



## FRANCHISE DISCLOSURE DOCUMENT

PAUSE FRANCHISOR INC.

a Delaware corporation

13353 W. Washington Blvd.

Los Angeles, CA 90066

(310) 367-0031

[franchise@pausestudio.com](mailto:franchise@pausestudio.com)

[www.pausestudio.com](http://www.pausestudio.com)

The franchise we offer is for the operation of a wellness studio under the name “Pause®” featuring cryogenic therapy, flotation therapy, vitamin infusion therapy, cold plunge/contrast therapy, sauna therapy, LED red-light therapy and other related services and products. Our unique blend of products and services offers our customers the ability to hit “Pause” in their hectic lives so they can allocate time for stress reduction, athletic recovery and overall health optimization in a clean, modern and safe environment.

The total investment necessary to begin operation of a Pause studio ranges from \$984,000 to \$1,623,000. This includes \$60,000 to \$65,000 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation if you acquire the rights for two franchises is \$1,958,000 to \$3,286,000. This includes \$110,000 to \$120,000 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation if you acquire the rights for ten franchises is \$9,590,000 to \$16,030,000. This includes \$350,000 to \$400,000 that must be paid to the franchisor or its affiliates. If we grant you development rights for at least two franchises, the initial franchise fee for the first franchise will be reduced depending on the number of franchises you purchase plus you will pay a development fee equal to the reduced initial franchise fee multiplied by the number of franchises granted to you.

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 government agency has verified the information contained in this document.**

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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 26, 2024



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## 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
<b>How much can I earn?</b>	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 and Exhibit F.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor and at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Pause business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a Pause franchisee?</b>	Item 20 or Exhibit F lists current or former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 your franchise is 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 A.

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, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Short Operating History**. The Franchisor is at an early stage of development and has limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition**. The Franchisor’s financial condition, as reflected in its financial statement (see Item 21), calls into question the Franchisor’s financial ability to provide services and support to you.

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

**(THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

**The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, 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 protection 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 provision 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 thirty (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 franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 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, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 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.
- (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 transferee 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 sub-franchisor.

- (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.**

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General  
G. Mennen Williams Building, 7th Floor  
525 W. Ottawa Street  
P.O. Box 30755  
Lansing, Michigan 48909  
Telephone Number: (517) 335-7632

**FRANCHISE DISCLOSURE DOCUMENT**

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## ITEM 1 THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES

The franchisor is Pause Franchisor Inc. To simplify the language in this disclosure document (the “**Disclosure Document**”), Pause Franchisor Inc. is referred to as “**Franchisor**,” “**we**,” “**us**,” or “**our**” and the person or business entity who is considering the franchise is referred to as “**Franchisee**,” “**you**,” or “**your**.” If you are a corporation, limited liability company, partnership or other legal entity, the word “**you**” or “**your**” will apply to your shareholders, members, partners, officers, managers and directors.

### **The Franchisor**

We are a Delaware corporation organized on January 10, 2022. We conduct business under the name “Pause®”. Our principal place of business is 13353 W. Washington Blvd., Los Angeles, CA 90066. We offer franchises for the operation of an athletic recovery, relaxation and wellness studio under the name Pause and our corporate name. We sell services that focus on wellness of the whole person, natural remedies, and education featuring cryogenic therapy, flotation therapy, vitamin infusion therapy, cold plunge/contrast therapy, sauna therapy, compression therapy, NAD+ therapy, and LED light therapy, and other services we may periodically add from time to time in our discretion (collectively, the “**Services**”). In this Disclosure Document, we refer to the studio and the business operated under the Franchise Agreement as the “**Franchised Business**.”

We began offering franchises for Pause studios on July 27, 2022. We do not conduct other business activities, and we have never offered franchises in any other line of business. We do not operate any Pause studios, but our affiliate, Pause Float Studio LLC began operating the first Pause studio on August 20, 2016, in Los Angeles, California and our affiliate, Pause Clinic West Hollywood, LLC opened our second Pause studio on April 15, 2021 in Los Angeles, California. Our affiliate Pause El Segundo LLC opened our third Pause studio on June 1, 2022 in South Bay, California, and our affiliate Pause Brentwood LLC is opened on March 16, 2023 in Brentwood, California. Our affiliate, Pause Studio City LLC opened a fifth Pause studio in Studio City, California on December 1, 2023.

### **The Franchise Offered**

If you are granted the right to operate a Franchised Business, you will sign our standard franchise agreement (the “**Franchise Agreement**”) for the development and operation of a single Franchised Business within a designated territory. Our Franchise Agreement is attached to this Disclosure Document as Exhibit B.

We also grant rights to qualified applicants to develop multiple Pause studios within a defined development area (“**Development Area**”) according to a pre-determined development schedule (“**Development Schedule**”) under the terms of our Multi-Unit Development Agreement (“**MUDA**”). The MUDA is attached to this Disclosure Document as Exhibit C. The MUDA requires you to open an agreed-upon number of Pause studios under a Development Schedule set out in the MUDA. In connection with the development of Pause studios under the MUDA, you must sign our then-current form of franchise agreement for each Pause studio you open which may



differ from the Franchise Agreement included with this Disclosure Document. Each franchise agreement will grant you the right to own and operate a single Pause studio at an agreed-upon location.

The Pause system is a unique method for operating wellness studios using certain business processes, technologies, trade secrets, contracts, client lists, knowledge, know-how, trade names, service marks, trademarks, logos, emblems, trade dress and other intellectual property; distinctive signage and decor; standards and specifications for Services, products, supplies, appearance, operations and management control; training and assistance; purchasing programs; and advertising, marketing, promotional and sales programs which may be changed, discontinued, improved, modified and further developed by us from time to time (the “**System**”). Your Franchised Business will operate under our trademarks and service marks and such other trade names, trademarks, and logos as we may designate from time to time (collectively, the “**Marks**”).

Pause customers may purchase Services individually, in multi-packs to be used over multiple scheduled sessions or through our membership program as well as wellness retail products and merchandise (collectively, the “**Products**”). The following is a general description of the Services that we authorize and may update from time to time:

- **Infrared Sauna Therapy:** Our infrared sauna treatments produce heat through a penetrating wavelength that enters the body’s soft tissues and delivers benefits on a cellular level. The infrared, radiant heat from our infrared saunas penetrates achy joints, tired muscles and frayed connective tissues.
- **Cold Plunge/Contrast Therapy:** Pause studio’s contrast therapy experience begins as our customers alternate between hot and cold therapy treatments, cycling between infrared sauna sessions, ice baths, and rest.
- **Vitamin Infusion Therapy:** Our family of IV vitamin therapies have been carefully formulated to provide our customers with the cofactors and building blocks needed for optimal body function.
- **NAD+ Therapy:** IV NAD+, short for nicotinamide adenine dinucleotide, is a crucial amino acid and coenzyme of Niacin (Vitamin B3) that is found in every cell of the body.
- **Float Therapy:** Our customers float in our salt tank float pods to reduce anxiety, relieve aches and pains, get better sleep and enter a greater sense of well-being in a gravity-free environment in ten inches of purified water and 1,000 pounds of healing Epsom salts.
- **Cryogenic Therapy:** Cryogenic therapy, also commonly abbreviated as cryotherapy, is a treatment that uses very cold temperatures either locally or in a highly-targeted way, or in a whole-body cryotherapy chamber for a therapeutic, healing effect.
- **LED Light Therapy:** LED Light Therapy uses red light to penetrate deep into the skin where collagen, elastin and other essential proteins reside. LED Light Therapy releases red

light, as a specific wavelength, that is absorbed by chromospheres in the mitochondria of the body's cells, which activates metabolic energy processes.

- **Compression Therapy:** Air compression technology gently massages sore muscle tissue, allowing your body to release built up lactic acid and reduce swelling through stimulating circulatory and lymphatic drainage systems. Compression therapy allows for faster recovery, greater mobility, and increased movement and performance.

The current mandatory Services provided by us are set forth above. We have the right to modify the Services and Products from time to time, add new or discontinue existing Services and Products, and make any mandatory Services and Products optional. In conjunction with any added Service or Products, fees and charges will be determined on the same basis for all franchised Pause studios that are participating in the Services and Products and may include additional overhead costs allocable to providing such Services and Products, including compensation of personnel directly involved in providing the Services; development costs for such Service; costs of equipment needed to provide such Service; and costs of operating, maintaining and upgrading the equipment needed to provide the Service.

Your Franchised Business will offer our Services to your customers through our membership program which will offer your customers a chance to purchase two, four or eight sessions of Services during each 30 day period. All memberships are offered to your customers on a month to month basis and can be canceled upon a 30 day notice. All memberships are location specific and your customers will pay membership fees directly to your Franchised Business. Each member is also offered preferred membership pricing at all Pause studios.

### **Our Parent, Predecessors and Affiliates**

Our parent company is Pause Holdings, Inc. (“**Pause Holdings**”). Pause Holdings is a Delaware corporation formed on January 29, 2021. Its principal place of business is 13353 W. Washington Blvd., Los Angeles, CA 90066. Pause Holdings does not offer franchises for Pause studios or in any other line of business. Pause Holdings has operated five Pause studios in California since 2023 through its affiliates, as described below. We do not have any predecessors.

Our affiliate, Pause Float Studio LLC, a California limited liability company formed on August 20, 2015, operates a Pause studio located in Venice neighborhood of Los Angeles, California since August 2016. Its principal place of business is 13353 W. Washington Blvd., Los Angeles, CA 90066. Pause Float Studio LLC has not offered franchises in this line or any other line of business.

Our affiliate, Pause Clinic West Hollywood LLC, a California limited liability company formed on November 11, 2019, operates a Pause studio in the West Hollywood neighborhood of Los Angeles, California. Its principal place of business is 937 N. Sycamore, Los Angeles, California, 90038. Pause Clinic West Hollywood LLC has not offered franchises in this line or any other line of business.

Our affiliate, Pause El Segundo LLC, a California limited liability company formed on May 5, 2021, operates a Pause studio in the El Segundo neighborhood of Los Angeles, California located



at 850 Pacific Coast Highway, Unit 2, Los Angeles, CA 90245, which opened in the South Bay neighborhood on June 1, 2022. Its principal place of business is 13353 W. Washington Blvd., Los Angeles, California 90066. Pause El Segundo LLC has not offered franchises in this line or any other line of business.

Our affiliate, Pause Brentwood LLC, a California limited liability company formed on January 5, 2022, opened a Pause studio in Brentwood, California located at 11611 San Vicente Blvd., Los Angeles, CA 90049 on March 16, 2023. Its principal place of business is 13353 W. Washington Blvd., Los Angeles, CA 90066. Pause Brentwood LLC has not offered franchises in this line or any other line of business.

Our affiliate, Pause Studio City, LLC, a California limited liability company formed on April 15, 2022 opened a Pause studio in Studio City, California located at 12930 Ventura Blvd., Suite 124, Studio City, CA 91604 on December 1, 2023. Its principal place of business is 13353 Washington Blvd., Los Angeles, CA 90066. Pause Studio City LLC has not offered franchises in this line or any other line of business.

Our affiliate, Pause Supply Company Inc. (“**Pause Supply**”), a California corporation formed on January 7, 2022. Its principal place of business is 13353 W. Washington Blvd., Los Angeles, CA 90066. Pause Supply is designated as a supplier for certain equipment and supplies used in the operation of Pause studios. Pause Supply does not operate Pause studios and has not offered franchises in this line or any other line of business.

Our affiliate, Accelerator, Inc. (“**Accelerator**”) is a California corporation formed on July 14, 2016 with its principal place of business at 1730 Pier Avenue, Santa Monica, CA 90405. Accelerator is an Approved Supplier and preferred vendor for real estate brokerage services used in the location of the Accepted Location for your Pause studio. Accelerator does not operate Pause studios and has not offered franchises in this line or any other line of business.

### **Agents for Service of Process**

Our registered agent in the State of Delaware is: GKL Registered Agents of DE, Inc., 3500 S. Dupont Highway, Dover, Delaware 19901. Our agents for service of process for other states are identified by state in Exhibit A. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

### **Market and Competition**

The market for health and wellness studios is developed and competitive though we are unaware of any competitors offering the unique combination of relaxation, athletic recovery and wellness Services that you will offer to your customers. Your target market will be the general adult public and specifically those individuals who desire to lead healthy, active lifestyles. Your competition will include local and national medical spas, medical offices, day spas, anti-aging clinics and other related businesses that offer one or more of the Services that you will offer. Your ability to compete



will be largely determined by your involvement with the Franchised Business, your financial strength, your business management ability, general economic conditions, and the geographic area of your selected site.

