 27 of the Agreement, under the heading “Dispute Resolution,” shall be amended by the addition of the following paragraph:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. This amendment will apply only if the Rhode Island Franchise Investment Act would apply on its own, without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Challenge Island Global, LLC Franchisor	_____ Franchisee
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Exhibit H-16 **Virginia Disclosure Addendum**

In recognition of the requirements contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document of Challenge Island Global, LLC for use in the Commonwealth of Virginia is amended as follows:

1. Item 5, "Initial Fees" is amended by adding the following sentence at the end of the first paragraph:

   The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. Item 17, Additional Disclosure. The following statements are added to Item 17.h:

   According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute "reasonable cause," as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable.

   According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

3. This addendum will apply only if the Virginia Retail Franchising Act would apply on its own, without referring to this addendum.

Exhibit H-17 **Virginia Franchise Agreement Amendment**

In recognition of the requirements of the Section 13.1-564 of the Virginia Retail Franchising Act, the parties to the attached Challenge Island Global, LLC Franchise Agreement (the "Agreement") for use in the Commonwealth of Virginia agree as follows:

1. Section 4.1 of the Agreement, under the heading “Initial Fees” shall be amended by the addition of the following:

> The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. This amendment will apply only if the Virginia Retail Franchising Act would apply on its own, without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Virginia Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Challenge Island Global, LLC Franchisor	_____ Franchisee
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached Challenge Island Global, LLC Franchise Agreement and/or related agreements (collectively, the "Agreement") for use in the State of Washington agree as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

8. This amendment will apply only if the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, would apply independently without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Washington Addendum to the Franchise Agreement, Development Agreement, and Disclosure document, and related agreements on the same date as the Agreement was executed.

Challenge Island Global, LLC Franchisor	_____ Franchisee Entity
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
California	~~November 16, 2022~~Pending
Illinois	Pending
Indiana	~~July 7, 2022~~Pending
Maryland	~~*[see Maryland-specific FDD]*~~Pending
Michigan	~~July 7, 2022~~Pending
New York	~~December 5, 2022~~Pending
Virginia	~~*[see Virginia-specific FDD]*~~Pending
Washington	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT J **Item 23 Receipt**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Challenge Island Global, LLC ("CIGLLC") offers you a franchise, it must provide this disclosure document to you: (a) 14 calendar days before you sign a binding agreement with, or pay CIGLLC (or an affiliate) any funds in connection with the proposed franchise transaction; (b) in NY, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 10 business days before you sign a binding agreement with (or make payment to) CIGLLC or an affiliate; (c) in Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with (or make payment to) CIGLLC or an affiliate; or (d) in Mich., at least 10 business days before the earlier of when you sign a binding agreement with (or make payment to) CIGLLC or an affiliate.

If CIGLLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit C.

CIGLLC is the franchisor, and its offices are at 4590 LaSalle Ct., Marietta, GA 30062 (404.692.3103).

Issuance date: ~~June 30, 2022~~April 28, 2023

The franchise sellers for this offering are Sharon Duke Estroff at CIGLLC's offices at 4590 LaSalle Ct., Marietta, GA 30062 (404.692.3103), and: _____

CIGLLC authorizes the respective state agencies identified on Exhibit D to receive service of process for it in the particular state.

I received a disclosure document dated ~~June 30, 2022~~April 28, 2023 that included the following exhibits:

A	Franchise Agreement with Exhibits	G	Financial Statements
B	List of Current and Former Franchisees	H	State-Specific Addenda
C	List of State Administrators	I	State Effective Dates
D	List of Agents for Service of Process	J	Item 23 Receipts
E	Form of General Release		
F	Table of Contents to Brand Manual		

_____ _____

Date Received Prospective Franchisee

_____

Name (Please print)

_____

_____

Address

Please keep this copy of the receipt with your FDD

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_____
Date Received

_____
Prospective Franchisee

_____
Name (Please print)

_____

_____
Address

Please sign, date, and return this copy of the receipt to us