### **Industry Specific Laws**

You must comply with federal and state laws and regulations that apply to businesses generally, including rules and regulations involving employment practices, OSHA, and the Americans with Disabilities Act. You must review federal minimum wage and overtime laws, as well as similar laws within your state to ensure compliance with labor and wage laws currently in existence and those that may later be adopted. Your Franchised Business may be subject to state or local health department regulations or permitting requirements that regulate certain equipment, Services, Products or your designated use within the Franchised Business. You are advised to investigate these local regulations to determine how they may affect your Franchised Business.

You must also comply with laws and regulations applicable to the limited amount of medical services you will be providing at your Franchised Business or the equipment used including vitamin therapy. These laws may include federal, state and local rules and regulations related to health and safety; flow of funds; state professional licensing board rules of medical and cosmetic professionals including medical doctors, physician assistants, nurse practitioners, and registered nurses; the relationship of providers and suppliers of health care services, on the one hand, and physicians and clinicians, on the other, including the Federal Anti-Kickback Statute and similar state laws; restrictions or prohibition on fee splitting; physician self-referral restrictions known as the Stark Law; privacy of client records (including the Health Insurance Portability and Accountability Act of 1996, or HIPAA); state ownership and control restrictions known generally as CPOM regulations; patient inducement laws; commercial bribery statutes; the Federal Travel Act; and advertising of medical services. You also may be required to get certain permits or certifications for equipment required for your Franchised Business based on your local, county, or state requirements.

The federal physician self-referral prohibitions in the Stark Law (42 U.S.C. § 1395nn) prohibits, among other things, a physician from referring program patients for the furnishing of designated health services to an entity with whom the physician (or an immediate family member) has a financial relationship. The Federal Anti-Kickback Statute (42 U.S.C. §1320a-7b) prohibits any person from knowingly and willfully soliciting, receiving, offering or paying any remuneration (including any kickback, bribe, or rebate) directly or indirectly, overtly or covertly, in cash or in kind, to any person, in return for or to induce such person to do either of the following: (1) refer an individual to a person for the furnishing or arranging for the furnishing of an item or service for which payment may be made in whole or in part under Medicare, Medicaid, TRICARE or other Federal health care programs; or (2) purchase, lease, order or arrange for or recommend the purchasing, leasing or ordering of any good, facility, service or item for which payment may be made in whole or in part under any Medicare, Medicaid, TRICARE or other Federal health care programs.

States often develop their own anti-kickback provisions that are payor indifferent and therefore not restricted to only services provided to federal program patients. Many states require that physicians make a proper disclosure to their patients regarding their affiliation with a person or

entity if they will receive, directly or indirectly, remuneration for securing or soliciting the patient. CPOM was enacted to prevent financial and business interests from interfering with independent medical judgement. HIPAA laws, rules and regulations impose strict requirements as to safeguarding and maintaining the privacy of personal information and data collected and stored in medical records. There are extensive federal, state and local laws, rules and regulations that regulate the type of marketing that you may or may not make as to the medical services you will offer, the results that your customers may or may not achieve, and whether or not the medical services are authorized, cleared and/or approved by any government agency or authority.

You are advised to consult counsel about any potential impact of these laws and regulations. You alone are responsible for investigating and evaluating the federal, state and local laws that may apply to the operations of your Franchised Business and federal, state and local restrictions that may be imposed on your Franchised Business, your ownership of your Franchised Business, and the individuals that may or may not provide Services as employees of your Franchised Business despite any advice or information that we may give to you. Before signing a Franchise Agreement, you are strongly advised to consult with a lawyer to review the Services and Products that will be offered and sold by your Franchised Business, and to determine the licensing requirements, construction requirements, medical office layout restrictions, or any other regulation that may or may not be imposed on you, your Franchised Business, the individuals hired by your Franchised Business and whether or not you may legally operate your Franchised Business. Because regulations are subject to change, you must be aware of all regulations and keep apprised of changes that may have an impact on the Franchised Business.

## **ITEM 2 BUSINESS EXPERIENCE**

### **President: Jeff Ono**

Jeff Ono has served as our President since the date of our inception on January 29, 2021 in Los Angeles, California. Jeff is also the President of our parent company, Pause Holdings since January 2021. Jeff has served as the co-owner and co-manager of our affiliate owned Pause studios in Venice, California from August 2015 through the present. Jeff has served as the co-owner and manager of our affiliate owned Pause studios in West Hollywood, California from April 2021 through the present.

### **Chief Executive Officer: John Klein**

John Klein has served as our CEO since the date of our inception on January 29, 2021 in Los Angeles, California. John also serves as the CEO of our parent company, Pause Holdings since January 2021. John has served as the co-owner and co-manager of our affiliate owned Pause studio in Venice, California from August 2015 through the present. John has served as the co-owner and manager of our affiliate owned Pause studio in West Hollywood, California from April 2021 through the present. From June 2018 through the present, John has served as the Managing Partner of Accelerator in Santa Monica, California.

**Vice President, Development & Operations: Alicia Rose Orleski**

Alicia Orleski has been our Vice President, Development & Operations since July 2022 in Los Angeles, California. From February 2021 through July 2022, Alicia was a Management Consultant for Franchise Development at the NOW Massage franchise system in Beverly Hills, CA. From June 2013 to January 2021, Alicia was the Director of Development and Operations – Franchise at OTF (Orangetheory Fitness) Canada, Inc. in Edmonton, Alberta, Canada.

**Regional Sales & Operations Manager: Adam Marvin**

Adam Marvin has been our Regional Sales & Operations Manager in Los Angeles, California since January 2021. Previously, he was the Complex Spa Manager of Equinox Fitness Clubs in Los Angeles, California from July 2017 to January 2021.

**Senior Franchise Marketing Manager: Alex Piunno**

Alex Piunno has been our Senior Franchise Marketing Manager in Los Angeles, California since April 2024. Previously, she was the Senior Marketing Manager of RSG Group in Los Angeles, California from September 2022 to April 2024. Prior to that, she was the Marketing Director of From the Earth in Los Angeles, California from January 2021 to July 2022. From May 2020 to December 2020, she was the Marketing Consultant of Domani Architecture & Planning in Los Angeles, California. Ms. Piunno was the Brand Marketing Manager of Tyson Ranch in Los Angeles, California from June 2018 to March 2020.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

**Initial Franchise Fee**

The initial franchise fee for a single Franchised Business is \$60,000 (the “**Initial Franchise Fee**”). The Initial Franchise Fee is paid in lump sum upon signing the Franchise Agreement. The Initial Franchise Fee is uniform, non-refundable and fully earned upon receipt. In our last fiscal year, ended December 31, 2023, we collected Initial Franchise Fees ranging from \$40,000 (from a franchisee who purchased multiple Franchised Businesses) to \$60,000.

We currently discount the Initial Franchise Fee by \$5,000 for United States Veterans who have been honorably discharged. This discount is applied once in connection with a qualified Veteran's purchase of his or her first Franchised Business.

### **Multi-Unit Development Agreement**

We offer multi-unit development packages if you choose to purchase two or more Pause studios. For each additional Pause studio purchased after the first, the Initial Franchise Fee will be discounted. If we grant you multi-unit development rights under a MUDA, you must pay upfront the reduced Initial Franchise Fee for the first Franchised Business plus a non-refundable **"Development Fee"** equal to the reduced initial franchise fees for the additional Pause studios you purchase. For the development of two Pause studios, you will pay an Initial Franchise Fee of \$55,000 for the first Franchised Business plus a Development Fee in the amount of \$55,000 at the time you sign the MUDA. You will not pay an initial franchise fee for the second Pause studio at the time you sign the then-current franchise agreement, which may be materially different than the Franchise Agreement attached to this Disclosure Document. For the development of three to five Pause studios, you will pay an Initial Franchise Fee of \$45,000 for the first Franchised Business plus a Development Fee in the amount of \$45,000 multiplied by the number of Pause studios we grant to you at the time you sign the MUDA. For the development of six to nine Pause studios, you will pay an Initial Franchise Fee of \$40,000 for the first Franchised Business plus a Development Fee in the amount of \$40,000 multiplied by the number of Pause studios we grant to you at the time you sign the MUDA. For the development of ten or more Pause studios, you will pay an Initial Franchise Fee of \$35,000 for the first Franchised Business plus a Development Fee in the amount of \$35,000 multiplied by the number of Pause studios we grant to you at the time you sign the MUDA. You will not pay an initial franchise fee for each subsequent Pause studio you develop but you must execute our then-current form of the franchise agreement.

The number of Pause studios to be opened under your MUDA is determined by mutual agreement and will vary depending upon a variety of factors, including but not limited to: (1) the number of Pause studios we and our advisors estimate may reasonably be supported within the Development Area in our sole discretion; (2) the demographics and population (both existing and anticipated) within the Development Area; (3) the availability of acceptable locations and other real estate considerations; and (4) other internal factors that may impact our decision on granting you your Development Area and Development Schedule.

You must sign the then-current franchise agreement for each Pause studio to be developed under your MUDA which may be materially different than the Franchise Agreement attached to this Disclosure Document. Each franchise agreement must be signed no later than 12 months before Pause studio is required to be developed under the Development Schedule.

### **Grand Opening**

You must spend \$40,000 on local advertising, promotion, and other marketing activities through vendors that we specify or approve in connection with your grand opening. This amount shall be spent within 90 days before your Franchised Business opens and during its first 30 days of operation. You may purchase retail items and event supplies from us to use for your grand opening.





If you chose to purchase these items from us, we estimate the costs will be equal to up to \$5,000. These fees paid to us and third parties toward your grand opening are non-refundable.

**ITEM 6  
OTHER FEES**

**Franchise Agreement**

Fee	Amount	Due Date	Notes
Royalty Fee (Note 3)	7% of Gross Revenue (the “ <b>Royalty Fee</b> ”)	Monthly, payable by the 7 <sup>th</sup> of each month	You must pay 7% of your Gross Revenue directly to us by electronic fund transfer. See Note 1 discussing fees generally. Gross Revenue is defined in Note 2 below.
Advertising Fund Contribution (Note 4)	1% of Gross Revenue Per Month	Monthly, payable by the 7 <sup>th</sup> of each month	You must pay this fee to us. We may from time to time change the rate required to be paid by you but the amount of such payment that is based on Gross Revenue will not exceed 2% of your Gross Revenue, and no change in the rate will take effect unless we provide you with at least three months written notice.
Local Marketing (Note 5)	\$3,500 per month	As arranged	You pay this amount directly to third-parties subject to our approval, but you may be required to pay this amount to us if you do not meet your minimum spend requirements. This is the minimum amount that you must spend for local marketing. We may require your expenditures to be used in cooperative advertising, if established.
Authorized Care Provider Fee (if applicable and/or allowed in your jurisdiction)	Varies	As agreed	Subject to applicable law in your jurisdiction, you may need to retain a doctor who will either be “on call” or will need to supervise the medical personnel at your Franchised Business. You are solely responsible to determine whether this fee might be applicable in your jurisdiction.

<b>Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Notes</b>
Promotions	Varies	As incurred	You must offer rebates, giveaways and other promotions, including customer surveys and mystery shopper programs as may be required by us.
Technology Fee (Note 6)	\$720 per month	Monthly, payable by the 7 <sup>th</sup> of each month	You will pay this fee to us which will commence upon opening your Franchised Business. This fee is subject to increases by the POS System vendor or if we change our technology specifications in our discretion. Because this fee is largely determined by third party vendor costs, we reserve the right to increase this fee upon notice to you.
Audit Fee (Note 7)	\$1,000 plus the amount of underpayment plus interest from the date such amount was due until it is received by Franchisor, paid at the rate of the lesser of 1.5% per month or the highest commercial contract interest rate allowed by law	Cost of the inspection – when billed; Underpayment and interest – immediately.	The cost is payable upon demand, and the underpayment shall be due if the audit or any other inspection reveals that any payments to us have been underpaid. You shall reimburse us for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees).
Interest (Note 8)	The lesser of 1.5% per month or the highest commercial contract interest rate allowed by law	As incurred	Payable if any amount is not received when due.

<b>Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Notes</b>
Late Fee	\$100 per occurrence	As incurred	Due on each occurrence that you fail to make a timely payment to us.
Insurance	Will vary	As incurred	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us. You will pay a 10% administrative fee to account for our costs in obtaining your insurance.
Transfer Fee (Note 9)	\$10,000	At the time of transfer	Payable and non-refundable if you sell, transfer or assign your Franchised Business. You may not transfer your Franchised Business without our prior written consent. The Transfer Fee may be subject to state law.
Additional Training and Assistance	Currently \$500 per person per day (plus hotel, air fare, and other expenses incurred by our trainer) for each person attending	When training or assistance begins	This fee will be assessed for training a newly appointed Operating Principal and for training newly-hired personnel; for refresher training courses; and for special assistance or training you need or request to be conducted.
Conference Fee	\$500 per person (plus hotel, air fare, and other expenses)	Prior to the conference or at the time of training	We may hold an annual franchisee conference devoted to training and plans for the future of Pause which you must attend. Additionally, you must pay for your representatives' salaries and benefits, and for their travel, lodging, and meal expenses.
Renewal Fee	\$10,000	At the time of renewal	You must timely notify us of your desire to renew the Franchise Agreement. This fee is due at the time of renewal and is not refundable.

<b>Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Notes</b>
Costs of Enforcement	All costs including reasonable attorney's fees	Upon demand	You are responsible to pay all costs and attorneys' fees incurred by us, our affiliates and their respective directors, officers, shareholders, agents, employees and other representatives if you fail to comply with or breach any provision in the Franchise Agreement among our other remedies.
Costs to Participate in Automatic Debit Plan	Varies	On demand	We require you to participate in an automatic bank account debit plan which may come with additional administrative costs to you.
Management Fee (Note 10)	Our expenses plus an administrative fee of 15% of Gross Revenue	As incurred	Due if we (or a third party) exercise our option to manage your Franchised Business after your managing owner's death or disability, or after your default or abandonment.
Right to Remedy Default	Our expenses plus an administrative fee of 15%	Each month that it applies	If you fail to perform or observe any term of your Franchise Agreement, we may take such steps as we consider necessary to attempt to remedy such default including: (i) performing any obligation of yours under the Franchise Agreement and (ii) making payments on your behalf.
Testing of Products or Approval of new Suppliers (Note 11)	All reasonable costs not to exceed \$1,500 per review	When billed	This fee covers the costs of testing new products or inspecting new suppliers you propose to us.
Indemnification (Note 12)	Will vary	As incurred	You must reimburse us if we incur any expense, including attorney's fees, and other costs, or if we are held liable for any claim arising or resulting from your Franchised Business operations.

<b>Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Notes</b>
Liquidated Damages (Note 13)	Will vary under the circumstances	Within 15 days after termination of the Franchise Agreement	Due only if we terminate the Franchise Agreement before the end of the term because of your material breach, or you terminate the Franchise Agreement without legal cause.
Manual Replacement (Note 14)	\$250	As incurred	Payable to us if you lose or destroy the Manual.
Maintenance and Refurbishing (Note 15)	You are required to reimburse our expenses	As incurred	You must undertake efforts to correct physical deficiencies in your Franchised Business’s appearance, and, if not, we can undertake the repairs and you must reimburse us.
Insufficient Funds (Note 16)	\$100	As incurred	Due if you have insufficient funds in your designated bank account to cover a payment, or if any other payment instrument you use is rejected for insufficient funds.
Taxes	Amount of taxes	As incurred	You must reimburse us for any taxes we must pay due to the operation of your Franchised Business or due to payments made to us (excluding federal and state income taxes for the state in which we are then located).

NOTES

Note 1. **Fees Generally:** All fees expressed in percentages are calculated by multiplying the percentage stated by the weekly or monthly Gross Revenue of your Franchised Business unless otherwise indicated. All fees and other amounts due to us shall be paid through a designated bank account. You must allow us to debit your account through the Automated Clearing House (“ACH”) system. The ACH form you are required to fill out is attached as Schedule 5 to the Franchise Agreement. You shall make deposits to the designated bank account sufficient to cover amounts owed to us prior to the date such amounts are due. You shall not close your designated bank account without our written consent. All fees are non-refundable, uniformly imposed, and are payable to us, unless otherwise noted. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement. Also, any fee expressed as a fixed dollar amount is subject to adjustment based on changes to the Consumer Price Index (“CPI”) in the United States. We may

periodically review and increase these fees based on changes to the CPI (in addition to any other increase), but only if the increase to the CPI is more than 5% higher than the corresponding CPI in effect on: (a) the effective date of your Franchise Agreement (for the initial fee adjustments); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We will implement no more than one CPI-related fee adjustment during any calendar year.

Note 2. **Definition of Gross Revenue:** “**Gross Revenue**” means all sales, revenues, charges and receipts from whatever source (whether in the form of cash, check, credit or debit card, barter exchange, trade credit or other credit transactions) that accrue, directly or indirectly, from the operation of or in connection with your Franchised Business including all sales from your Franchised Business even if your Franchised Business operates under a Management Service Agreement (“**MSA**”) with the Authorized Care Provider(s) (defined below) subject to applicable law. If your jurisdiction requires that you form a Management Service Organization (“**MSO**”) and contract with a Professional Corporation (“**P.C.**”) under an MSA, the MSO may be responsible to pay us a higher percentage of fees that is equal to the effective rate listed in this Item. Gross Revenue includes all revenues earned from the Services offered and Products sold at your Franchised Business, leasing space in your Franchised Business to subcontractors (if approved by us), and usage income. Gross Revenue excludes sales taxes collected from customers and paid to the appropriate taxing authority and any other bona fide refunds to customers. We shall have direct access to your Computer System (defined below) which shall provide us up-to-date Gross Revenue information. However, if requested by us, you shall deliver to us electronically a signed and verified statement of Gross Revenue (“**Gross Revenue Report**”) for any time period requested.

Note 3. **Royalty Fee:** This payment obligation begins immediately on the first month your Franchised Business is open for operation. We reserve the right to change the time and manner of payment of your Royalty Fee at any time upon written notice to you.

Note 4. **Advertising Fund Contribution:** You must contribute 1% of Gross Revenue each week during the term of the Franchise Agreement and all subsequent terms (the “**Advertising Fund Contribution**”). The payment of the Advertising Fund Contribution is due by the 7<sup>th</sup> of the month for the preceding month for the duration of your franchise term. We may raise, discontinue, or reduce your required contribution at our sole discretion by providing advanced written notice to you. You shall pay the Advertising Fund Contribution at the same time, and on the same terms, as the Royalty Fee described above. The Advertising Fund is defined and discussed in Item 11.

Note 5. **Local Marketing:** We can require that you pay all of the local marketing expenditures that we require to us or our designated approved marketing firm. You will be required to submit an accounting of this expense to us upon request or, at minimum, on a monthly basis on the 5<sup>th</sup> of each month. If you fail to spend the amounts required, you shall be required to pay us the amount underpaid to us to be applied to our Advertising Fund plus applicable audit costs and fees.

Note 6. **Technology Fee:** This is the fee associated with licensing our approved third-party POS System supplier we designate, currently Zenoti, and other software, programs, applications, and/or platforms we may use and implement in our System from time to time (the “**Technology Fee**”). This fee may also be used, without limitation, for developing, researching, maintaining,

implementing, modifying, and/or upgrading technology used in connection with the System as we deem appropriate in our sole discretion as well as membership applications, help desk fees for required software, user-based fees for an internal portal or benchmarking platform, website-related costs and expenses, social media templates, two email addresses per location (additional email addresses can be purchased), and/or for any other technology-related expenses.

Note 7. **Audit Fee:** We will assess audit fees against you if you fail to provide us reports, supporting records, or any other information we require under the Franchise Agreement; or if you understate or if we have reason to believe you understated Gross Revenue or underpay any fees due to us. The total amount of the audit fees that you pay us will vary depending on the cost of the audit itself for which you will be entirely liable, and whether you have any unpaid fees for which you may be penalized in accordance with the Franchise Agreement.

Note 8. **Interest:** Interest and late charges begin to accrue on all amounts not received after the due date without notice to you. In addition to any interest and late charges, you must also pay any damages, expenses, collection costs, and/or reasonable attorneys' fees we may incur when you do not make the required payments. No interest charged shall exceed the maximum legal rate of any local, national, or international authority having jurisdiction over your Franchised Business.

Note 9. **Transfer Fee:** The term "transfer" means any of the following: the sale of the assets of your Franchised Business; the sale, assignment, or conveyance of your stock, membership interest, membership units, or partnership units to any third party; or the placement of your assets, stock, membership interest, partnership units, or membership units of your business into a business trust.

Note 10. **Management Fee:** This fee will be determined by the number of days that it is necessary for us to manage your business.

Note 11. **Testing of Products or Approval of New Suppliers:** You will be required to obtain our written approval for most of the products, vendors, and/or suppliers of products, that you will use in the operation of your Franchised Business (as described in more detail in Item 8), and you will be charged an assessment fee for the examination of any product, vendor, or supplier submitted to us for approval. This fee is up to, but may not exceed \$1,500, for any single product, vendor, or supplier you wish to offer, use, and/or substitute in your operation of your Franchised Business whether we give our approval or not. We may waive these fees at our sole and absolute discretion if the equipment, products, vendors and/or suppliers you select meet our requirements and are added to our approved list of equipment, products, vendors and/or suppliers for all franchise locations. We will make every effort to process our evaluation within three months of your request.

Note 12. **Indemnification:** You must protect, defend, indemnify, and hold us harmless against any claims, lawsuits, damages or losses of any kind arising out of your operation of your Franchised Business. This indemnification includes claims related to the lease of the Franchised Business, sale or transfer of your Franchised Business, any default under the Franchise Agreement, and for costs associated with defending claims that you used our Marks in an unauthorized or illegal manner including through your marketing efforts. You must pay for any and all damages, legal fees, enforcement or collection costs, and/or any other costs assessed against us in any proceeding related to your Franchised Business.

Note 13. **Liquidated Damages:** Liquidated damages are determined by multiplying the combined average monthly Royalty Fees and Advertising Fund Contributions (without regard to any fee waivers or other reductions) owed by you to us beginning with the date you open your Franchised Business through the date of early termination, multiplied by the lessor of: (i) 36; or (ii) the number of full months remaining in the term of the Franchise Agreement, except that liquidated damages will not, under any circumstances, be less than \$30,000.

Note 14. **Manual Replacement:** We shall charge you this fee for replacement of a lost or destroyed Manual.

Note 15. **Maintenance and Refurbishing:** We may charge you fees for any work we perform on your behalf to repair or otherwise improve the premises of your Franchised Business, including any such repairs or improvements made on our own initiative if you refuse to complete any requested maintenance or refurbishment upon inspection. The total amount of fees that you pay us will vary depending on the labor and material costs, as well as any associated costs or losses we may incur due to your failure to maintain or refurbish the location in accordance with our requests.

Note 16. **Insufficient Funds:** If you have three or more insufficient funds occurrences within a 12-month period, it will be grounds for default under the Franchise Agreement.

**Multi-Unit Development Agreement**

If you sign a MUDA, you should review both the above table of fees applicable to your Franchise Agreement as well as the following table of fees applicable to the MUDA:

<b>Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Notes</b>
Transfer Fee	\$50,000	At the time of transfer	The transfer fee and all other fees paid to us are non-refundable.
Attorneys' fees and costs	Will vary	As incurred	Payable to us if we are forced to incur costs (including attorneys' fees) if you fail to comply with or breach any provision in the MUDA among our other remedies



<b>Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Notes</b>
Indemnification	Will vary	As incurred	You must reimburse us if we incur any expense, including attorneys' fees and other costs, or are held liable for claims arising out of your breach of the MUDA or the development and operation of your Franchised Businesses.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**Franchise Agreement**

<b>Type of Expenditure</b>	<b>Amount (Low-High Range)</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to Be Made</b>
Initial Franchise Fee (Note 1)	\$60,000	Lump sum	Upon signing Franchise Agreement	Us
Leasehold Improvements (Note 2)	\$600,000 - \$800,000	As required	As incurred	Contractors, Vendors, Utility Providers
Project Management, Architecture & Engineering (Note 3)	\$45,000 - \$75,000	As arranged	As arranged	Vendor
Equipment (Note 4)	\$68,000 - \$340,000	As arranged	As arranged	Vendors
Furniture and Fixtures	\$55,000 - \$65,000	As arranged	As incurred	Vendors
Rent (3 months) (Note 5)	\$30,000 - \$54,000	As arranged	As arranged	Landlord
Security Deposit (Note 6)	\$10,000 - \$18,000	As arranged	As arranged	Landlord
Signage (Note 7)	\$12,000 - \$18,000	As arranged	As incurred	Vendors
Startup Supplies (Note 8)	\$10,000 - \$20,000	As arranged	As incurred	Vendors
Insurance Deposits and Premiums (Note 9)	\$1,000 - \$3,000	As arranged	As incurred	Insurance Carriers

Type of Expenditure	Amount (Low-High Range)	Method of Payment	When Due	To Whom Payment is to Be Made
Business Licenses and Permits (Note 10)	\$7,500 - \$15,000	As arranged	According to statute or ordinance	Government Agencies
Professional Fees (Note 11)	\$15,000 - \$25,000	As arranged	As incurred	Your Accountant, Attorney and Other Professionals
Training Expenses (Note 12)	\$1,000 - \$5,000	As arranged	Before opening	Hotel, Airlines, etc.
Grand Opening Marketing (Note 13)	\$40,000	As incurred	90 days prior to opening and 30 days after opening	Us and Marketing Vendors
Audio Video/Information Technology/Security (Note 14)	\$9,500 - \$15,000	As incurred	Before opening	Vendors
Additional Funds (3 months) (Note 15)	\$20,000 - \$70,000	As arranged	As incurred	Employees, Vendors, Suppliers
<b>Total Estimated Initial Investment (Note 16)</b>	<b>\$984,000 - \$1,623,000</b>			

## NOTES

Note 1. **Initial Franchise Fee:** You must pay the Initial Franchise Fee in full when you sign the Franchise Agreement. Initial Franchise Fees are non-refundable.

Note 2. **Leasehold Improvements:** You must improve the premises of your Franchised Business to our standards and specifications before you open for operation. These improvements may include, for example, wiring, flooring, sheetrock, plumbing, paint, HVAC, lighting, and décor items which must be constructed according to our then-current specifications. These costs are likely to vary significantly depending upon the size, location, configuration, installation costs, and overall condition of the premises at the time you sign your lease and may be much higher if you establish your Franchised Business in an area where special requirements of any kind (e.g., historical, architectural, or preservation requirements) will apply. You may receive a leasehold allowance from the landlord reducing a portion of the costs of constructing the leasehold improvements. The Leasehold allowances will vary from location to location and be based on what you negotiate with your landlord. Your cost could increase if you do not receive a leasehold allowance. The figures in the chart assume you will build-out of a “plain vanilla shell” location for a space that is approximately 2,600 to 3,000 square feet in size and receive a leasehold allowance from your landlord for approximately \$100,000 to \$150,000. There are variables regarding potential sites that are likely to be site-specific and may impact overall construction and/or operating costs, such as, for example, special permitting rules and regulations, special HVAC,

electrical, or plumbing requirements, inflation and supply chain delays, union labor, or site-specific design criteria. These situations are site-specific and we cannot estimate these costs. You should evaluate those potential extra costs for any specific site that might be considered with your consultants and advisors (e.g, architect, engineer, general contractor) in your geographic region before you sign your lease.

**Note 3. Project Management, Architecture and Engineering:** You may choose to hire a project manager to manage the buildout of your Franchised Business including using our preferred Approved Supplier, Build'M, which will assist you in tracking time and cost allocation of your Franchised Business real estate and construction costs. You will be required to engage our Approved Supplier for your architecture needs including preparing drawings. You must secure and engage, if necessary, a third-party engineer to perform services in connection with other services required to buildout your premises. You and your architect must make sure that your construction plans comply with all applicable laws, ordinances, building codes and our then current System standards and specifications.

**Note 4. Equipment:** You must lease or purchase your initial equipment package that is required to perform the Services at your Franchised Business (the “**Equipment Package**”). The Equipment Package will contain one Cryobuilt Cryo Unit, two Superior Float Tanks, four Renu Cold Plunges, four Clearlight Saunas by Jacuzzi, one Neo Light LED Bed, and two Hyperice Compression Sleeves. The low end of the range assumes you finance the Equipment Package and will be required to make a down payment of 20% of the purchase price. The low end of this range does not include principal or interest payments as payment terms and interest rates will vary. The high end of the range assumes you will purchase the Equipment Package. The cost of shipping and sales tax are not included in the estimated range for the Equipment Package and may vary based on the location of your Franchised Business. Payment for the Equipment Package is subject to vendor terms.

**Note 5. Rent:** This rent estimate is for three months and accounts for substantial variation in retail rental rates across the United States. You must lease or otherwise provide a suitable commercial space for the operation of your Franchised Business. The cost per square foot for leasing commercial space varies considerably depending upon the location and market conditions. The cost of leasing commercial space per square foot could be between \$40 and \$80 plus NNN annually (although this figure can vary significantly from market to market). The amounts in the chart reflect our estimate for your payment of rent for the first three months from your rent commencement date. You should consult a real estate broker in your area to assess the typical leasing costs for your target market area. You are required to engage a real estate broker who is either an Approved Supplier or has been preapproved by us. Our affiliate, Accelerator, is the preferred Approved Supplier for your real estate brokerage services.

**Note 6. Security Deposit:** You may be required to pay prepaid rent and/or a security deposit in connection with leasing space. Landlords will vary in the amount they charge for a security deposit. We have used a security deposit of one month's rent for the estimate.

**Note 7. Signage:** Signage includes the exterior storefront signs as well as interior signage package and branding elements. The specific location where your Franchised Business will be located may

have different requirements and regulations dictating the size, layout and illumination of the exterior signage. You will be required to abide by these regulations, and as a result may experience higher or lower costs for your exterior signage.

**Note 8. Startup Supplies:** You must purchase certain types of supplies and technology equipment for your Franchised Business that will be necessary to offer the authorized and required Services, Products and retail inventory including your POS System. The overall cost of the supplies will vary based upon the size of your Franchised Business.

**Note 9. Insurance Deposits and Premiums:** Factors that may affect your cost of insurance include the size and location of your Franchised Business, the value of the leasehold improvements, the number of employees you have, your insurance history, whether your state has corporate practice of medicine laws, and other factors. Our insurance requirements are included in Item 8 but you must also carry any additional insurance required by your landlord and applicable law. The amounts you pay for insurance are typically non-refundable. We may specify an insurance agency or insurer as the designated supplier for your insurance policies. You should inquire about the cancellation and refund policy of your insurance carrier or agent at or before the time of purchase. If you fail to procure or maintain the required insurance, we may but are not obligated to obtain the required insurance and charge the costs to you plus a 10% administrative fee.

**Note 10. Business Licenses and Permits:** You must obtain a general business license if applicable in your state. Certain states may require that you file and post a bond if it is determined that your Franchised Business is a health club or spa. You may be required to obtain other licenses and permits applicable to the sale and performance of Services and Products depending on applicable law in your state or municipality. You must consult your attorney regarding licensing and permitting requirements.

**Note 11. Professional Fees:** We strongly recommend that you hire your own attorney to help you evaluate this franchise offering, to identify the medical laws and regulations that may apply to your Franchised Business, to help you set up a business entity, to review and negotiate your lease, to investigate the laws governing medical facilities in your jurisdiction, and for whatever other purpose you deem appropriate.

**Note 12. Training Expenses:** The cost of initial training for up to three people is included in the Initial Franchise Fee. However, you will be responsible for all travel and living expenses for you and anyone else required to attend training. If applicable, you will be responsible for your employees' wages while they are training. These costs will vary depending on the distance traveled, choice of accommodations and travel arrangements, and other related factors. We may conduct our training programs remotely/virtually so you may not incur these travel-related expenses if training is performed virtually.

**Note 13. Grand Opening Marketing:** You will pay this cost to marketing vendors or to a third party we designate. You may choose to spend more than the required amount. This marketing must be conducted within 90 days before opening and the first 30 days after opening your Franchised Business. This expenses includes between \$0 and \$5,000 of retail items and event supplies you

may choose to purchase from us. Your grand opening marketing must include the promotional elements we require, and we must approve of your marketing campaign before it is conducted.

Note 14. **Audio Video/Information Technology/Security:** You will need certain audio, video, technology and security equipment and services for your Franchised Business.

Note 15. **Additional Funds:** You will need additional capital to support on-going expenses, such as payroll and utilities, insurance, licenses, inventory, security, repairs and maintenance, and miscellaneous expenses. This estimate includes payroll costs for one manager and other employees but does not include a salary or draw for you or the Operating Principal. The estimate also includes pre-opening expenses such as organization expenses, and other service-related expenses. The estimate does not include Royalty Fee or Advertising Fund Contribution payments due to us. New businesses often generate a negative cash flow. We have not provided for capital or other reserve funds necessary for you to reach “break-even”, “positive cash flow” or any other financial position. We cannot and do not guarantee when or if your Franchised Business will break even. We do not furnish nor do we authorize our salespersons or anyone else to furnish estimates as to those amounts. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months. Also, your level of sales will impact your cash flow and the amount of working capital and additional funds that you may need during this start-up phase. There is no assurance that additional working capital will not be necessary during this start-up phase or after. Your credit history could impact the amount (and cost) of funds needed during the start-up phase. You will need to have staff on-hand before opening to prepare your Franchised Business for opening, for training, orientation, and related purposes.

Note 16. **Total Estimated Initial Investment:** Your costs may be more or less depending on your management abilities, experience and business acumen, local economic conditions, size of your premises, location, inflation, and your actual sales. In formulating these estimates, we have relied on the initial development costs of our affiliates’ locations in Los Angeles, California. All expenses paid to us or our affiliates are non-refundable. We will not finance any part of the initial investment. These figures are estimates only, and we cannot and do not guarantee that you will not have additional expenses in starting this business. You should review this chart with a business advisor before making a decision to purchase a franchise. The availability and terms of financing through third-party lenders will depend on the economic climate, your creditworthiness, and policies of lending institutions concerning the type of business being operated. If you purchase an existing Pause studio, your initial investment may be greater or smaller than the estimates shown above. In such a scenario, the price and payment terms will be established by mutual agreement.

**Multi-Unit Development Agreement**

<b>Type of Expenditure</b>	<b>Amount (Low-High Range)</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to Be Made</b>
Reduced Initial Franchise Fee Upon Signing FA and MUDA for Two Units (Note 1)	\$55,000	Lump sum	Upon signing your FA	Us

Type of Expenditure	Amount (Low-High Range)	Method of Payment	When Due	To Whom Payment is to Be Made
Development Fee for the Additional Units Upon Signing MUDA for Two Units (Note 2)	\$55,000	Lump sum	Upon signing your MUDA	Us
Reduced Initial Franchise Fee Upon Signing FA and MUDA for Ten Units (Note 1)	\$35,000	Lump sum	Upon signing your FA	Us
Development Fee for the Additional Units Upon Signing MUDA for Ten Units (Note 2)	\$315,000	Lump sum	Upon signing your MUDA	Us
Additional Funds (3 months) (Note 3)	\$0 - \$50,000	As required	As incurred	Landlord, Vendors, Utility Providers
Initial Investment for the first Pause Studio Business (Note 4)	<b>\$924,000 - \$1,563,000</b>	<i>See Table Above</i>		
<b>Total Estimated Initial Investment for Two Pause Studio Businesses (Note 5)</b>	<b>\$1,958,000 - \$3,286,000</b>			
<b>Total Estimated Initial Investment for Ten Pause Studio Businesses (Note 5)</b>	<b>\$9,590,000 - \$16,030,000</b>			

Note 1. **Reduced Initial Franchise Fee:** If you sign a MUDA, your Initial Franchise Fee will be reduced, depending on the number of Pause Studios you purchase. For the development of two Pause studios, you will pay an Initial Franchise Fee of \$55,000. For the development of three to five Pause studios, you will pay an Initial Franchise Fee of \$45,000. For the development of six to nine Pause studios, you will pay an Initial Franchise Fee of \$40,000. For the development of ten or more Pause studios, you will pay an Initial Franchise Fee of \$35,000 for the first Franchised Business.

Note 2. **Development Fee:** If you sign a MUDA, in addition to the Initial Franchise Fee that you will pay for your first Franchised Business (which is included in the initial estimated total investment of a single Franchised Business) under a Franchise Agreement, you will be required to pay us a Development Fee that will vary significantly depending on the number of Pause studios we grant you to develop.

Note 3. **Additional Funds:** You will need funds for working capital to pursue your development obligations depending on the number of Pause studios we grant to you to develop and operate. This amount should cover the costs needed to begin looking for sites in the Development Area and for general business expenses and preparation during the initial three month period after signing the MUDA. The estimated initial investment for a single Pause studio will apply to your development and operation of your first Franchised Business and each Pause studio you develop and operate but there is no additional investment required under the MUDA except for what is included in this chart.

Note 4. **Initial Investment for the first Pause Studio Business:** These are the estimates to open your first Pause Studio as described in the Item 7 chart above, except for the Initial Franchise Fee which is replaced by the reduced Initial Franchise Fee and Development Fee.

Note 5. **Total Estimated Initial Investment:** These figures are estimates based upon our experience in opening and operating affiliate-owned Pause studios, and we cannot assure you that you will not have additional expenses toward the development of Pause studios under the MUDA. We recommend you review these estimates carefully with your business advisor, accountant or attorney before making any decision to sign the MUDA. We do not offer any financing for your initial investment toward developing Pause studios.

## **ITEM 8 RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS**

### **Approved Services and Products**

You must use in the operation of your Franchised Business, and in the offer and sale of the Services and Products we approve, only those techniques, procedures and supplies we specify. You must offer all, and only such, Services and Products as we approve from time to time. You must operate your Franchised Business in strict compliance with the standards we prescribe for the development and operation of a Pause studio all of which may change from time to time. We may require that you, at your expense, enter into agreements with suppliers approved by us specifically for the offer, sale and performance of the Services and Products at your Franchised Business. We may change any of our requirements periodically. All products and items must conform to those standards and specifications we may periodically establish. You must obtain our written approval before making any changes to your Franchised Business and before modifications to or replacements of furniture, fixtures, equipment, computer hardware, proprietary software, generic software, products, signs or other items.

All Services and Products to be sold, handled, or dispensed either by you or your licensed medical professionals and health care providers (the “**Authorized Care Providers**”) in your Franchised Business must be purchased from us, our affiliate(s) or approved suppliers to, among other thing, ensure uniformity in our System and to ensure that we have reviewed and approved any and all medical procedures being performed at your Franchised Business. You may be required to obtain the services of an Authorized Care Provider under applicable federal or state laws in connection with the offer, sale and performance of any Services, and you must use an Authorized Care

Providers we pre-approve in writing, which approval may be withheld or denied in our sole and absolute discretion.

### **Marketing and Promotional Materials; Items Bearing our Marks**

You must purchase from us or our designated suppliers all marketing, advertising, and promotional materials, including business cards, stationery, brochures, flyers, postcards, posters, advertisement templates, and any other promotional or business marketing tools we use, or might use, as a part of the System. Any items, including all merchandise and any promotional items, which bear or include our Marks, must be purchased from us or our designated suppliers to ensure brand consistency within the System. It is solely your responsibility to ensure that any marketing of the Services and Products offered at your Franchised Business are compliant with the applicable laws governing advertisement of medical services and products in your jurisdiction.

### **Approved Suppliers**

In addition to the above, we may require that you, at your expense, enter into agreements with suppliers approved by us (“**Approved Suppliers**”). We may designate Approved Suppliers from whom you will be required to purchase certain fixtures, furnishings, equipment, uniforms, supplies, marketing materials, forms, computer hardware, software, routers, and peripheral equipment and other Products, supplies, Services, and equipment, which you may or must use or sell at or through your Franchised Business. We may change Approved Suppliers from time to time. We will provide you with a current list of Approved Suppliers through updates to the Manual or other forms of communication. We may designate ourselves or our affiliates as Approved Suppliers for certain Products and Services that are currently offered or will be offered in the future. Currently, our affiliate, Pause Supply is an Approved Supplier of Products to be purchased by you for sale at your Franchised Business. Pause Supply may become the Approved Supplier of the Equipment Package described in Item 7, Note 4. Our President, Jeff Ono and our Chief Executive Officer, John Klein, have an ownership interest in our affiliate Pause Supply. Our affiliate, Accelerator, is an Approved Supplier and the preferred vendor of real estate brokerage services for our franchisees. Mr. Klein has an interest in Accelerator. Build’M is an Approved Supplier of project management services.

You must utilize our exclusive suppliers, including our exclusive supplier of equipment. If we designate an exclusive supplier for any Services or Products or any other tangible or intangible assets utilized at your Franchised Business, you have no right to use an alternative supplier. If you intend to purchase any tangible or intangible item from an alternative supplier or service provider, you must first send us sufficient information, specifications and samples for us to determine whether the assets comply with our standards and specifications or the supplier meets our criteria. Our approval may be withheld or denied by us in our sole and absolute discretion. You must pay our expenses up to \$1,500 to evaluate the assets and the alternative suppliers regardless of whether we provide our approval or not. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the goods or services from the supplier. Our criteria for approving or revoking approval of alternative suppliers includes: the supplier’s ability to provide sufficient quantity of goods; quality of goods or services at



competitive prices; production and delivery capability; our existing relationships with competitive vendors; and experience, dependability and general reputation.

Notwithstanding the foregoing, we may limit the number of Approved Suppliers with whom you may deal with for any reason, including suppliers that we have already designated as an exclusive source (which may be us or our affiliates) for any particular Service or Product if we believe doing so is in the best interest of our System. We will notify you if and when we revoke our approval of a previously Approved Supplier, Service, Product, or piece of equipment. Our suppliers must continually adhere to our standards and specifications to maintain approval. We reserve the right to condition our approval of any proposed service, product or equipment on such terms we decide at our discretion, including your execution of a general release in our favor, your agreement to obtain additional related insurance, your agreement to a test period and your agreement to undergo additional training.

### **Payment Processing Services**

We require you to enter into a merchant services agreement with our designated supplier for payment processing and fund transfer services (i.e., ACH).

### **Real Estate Broker Services**

If you have not executed a letter of intent or similar instrument with your proposed landlord for a location that we approve within 90 days of signing your Franchise Agreement, we may require you to hire our designated real estate broker to assist you in obtaining a lease, at your sole cost and expense.

### **Insurance**

You must maintain insurance that we determine is necessary or appropriate for liabilities caused by or occurring in connection with the development and operation of your Franchised Business, which must include the following minimum coverages:

- Commercial general liability insurance, which shall include us, and any entity in which we have an interest and any entity affiliated with us and each of our members, managers, shareholders, directors, officers, partners, employees, servants and agents as additional insureds, protecting against any and all claims for personal, bodily and/or property injury occurring in or about the premises of your Franchised Business and protecting against assumed or contractual liability under the Franchise Agreement with respect to the Franchised Business and your operations, including personal and advertising liability as well as products and completed operations coverage, with such policy to be placed with minimum limits of \$1,000,000 combined single limit per occurrence; \$2,000,000 general aggregate per location (or \$3,000,000 general aggregate per location if required by applicable state law); and \$300,000 for damage to leased property, provided, however, that at our election, such minimum limits may be periodically increased;

- Property Liability coverage covering all perils to personal property contained within and outside the premises of the Franchised Business. The amounts may vary based on coverage needed but must cover your business property and a minimum of \$500,000;
- Workers' Compensation Coverage and such other insurance as may be required by statute or rule of the state or locality in which the Franchised Business is located in the amount of \$1,000,000 per person, \$1,000,000 in the aggregate and \$1,000,000 for occupational disease. You may have to maintain additional coverage to comply with applicable state law;
- Employment Practices Liability insurance in the amount of at least \$500,000 for each claim. States that regulate the corporate practice of medicine currently will require you to maintain self-insured retention equal to at least \$30,000.
- Professional liability coverage in the amount of \$1,000,000 and \$2,000,000 in the aggregate. States that regulate the corporate practice of medicine currently require you to maintain coverage in the amount of \$1,000,000 and \$3,000,000 in the aggregate;
- Cyber Liability coverage with limits of liability between \$500,000 and \$1,000,000;
- Business interruption and extra expense insurance for a minimum of six months to cover net profits and continuing expenses, including Royalty Fees;
- Identity theft protection with a minimum of \$5,000 expense limit;
- Umbrella liability coverage with minimum limits of \$1,000,000 per occurrence and \$2,000,000 general aggregate; and
- Any other insurance coverage that is required by the Manual or federal, state, or municipal law.

We have the right to establish and modify the minimum coverages required, and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards, state corporate practice of medicine laws, or other relevant changes in circumstances. All insurance policies must name us as additional insured, include any endorsements we may require and include a waiver of subrogation in favor of us and our affiliates, and each company's officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees.

We do not derive revenue as a result of your purchase of insurance. If you fail to purchase and maintain any required insurance coverage or furnish satisfactory evidence of coverage to us, in addition to our other remedies (including without limitation declaring you in default of the Franchise Agreement), we may, but are not obligated to, purchase the insurance coverage for you. If we do purchase insurance on your behalf, you must pay us on our demand the amount of any premiums and reasonable expenses we incur in obtaining the insurance plus a 10% administrative fee. Your failure to obtain and maintain insurance coverage at any time is a material default under the Franchise Agreement and could subject you to costs incurred by us and additional fees.

### **Revenue from Required Purchases**

We may derive revenue or other material consideration from required purchases or leases by you. For the fiscal year ending December 31, 2023, neither we, nor our affiliate Pause Supply, derived any revenue as a result of franchisee purchases.

## **Required Purchases as a Proportion of Costs**

It is estimated that all your initial expenditures from us, our affiliates or the vendors that we specify and/or approve that meet our standards and specifications will represent approximately 75% to 90% of your total initial purchases. It is anticipated that during the operation of your Franchised Business, required purchases from us, our affiliates or the vendors that we specify or approve (not including rent, royalties, or labor costs) are estimated to be approximately 50% to 75% of your total monthly purchases in the continuing operation of your Franchised Business (depending on the size of your Franchised Business and the number of clients you service).

## **Purchasing or Distribution Cooperatives**

At this time, we do not have any purchasing or distribution cooperatives. We anticipate that we will negotiate purchase arrangements with suppliers for the benefit of our franchisees.

## **Purchase Arrangements**

We do not provide you with any material benefits to franchisees based on your purchase of particular products or services or use of Approved Suppliers. We and our affiliate, Pause Supply, will negotiate and enter into purchase arrangements which may include discounted pricing, special terms, rebates or other incentives with suppliers for the benefit of us and our franchisees. We or an affiliate (including Pause Supply) may make available to you the opportunity to participate from time to time in certain discounts, rebates, or other benefits in connection with purchasing products through Approved Suppliers, if you meet certain conditions such as supplier terms and conditions. We currently receive rebates equal to between 0% to 30% of franchisee's purchases of required items and services. We may retain such discounts, rebates, or other benefits for our own benefit. We may derive revenue as a result of your required purchases. In the fiscal year ending December 31, 2023, neither we nor our affiliates derived any revenue as a result of franchisee required purchases from Approved Suppliers. Except as described above, neither we nor our affiliates have derived any revenue or other material consideration as a result of your required purchases or leases.

## **ITEM 9 FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other Items of this Disclosure Document.**

<b>Franchisee Obligations</b>	<b>Section in Franchise Agreement</b>	<b>Section in MUDA</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	2 and 5	3, 4, and 8	11 and 12
b. Pre-opening purchases/leases	5, 13, and 15	Not applicable	7, 8, and 11

<b>Franchisee Obligations</b>	<b>Section in Franchise Agreement</b>	<b>Section in MUDA</b>	<b>Disclosure Document Item</b>
c. Site development and other pre-opening requirements	2, 3, 5, 8, and 10	1, 3, and 4	11
d. Initial and ongoing training	8	Not applicable	11
e. Opening	5, 8 and 11	4	11
f. Fees	2, 3, 4, 8, 11, 12, 13, 15, 18, 21, 22, and 23	2	5, 6, 7, 8, and 11
g. Compliance with standards and policies/Manual	6, 7, 9, 10, and 13	Not applicable	8, 11, 14, and 16
h. Trademarks and proprietary information	6, 7, and 9	Not applicable	13 and 14
i. Restrictions on products/ services offered	6 and 13	Not applicable	8 and 16
j. Warranty and customer service requirements	13	Not applicable	16
k. Territorial development and sales quotas	2	4	12
l. Ongoing product/service purchases	13	Not applicable	8 and 11
m. Maintenance, appearance & remodeling requirements	3, 10, and 13	Not applicable	6
n. Insurance	15	Not applicable	6, 7, and 8
o. Advertising	11	Not applicable	6, 7, 8, and 11
p. Indemnification	21	14	6

<b>Franchisee Obligations</b>	<b>Section in Franchise Agreement</b>	<b>Section in MUDA</b>	<b>Disclosure Document Item</b>
q. Owner's participation/management/staffing	8 and 13	7	15
r. Records and reports	12	Not applicable	11
s. Inspections and Audits	6 and 12	Not applicable	6, 11, and 13
t. Transfer	18, 19, and Schedule 8	11	6 and 17
u. Renewal	4 and Schedule 8	5	17
v. Post-termination obligations	17 and Schedule 2	10	17
w. Non-competition covenants	7, 9, and 17, and Schedule 2	12	17
x. Dispute resolution	23, Schedule 2, and Schedule 3	19	17

## **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 you open your Franchised Business, we or our designee will:

1. Provide an initial training program. This training does not include any professional licenses, certification, or other training you must possess and/or complete before you can operate the Franchised Business. (FA Sec. 8.1).
2. Provide assistance in ordering your initial inventory, equipment, signage and other required inventory as we deem necessary. (FA Sec. 8.2).

3. Provide to you opening assistance and guidance that we think is advisable, in our sole discretion, and as may be described in the Manual. (FA Sec. 8.2).
4. Provide to you one copy of the Manual. (FA Sec. 9.1).
5. Approve or disapprove the site you have selected. (FA Sec. 5.4).
6. Designate your Designated Territory. (FA Schedule 1).
7. Furnish prototypical plans and specifications for your Franchised Business. (FA Sec. 2.2.2).
8. Provide to you site selection assistance as we deem advisable including our site selection guidelines and design specifications. (FA Sec. 2.2.5).
9. Provide you with information regarding approved, required and preferred Products, Approved Suppliers and Services. (FA Sec. 13.1).
10. Review your lease for the sole purposes of protecting our interests which may be aligned with your interests in signing the lease. (FA Sec. 2.2.6).

### **Continuing Obligations**

During the operation of your Franchised Business, we or our designee will:

1. Provide you periodic assistance in the marketing, management, assistance with key suppliers, and the operation of your Franchised Business at the times and in the manner that we determine necessary. We may periodically offer you the services of certain of our representatives, such as a field representative, and these representatives may periodically visit your Franchised Business and offer advice regarding your operations. (FA Sec. 14.1 and 14.2).
2. Provide additional training and ongoing training as we deem necessary in our sole discretion at such places and times as we deem proper. (FA Sec. 8.4).
3. Have the right to approve or disapprove all marketing and promotional materials that you propose to use. (FA Sec. 11.1.2).
4. Provide you with any modifications to the Manual as they are made available to franchisees. (FA Sec. 9.2).
5. Administer the Advertising Fund in the manner described in the Franchise Agreement. (FA Sec. 11.2).

6. Make periodic visits, which may be announced or unannounced, to your Franchised Business for the purposes of determining compliance with the requirements of the Franchise Agreement, for conducting quality assurance audits, and for any other purpose connected with the System only if we deem such necessary in our discretion. (FA Sec. 14.2).
7. Designate and/or modify, if needed in our discretion, the POS System that we designate to be used in the operation of your Franchised Business. (FA Sec. 8.5)
8. Hold periodic conferences, as we deem necessary, to discuss sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs and merchandising procedures. If such conferences are held, we reserve the right to charge a fee for your attendance at the conference, and you must pay all your travel and living expenses related to your attendance at the conference. These conferences will be held at a location chosen by us. Attendance is mandatory. (FA Sec. 8.4).

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of your Franchised Business.

### **Site Selection**

You must locate, obtain and occupy the site for your Franchised Business (the “**Accepted Location**”) on your own initiative and at your own expense. You are required to engage a real estate broker to locate your Accepted Location who is either an Approved Supplier or has been preapproved by us. Our affiliate, Accelerator, is the preferred Approved Supplier for your real estate brokerage services. You are responsible for completing and submitting to us for review and approval, the information and materials we designate regarding your proposed site. We will issue our approval or disapproval of your proposed site within 30 days after we receive all of the information and materials we requested. We will consider the potential client base in the area when deciding whether to issue our approval of your proposed site. Other factors we may consider include traffic patterns, visibility, parking, co-tenancy, quality of project, and quality of space. Based on our analysis of these factors, we may use our business judgment to reject the proposed site proposed in our discretion. Under the MUDA, will approve each Pause studio, based on our then current site selection standards, within your Development Area and determine the Designated Territory for each Pause studio.

Neither our acceptance of the premises nor any information communicated to you regarding our standard site selection criteria for Pause studios nor the specific Accepted Location of your Franchised Business will constitute a warranty or representation of any kind, express or implied, as to the suitability or profitability of the site for your Franchised Business. Our acceptance of the proposed site as your Accepted Location merely signifies that we are willing to grant a franchise for a Franchised Business at the site.

If you have not executed a letter of intent or similar instrument with your proposed landlord for an Accepted Location within 90 days of signing your Franchise Agreement, we may require you to

hire our designated real estate broker to assist you in obtaining a lease for an Accepted Location at your sole cost and expense.

### **Lease Review and Franchisor Lease Addendum**

Once we have accepted your location, we or our authorized representative may elect to review your letter of intent and the lease for the sole purposes of protecting our interests which may be aligned with your interests in signing the lease. We do not act as your legal counsel or representative in conducting this review and engaging the landlord in a negotiation. You must consult your own attorney for legal assistance with reviewing and negotiating the terms of your lease. Both you and your landlord shall execute the Franchisor Lease Addendum that is attached as Schedule 4 to the Franchise Agreement.

### **Time to Open**

We estimate the time from the date you sign your Franchised Agreement to the date you open your Franchised Business to be between nine and 12 months. However, this time estimate may vary depending on a number of factors including securing an Accepted Location, negotiating a lease agreement, construction schedules, permitting, licensing, financing, and the condition of your Accepted Location. You may be required to obtain certain licenses or permits to operate a medical facility in your jurisdiction. If you have not executed a letter of intent or similar instrument with your proposed landlord for an Accepted Location within 90 days of signing the Franchise Agreement, we may require you to hire our designated real estate broker to assist you in obtaining a lease for an Accepted Location at your sole cost and expense. If you do not secure an Accepted Location and enter into a binding lease agreement that has been approved by us for such location within 180 days of signing the Franchise Agreement, we may terminate the Franchise Agreement.

You may not open your Franchised Business the public until we issue a written approval authorizing your opening. We will not issue our approval, and you will be prohibited from opening your Franchised Business if (a) your Franchised Business has not been constructed and equipped in accordance with our standards and specifications, (b) you failed to successfully complete initial training, (c) in view of our management, we determine you and your employees are not prepared to open, or (d) you have not been given all the proper governmental approvals by the local authorities. If you do not open your Franchised Business within 12 months of signing your Franchise Agreement, we may terminate the Franchise Agreement.

### **Design, Remodeling and Opening**

Our mandatory and suggested specifications and layouts for your Franchised Business, including requirements for design, color scheme, image, interior layout, signs and equipment are included in our Manual. You are obligated, at your expense, to engage our Approved Supplier for architecture who will prepare all required construction plans based on our prototype designs in the Manual. We have the right to review and approve all plans and specifications to ensure that they meet our design specifications and requirements. We may inspect the premises of your Franchised Business prior to opening. You must construct, equip, and improve your Franchised Business in compliance with our current design standards, and trade dress. You must purchase and install, at your expense, all



millwork and customized fixtures, furnishings, equipment, décor, and signs from our designated or approved third-party suppliers.

### **Grand Opening Marketing**

You must develop and implement a pre-opening and grand opening promotion campaign approved by us for your Franchised Business. You must spend \$40,000 on local advertising, promotion, and other marketing activities on marketing activities in connection with your grand opening. You will pay this amount to vendors that we specify or approve. This amount shall be spent within 90 days before your Franchised Business opens and during its first 30 days of operation. You must submit to us proof of these expenditures within 120 days after your Franchised Business first opens for business. This requirement is in addition to your local marketing requirement and the expenditures towards your grand opening do not count towards the local marketing requirement.

You must perform pre-opening Services and Products sales activities during the 90-day period preceding your Opening Date (or such other period as may be prescribed by us). All such sales activities must comply with our standards, and as otherwise approved in writing by us. Before you may commence sales activities: (i) you must have received our authorization in writing to sell Services and Products; (ii) your Operating Principal and/or Manager shall have completed to our satisfaction the pre-sales training program; and (iii) you have secured all financing and permits necessary to develop, build and fully equip the Franchised Business. You must also comply with and certify to us in writing that you have obtained all necessary bonds and otherwise has complied, and will comply, with all applicable laws relating to its presale of Services and Products. If you fail to meet these requirements, in addition to our other rights and remedies, you will not be authorized to begin offering or selling Services and Products.

### **Local Marketing**

You must spend a minimum of \$3,500 per month on local advertising, promotion and marketing of your Franchised Business. Local marketing expenditures will be directed towards potential customers in your Designated Territory through traditional marketing, online marketing, and digital marketing campaigns. You shall allocate to localize these monies toward print and direct mail and/or digital marketing (and related professional fees) utilizing the following advertising mediums: (i) pay per click advertising through Google; (ii) Facebook advertising campaigns; (iii) YouTube advertising campaigns; (iv) Instagram advertising campaigns; (v) email marketing campaigns; (vi) other social media platforms; (vii) localized digital campaigns utilizing search engine optimization tools (SEO); and (viii) any additional local marketing initiatives. Local marketing expenditures are not included in your Advertising Fund Contribution and will be your sole cost and expense. It is solely your responsibility to ensure that any marketing of the Services and Products offered at your Franchised Business are compliant with the applicable laws in your jurisdiction which may be restricted.

Certain criteria will apply to the local marketing that you conduct. All of your local marketing must be professional and dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. If applicable, your local marketing must be compliant with all laws governing the advertising of medical services and

products. We shall incur no liability, and you shall defend and hold us harmless from any third party action, for your non-compliance with applicable advertising laws.

You may not use any marketing or promotional plans that we have not approved in writing. You may not use a marketing agency for your local marketing unless you have received our approval, which can be withheld in our discretion. You must submit to us samples of all proposed plans and materials. Our approval does not mean that the advertising is legally compliant; only that the content is approved if the advertisement or marketing effort is allowed in your jurisdiction. If you email us with your request for approval, along with all needed information, we will ordinarily provide you with our response (whether approval or disapproval) to the proposed plans or materials within 10 business days; but if we do not give our approval within 15 business days, the advertising shall be deemed to be disapproved. All copyrights in and to marketing, advertising and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents and, if necessary, require your independent contractors to sign the documents, that we deem reasonably necessary to implement this provision.

We may periodically make available to you certain marketing materials for your use in local marketing and promotion, some of which must be purchased. As used in the Franchise Agreement, the term “local marketing” refers only to the direct costs of purchasing and producing marketing materials, marketing to referral partners, and your direct out-of-pocket expenses related to costs of marketing in your local market or area. Local marketing and promotions also include postage, shipping, telephone, and photocopying costs. Local marketing does not, however, include any of the following: (a) salaries, incentives or discounts offered to your employees, and your employees’ expenses; (b) charitable, political, or other contributions or donations; and (c) the value of discounts given to consumers.

We, our vendors or our affiliates may periodically make marketing plans and promotional materials, merchandising materials, sales aids, point-of-purchase materials, special promotions, community relations programs, and similar marketing and promotional materials available to you for purchase for use in local marketing. You acknowledge and agree that periodic marketing programs and promotions will, if and when we approve and adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in marketing programs and promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities. We are not required to spend any particular amount on advertising in your Designated Territory.

You must participate in all advertising, promotional and marketing initiatives we may require. Without limitation, initiatives may include prize contests, special product and service offers and coupons. Advertising, promotional and marketing initiatives may be conducted internationally, nationally, regionally and locally and may vary from region to region or locality to locality; all other franchisees using the System shall not necessarily be required to participate in the initiatives in which you must participate. You must also participate in the launch of any new products we may require, and you must honor all coupons, gift certificates and other promotional offers authorized by us including without limitation, you must honor all coupons, certificates and promotional offers presented to you.

You acknowledge and agree that certain associations between you, the Franchised Business, the 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 or legal, may create an unwelcome, unfair, or unpopular association with, and an adverse effect on, our reputation and the good will associated with the Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions that are, or which may be perceived by the public to be, taken in the name of, in connection or association with you, the Marks, 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.

You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

### **Advertising Fund**

You will pay to us an amount equal to 1% of Gross Revenue as your Advertising Fund Contribution. We may from time to time change the percentage rate required to be paid by you as the Advertising Fund Contribution, provided that (a) the amount of such payment that is based on Gross Revenue will not exceed 2% of Gross Revenue, and (b) no change in the rate will take effect unless we give you at least three months' prior written notice. We will maintain and administer the Advertising Fund as follows:

1. We will control the creative concepts and the materials and media to be used, and we will determine the placement and allocation of advertisements. We may use print, television, radio, Internet, or other media for advertisements and promotions. We do not guarantee that any particular franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the Advertising Fund.
2. We will use Advertising Fund Contributions for producing, maintaining, administering and directing consumer advertising (including but not limited to the cost of preparing and conducting television, radio, Internet, magazine, direct mail and newspaper advertising campaigns and other public relations activities; hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees) on a national and/or regional level as we deem necessary or appropriate, in our sole discretion. We will maintain your contributions in a separate account from our funds. We will not use Advertising Fund Contributions for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the Advertising Fund. We will not use Advertising Fund Contributions for the direct solicitation of franchise sales. However, we may include a statement regarding the availability of information about the purchase of Pause franchises in advertising and other items produced or distributed using the Advertising Fund.
3. We shall attempt to use all contributions in the fiscal year they are made; however, if less than all monies in the Advertising Fund are spent in the fiscal year in which they accrue,

the money will remain in the Advertising Fund to be spent in subsequent years. We will use any interest or other earnings of the Advertising Fund before we use current contributions. We intend for the Advertising Fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the fund until all contributions and earnings have been used for advertising and promotional purposes or we have returned your *pro rata* share. In our fiscal year ending December 31, 2023, we collected \$0 in Advertising Fund Contributions and we spent \$0.

4. The Advertising Fund is not audited. The Advertising Fund is not a trust, and we assume no fiduciary duty in administering the fund. Upon your written request, we will provide you, within 120 days of our fiscal year end, a written statement for such fiscal period setting forth in brief detail the total amounts collected and disbursements made by us in connection with the Advertising Fund. Locations owned by us or our affiliates will contribute equally to the Advertising Fund upon the opening of our first franchised location and, the contribution will be in an amount equal to franchisees.
5. Except for salaries of marketing personnel employed by the Franchisor, we do not receive compensation for providing goods or services to the Advertising Fund.
6. The Advertising Fund is not and will not be our asset. Although the Advertising Fund is intended to be of perpetual duration, we maintain the right to terminate the Advertising Fund. The Advertising Fund will not be terminated, however, until all monies in the Advertising Fund have been expended for marketing purposes. If amounts are unspent in the Advertising Fund at fiscal year-end, those amounts are carried over by the Advertising Fund for expenditure in the following year.

### **Truthful Advertising**

Any marketing that you conduct must be factually accurate and not misleading and conform to the highest standards of ethical marketing and the promotional policies which we prescribe in our Manual and through communications to you from time to time.

### **Internet Marketing**

You are restricted from establishing a presence on, or marketing on the Internet without our written consent. We have an Internet website at [www.pausestudio.com](http://www.pausestudio.com) that provides information about the System. We may provide you with a sub-page on our home page, where we will have contact information on your location. We retain the sole right to post content on our website and otherwise market on the Internet, including the use of other websites, domain names, social media accounts, uniform resource locators (URLs), keywords, linking, search engines, SEO techniques, banner ads, meta-tags, marketing, e-commerce and co-branding arrangements. You may be requested to provide content for our Internet marketing efforts, and you must follow our intranet and Internet usage rules, policies and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, social media pages and in connection with linking, marketing, co-branding and other arrangements. We

retain the sole right to approve any linking to, or other use of, our website. You are not permitted to register or use a domain name containing “Pause” or any Mark in the URL.

We will have the right, but not the obligation, to provide you with one or more references or webpage(s), as we may periodically designate, within our Online Site. The term “**Online Site**” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, the web, webpages, microsites, social networking sites, blogs, vlogs, applications to be installed on mobile devices (for example, iOS or Android apps), and other applications. However, if we approve a separate Online Site for you (which we are not obligated to do), then each of the following provisions will apply: (1) you may neither establish nor use any Online Site without our prior written approval; (2) before establishing any Online Site, you must submit to us, for our prior written approval, a sample of the proposed Online Site, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta tags), in the form and manner we may require; (3) you must not use or modify an Online Site without our prior written approval; (4) you must comply with the standards and specifications for Online Sites that we may periodically prescribe in the Manual or otherwise in writing; (5) if we require, you must establish hyperlinks to our Online Site and other Online Sites; and (6) 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.

In all cases, we have control over any profiles that use or relate to the Marks, that display the Marks, or that are maintained on Online Sites and applications and all other similar websites and applications that may exist in the future. We or our affiliates may use part of the Advertising Fund monies collected under the Franchise Agreement to pay or reimburse the costs associated with the development, maintenance, and updating of such profiles. We may (but need not) establish guidelines pursuant to which you may establish profiles or otherwise establish a presence on approved Online Sites. In such event, you must comply with the written standards imposed from time to time on such use. You will make us a co-administrator on any Online Site used at your Franchised Business and will sign over control of any Online Site account including social media accounts or profiles, and provide access to reports and history of promotion performance, upon our request.

### **Advertising Cooperative**

We may, in our discretion, form local or regional marketing cooperatives covering your Designated Territory, as defined in Item 12 and the territory of at least one other franchisee for the purpose of developing and implementing local or regional marketing programs, or we may approve of the formation of such a marketing cooperative by our franchisees. If we require you to join a local or regional marketing cooperative (the “**Co-op**”), then you must: join the Co-op; participate with other franchisees in the Co-op’s marketing programs; and pay your share of the Co-op’s marketing expense. Any payments you make for the Co-op’s marketing will be applied towards your local marketing requirement but will not affect your obligation to make Advertising Fund Contributions under the Franchise Agreement. If the amount you contribute to a Co-op is less than the local marketing requirement, then you shall nevertheless spend the difference locally. The Co-op’s marketing expenses will be allocated among its members based on the number of participating

franchisees or on some other reasonable basis as may be determined by the franchise advisory council, if established, or us. We or our designee will be responsible for administering the Co-op; however, we may delegate this authority to the franchise advisory council or some other committee of franchisees. We do not currently have an advertising council composed of franchisees that advises us on advertising materials, but we may in the future. The Co-op will operate under written governing documents prepared by us or our designee, which will be made available to you upon reasonable request. An accounting of the operation of the Co-op will be prepared annually by the Co-op, at the Co-op's expense, and made available to Co-op members upon request. We have the right, in our sole discretion, to modify, merge or dissolve any Co-op upon written notice to its members; however, a Co-op will not be dissolved until all of the money in the Co-op has been spent for marketing purposes.

### **Computer System**

You must purchase and use any hardware and software programs we designate.

We require our franchisees to purchase a Computer System. You must meet our current requirements concerning the Computer System, including: (a) POS, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at the Pause businesses, between or among other franchised businesses, and between and among your Franchised Business(es), and you, and us; (b) physical, electronic, and other security systems and measures; (c) printers and other peripheral devices; (d) archival back-up systems; (e) Internet access mode (such as the telecommunications connection) and speed; and (f) technology used to enhance and evaluate the customer experience (collectively, all of the above are referred to as the “**Computer System**”). It is solely your responsibility to ensure the installation and operation of the Computer System complies with applicable law, including without limitation privacy laws (e.g., HIPAA) related to customer protected health information (as defined under HIPAA or applicable state law) or other customer data. You must have Cyber Liability insurance to protect you and us for any data breach.

You must use your Computer System to (i) enter and track reservations and sales receipts, Services and Products purchased and performed, and customer information, (ii) update inventory of merchandise and products, (iii) enter and manage your customer contact information, (iv) generate sales reports and analysis relating to your Franchised Business, (v) maintain electronic health and medical records, (vi) conduct telehealth sessions, and (vii) provide other services relating to the operation of your Franchised Business. We have the right to develop or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System (“**Required Software**”), which you must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you must install; (c) the tangible media upon which you must record data; and (d) the database file structure of your Computer System. We rely on suppliers to provide support for the hardware and software and we may require that you enter into service contracts directly with the hardware and software suppliers and pay the suppliers directly for this support.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades, or updates to your Computer System. You must maintain your

Computer System in good working order and must replace, update, or upgrade your hardware systems and Required Software as we may periodically require. There are no contractual limitations on the frequency and cost of these upgrades and updates. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your Computer System is \$500 to \$1,500.

You must be able to access information that is available on the Internet and be able to send and receive email. We reserve the right to approve your email address or require you to use only an email address that we provide for your Franchised Business's business emails.

You must afford us unimpeded independent access to your Computer System in the manner, form, and at the times we may request. We will have the right at any time to retrieve and use this data and information from your Computer System in any manner we deem necessary or desirable. We have the right to require you to use one or more designated telephone vendors. If we so require, you must use our designated telephone vendors for the phone service to your Franchised Business. We may designate, and own, the telephone numbers for your Franchised Business.

Any client lists or information compiled or amassed through your Computer System or otherwise, will be our proprietary property. You may not sell or use client lists or information for any purpose other than in connection with the operation of your Franchised Business. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to your Franchised Business and any other operations taking place through your Franchised Business.

### **Gift Card and Loyalty Programs**

You must, at your expense, participate in, and comply with the requirements of our gift cards, loyalty, customer retention, and customer loyalty programs that we implement from time to time. You must take any action that we require in order for you to participate in these programs. You may not issue or offer any benefit, gift certificate, gift card, stored value card, customer loyalty or retention program without our prior written approval.

### **Price Restrictions**

To the extent permitted by applicable law, we may periodically establish maximum and/or minimum prices or provide a range of prices for Services and Products that your Franchised Business will offer, including without limitation, prices for membership or promotions in which all or certain of our franchisees participate. If we establish such prices for any Services or Products, you cannot exceed or reduce that price, but will charge the price for the service or product that we establish subject to applicable law and restrictions. You will apply any pricing matrix or schedule established by us. However, in states where you must enter a MSA this provision will be modified, to the extent legally permissible, to conform to the laws of the state where your Franchised Business will be located. Subject to applicable laws, we may implement pricing policies dictating the minimum price you may advertise for specific products and services.

### **Training**

Before opening your Franchised Business, you (or if you are an entity, your Operating Principal) and your Manager (if you will employ a Manager) must attend and successfully complete, to our satisfaction, the initial training program we offer for Pause franchisees at our headquarters, at another location that we specify or virtually. Your Franchised Business must at all times be under the active full-time management of either you, the Operating Principal, Manager, and Authorized Care Providers who have successfully completed to our reasonable satisfaction the training to administer the Services. If you, your Operating Principal, your Manager, or your Authorized Care Providers cannot complete the training program to our satisfaction, we may terminate the Franchise Agreement.

If you (or your Operating Principal), your Manager, or your Authorized Care Providers cease active management or employment at your Franchised Business, then any replacements must attend and successfully complete the basic management training program to our reasonable satisfaction as soon as it is practical to do so but, in all cases, the replacement shall successfully complete training within 30 days. You must pay our then-current per diem training charges of \$500 per day for additional training.

We may require that your Operating Principal, Managers, Authorized Care Providers and employees periodically attend additional courses, seminars, and other training programs. You will incur expenses in attending training, such as the costs of transportation, lodging, meals, wages, and worker’s compensation insurance.

The subjects covered in the initial training program are described below:

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of In Person Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Pause Services and Products	3	6	Online or Pause Headquarters in Los Angeles, CA or your location
Reporting to Us	1	0	Online or Pause Headquarters in Los Angeles, CA
Pre-Opening Procedures	2	4	Online or Pause Headquarters in Los Angeles, CA or your location
People Development	2	0	Online or Pause Headquarters in Los Angeles, CA
Product and Service Knowledge and Expansion	4	6	Online or Pause Headquarters in Los Angeles, CA



<b>Subject</b>	<b>Hours of In Person Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Marketing and Advertising	2	0	Online or Pause Headquarters in Los Angeles, CA
Sales Procedures	7	8	Online or Pause Headquarters in Los Angeles, CA
Daily Business Operations	4	5	Online or Pause Headquarters in Los Angeles, CA or your location
Management Procedures	2	2	Online or Pause Headquarters in Los Angeles, CA
Using the Software	1	4	Online or Pause Headquarters in Los Angeles, CA or your location
Software Implementation	1	1	Online or Pause Headquarters in Los Angeles, CA
Inventory Management	1	2	Online or Pause Headquarters in Los Angeles, CA or your location
Using the Zenoti POS	6	8	Online or Pause Headquarters in Los Angeles, CA or your location
Client Service Standards	1	2	Online or Pause Headquarters in Los Angeles, CA
Client Membership Management	1	0	Online or Pause Headquarters in Los Angeles, CA
Cleaning and Maintenance	1	2	Online or Pause Headquarters in Los Angeles, CA or your location
Goal Setting	1	0	Online or Pause Headquarters in Los Angeles, CA
<b>Total Hours</b>	<b>40</b>	<b>50</b>	

The amount of hours listed in the chart above are estimates only, and the number of hours we will spend training you will depend on you, your Manager, your Authorized Care Providers and your employees' experience in the industry, job history, business acumen, and other related factors. We reserve the right to perform the training program in-person, online or on-the-job at your location, or at any location we deem appropriate in our sole discretion. The Initial Franchise Fee covers training for up to three attendees. If you request additional attendees, each attendee shall pay the then-current fee.

All training will be conducted under the supervision of Jeff Ono, John Klein, or their designees. Mr. Ono and Mr. Klein are identified in Item 2. Additionally, we may have training specialists and product representatives who will assist with training you and your employees, and/or your Authorized Care Providers. The principal instructional materials will consist of the Manual. The Table of Contents of the Manual, along with number of pages devoted to each section, is included as Exhibit D to this Disclosure Document. The Manual contains a total of 241 pages.

## **ITEM 12 TERRITORY**

Your Franchised Business will be located at a single site, which must meet our standards and specifications and must be approved by us in advance. We will designate your territory (the “**Designated Territory**”) which will be based on the area that is averagely within a three mile radius from your Accepted Location or have a population of about 100,000 residents. However, the exact size of your Designated Territory will depend upon various factors including natural boundaries like highways and bodies of water, the demographics of the metropolitan area, and whether your Franchised Business is located in an urban, suburban or rural area. If your Accepted Location is located in an urban area, such as a city or major metropolitan downtown area, then your Designated Territory may be a more limited radius around the Accepted Location that includes the above referenced 100,000 resident population. The three mile radius or population figures will be determined by us, in our sole discretion, using the mapping service, program and/or software selected by us, in our sole discretion, including, without limitation Google Maps. We may grant you a Designated Territory of less than three mile radius based on the demographics of the area in which you wish to open your Franchised Business.

We retain the right to conduct any business at any location, including: (a) the right to offer Pause franchises using our System and Marks to others for any site outside your Designated Territory regardless of how close the site is to your Accepted Location; (b) the right to sell, rent and distribute any Services and Products, directly or indirectly, and/or license others to sell and distribute any Services and Products, directly or indirectly, from any location or to any purchaser (including, but not limited to, sales made to purchasers in the Designated Territory through retail establishments, mail order, independent distributors, wholesale distribution, phone order, on the Internet, and/or sales to delivery customers), except that we shall not do so from a Franchised Business located inside the Designated Territory; (c) the right to produce, license, distribute and market Services and Products bearing the Pause name or other marks, including packaged items, books, retail items, food and beverage products, and apparel, among other things, at any location or any outlet, regardless of proximity to your Franchised Business, through any distribution channel, at wholesale or at retail, including by means of the Internet, mail order, direct mail

advertising, delivery, and other distribution methods; (d) the right to develop, operate, and franchise others to operate, any business concept except a Pause franchise at any place, including within the Designated Territory, and use the Marks or any other trademarks owned, licensed, or developed by us or our affiliates in connection with those concepts, even if such concepts sell products and services that are similar to, the same as, or competitive with the Services; (e) the right to approve or disapprove other franchisee's requests to purchase local marketing that penetrates your Designated Territory in our sole discretion; (f) the right to merge with, acquire or be acquired by any business of any kind under other systems and/or other marks, which business may offer, sell, operate or distribute and/or license others to offer, sell, operate and distribute goods and services through franchised or non-franchised businesses, at wholesale or retail, within and outside the Designated Territory; (g) the right to operate at "**Non-Traditional Sites**" such as military bases, hotels, college campuses, airports, train stations, travel plazas, casinos, and sports or entertainment venues or stadiums and/or (h) the right to operate a Pause-branded business at a trade show booth or similar "pop-up" location in your Designated Territory for up to 20 days.

Our reserved right authorizing us to sell branded products in your Designated Territory through other channels of distribution may affect your ability to sell those products. There are no restrictions on our right to solicit or accept orders from consumers inside your Designated Territory. Nothing in the Franchise Agreement prohibits us or our affiliates from selling Services and Products through alternative channels of distribution within your Designated Territory. We are not required to pay you any compensation for soliciting or accepting orders from inside your Designated Territory. Neither we nor our affiliates currently plan to operate or franchise any business under any different trademarks that sells or distributes similar Services and Products to those that you will offer.

Because we reserve the above rights, we must disclose the following statement: You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You may not relocate your Franchised Business from the Accepted Location without our written consent. Any proposed relocation will be subject to our review of the proposed new site under our then-current standards for site selection, and we will also have the right to take into consideration any commitments we have given to other franchisees, licensees, landlords, and other parties relating to the proximity of a new Pause studio to their establishment.

Except as expressly stated in this Item 12, we will not operate permanent outlets or grant franchises for a similar or competitive business within your Designated Territory, but we have the unlimited right to do so anywhere outside your Designated Territory. Neither we nor our affiliates are restricted from establishing other franchises or company-owned outlets, or other channels of distribution, selling or leasing similar Services or Products under a different trademark.

Under the MUDA, the area developer will receive a protected territory and neither we nor any of our affiliates will develop or operate or grant franchises for the development or operation of Pause studios within the Development Area, except the franchises that are granted to area developer pursuant to the MUDA and except as otherwise expressly provided in the MUDA. However, we have the right to terminate the protection if area developer is not in full compliance with all of the terms and conditions of the MUDA and all of the franchise agreements signed under the MUDA. Your territorial rights may or may not, in our discretion, include the right to develop Pause studio

locations at any non-traditional sites. We will approve each Pause studio, based on our then current site selection standards, within your Development Area and determine the Designated Territory for each Pause studio. After you sign the lease for the last location, the MUDA and your rights with respect to the Development Area will terminate, and your territorial rights will be to those granted under your individual franchise agreements.

You are not granted any other option, right of first refusal or similar right to acquire additional Pause studio locations in your Development Area under the MUDA. To maintain your rights under the MUDA you must have open and in operation the cumulative number of Pause studios as stated on the Development Schedule by the dates agreed upon in the Development Schedule. Failure to do so will be grounds for termination of the MUDA. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.



In the future, we and our affiliates may acquire or develop additional business concepts that use different trademarks and those business concepts may also be located within your Designated Territory. We do not have a method to resolve conflicts between you and other franchisees of other systems we control involving territory, customers, or franchisor support. Except as disclosed above, neither we nor our affiliates currently plan to operate or franchise any business under any different trademarks or that sells or distributes similar Services or Products to those that you will offer.

Except for the Designated Territory granted in your Franchise Agreement, we do not grant any rights of first refusal to obtain additional franchise rights. If you wish to develop additional Pause businesses, you must enter into a new Franchise Agreement and meet all our current requirements for franchisees. The Designated Territory described above will affect where you and other franchisees may solicit business. You may not offer any Services or sell any Products outside your Designated Territory without our prior written consent. Except in conjunction with approved advertising promotions, you may not directly market or solicit business outside your Designated Territory without prior written authorization from us, including Internet marketing, postcards, letters, fliers, emails, or other marketing communications. You may not make telemarketing calls to clients or prospective clients located outside your Designated Territory or advertise in print or other media where two-thirds or more of the media circulation base or broadcast area is located outside your Designated Territory.


You must adhere to the terms of the Franchise Agreement. If during the term of the Franchise Agreement, you are unable to promptly and properly service any of your customers, you must notify us. For any default of the Franchise Agreement, as an alternative to termination, we may, at our sole and absolute discretion, unilaterally modify or completely eliminate any rights that you may have with respect to the Designated Territory, effective 10 days after delivery of written notice to you. In addition, we may modify, or eliminate completely, the Designated Territory. We reserve all rights not specifically granted to you in this Item.

## **ITEM 13 TRADEMARKS**

We grant you the right to operate your Franchised Business under the name “Pause”. Our parent company, Pause Holdings, Inc., owns the following registration with the United States Patent and Trademark Office (“USPTO”) on the Principal Register:

MARK	REG. NUMBER	REG. DATE	INTERNATIONAL CLASS OF GOODS/SERVICES
PAUSE	5134375	January 31, 2017	44
PAUSE	6916238	December 6, 2022	44
	6939492	January 3, 2023	44
	7044629	May 2, 2023	35
PAUSE	7044628	May 2, 2023	35

Pause Holdings, Inc. has renewed and intends to renew the registration and file all appropriate affidavits for the Marks at the times required by law. As of the date of issuance of this Disclosure Document, Pause Holdings, Inc. has filed the following trademarks and service mark applications which are filed for protection with the USPTO and awaiting registration:

MARK	SERIAL NUMBER	FILING DATE	INTERNATIONAL CLASS OF GOODS/SERVICES
PAUSE	97069906	October 12, 2021	4, 9, 10, 11
	97069917	October 12, 2021	3, 4, 5, 9, 10, 11

PAUSE	97813886	February 27, 2023	41, 43
PAUSE	97975470	October 12, 2021	4, 9, 10, 11

We do not have a federal registration for the pending trademarks in certain classes of goods and services as of the date of this Disclosure Document. Therefore, these trademarks do not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademarks is challenged, you may have to change to an alternative trademark mark, which may increase your expenses. In Application Ser. No. 97069906 for the Pause word mark in Class 3 (Gel eye masks; Skin creams; Body lotions)) and Class 5 (Nutritional supplements; homeopathic supplements; natural sleep aid preparations; natural sleep aid preparations, namely, sleep gummies) the USPTO examiner has initially refused registration of Serial No. 97069906 based on likelihood of confusion with U.S. Reg. Nos. 6217044 and 6629782. In that application and Serial No. 97975470 (Classes 4, 9, 10, and 11) the USPTO examiner has identified additional prior-filed applications (Ser. Nos. 88262692, 88267175, and 88609103 as potential bases for refusal if they register and on May 1, 2023 suspended the two applications.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by us. There is no pending material federal or state court litigation regarding our use or ownership rights in the Marks. We know of no infringing or prior superior uses that could materially affect the use of the Marks.

The trademarks listed above are owned by our parent company, Pause Holdings, Inc. Pursuant to a license agreement between us and our parent company, we have the exclusive right to license the use of the trademarks to others within the United States. The license granted to us by Pause Holdings, Inc. is perpetual and can only be terminated if we misuse the trademarks or willfully allow our franchisees to misuse the trademarks. If the trademark license agreement is terminated or modified, you may have to change to an alternative trademark for your business which may increase your expenses. Other than the license agreement with our parent, there are no agreements that limit our right to use or license the use of the trademarks. Except for this license agreement, no agreement limits our rights to use the Marks.

You do not receive any rights to the Marks other than the right to use them in the operation of your Franchised Business and the rights given to you in the Franchise Agreement. You must follow our rules when you use the Marks. You must use the Marks as the sole trade identification of the Franchised Business. You cannot use any Mark or portion of any Mark as part of any business entity name. You may not use the Marks in connection with the sale of any unauthorized Services or Products, or in any other manner that we do not authorize in writing. You must obtain a fictitious

or assumed name registration if required by your state or local law. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You must not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us in writing when you learn about any claim of infringement, unfair competition, or similar claims about the Marks. You must not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so; however, you may communicate with your own counsel at your own expense. We are not required to take affirmative action when notified of these uses or claims. We have the sole right to control any administrative or judicial proceeding involving a trademark licensed by us. The Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorable to you. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

We reserve the right to substitute different Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different Marks will be beneficial to the System. In such cases, you must implement and use such different Marks at your cost and in the manner we require. If we require, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We have no obligation to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you must add or replace equipment, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your Franchised Business for the new or modified Marks. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

If we undertake the defense or prosecution of any litigation concerning the Marks, you must sign any documents and agree to do the things as may, in our counsel's opinion, 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 Marks in a manner inconsistent with the terms of the Franchise Agreement, we agree to 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. To the extent that the litigation is the result of your use of the 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.

The MUDA does not grant you the right to use any of the Marks. Your right to use the Marks is derived solely from the Franchise Agreements you enter into with us. You may not use any Mark (or any abbreviation, modification or colorable imitation) as part of a corporate, legal or other business name (other than in connection with any legally required fictitious or assumed name

filings), or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any other manner (including any Internet related use such as an electronic media identifier, for websites, web pages or domain names) not explicitly authorized in writing by us. You may not at any time during or after the term of the MUDA contest, or assist any other person or entity in contesting, the validity or ownership of any of the Marks.

## **ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

There are no patents, pending patent applications, or registered copyrights that are material to the purchase of a franchise. We claim common law copyright protection in the Manual, our website, our marketing materials, training manuals or videos, and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights, but we reserve the right to register these copyrights in the future. You may use these items only as we specify while operating the Franchised Business and you must stop using them if we direct you to do so.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

The methods, processes, skills, know-how, and formulas developed for use in the System, techniques, information, trade practices, and other proprietary products and information relating to the development and operation of the Franchised Business is proprietary, confidential, and constitutes our trade secrets (“**Confidential Information**”). We will provide Confidential Information to you during training, in the Manual and as a result of the assistance we furnish you during the term of the Franchise Agreement. You may only use the trade secrets and other confidential information for the purpose of operating your Franchised Business. You may only disclose Confidential Information to employees who must have access to it to operate your Franchised Business. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to Confidential Information, including your shareholders (and members of their immediate families and households), officers, directors, partners, members, if you are a corporation, limited liability company or other business entity, and your managers, executives, employees, agents, independent contractors, consultants and staff are required to sign nondisclosure and non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Schedule 2 to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce those agreements.

All ideas, concepts, techniques or materials concerning your Franchised Business and/or the System, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title and interest in any intellectual property so developed without additional compensation to you. Likewise, we will disclose to you concepts and



developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of the Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement. Further information about termination of the Franchise Agreement following a default is included in Item 17.

You must comply with our System standards, other directions from us, and all applicable laws and regulations, including HIPAA, regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of client information on your Computer System or otherwise in your possession or control and, in any case, employ reasonable means to safeguard the confidentiality and security of Client Information. “**Client Information**” means names, contact information, financial information and other personal identifiable information of or relating to your Franchised Business’s clients and prospective clients. If there is a suspected or actual breach of security or unauthorized access involving your Client Information, you must notify us immediately after becoming aware of the occurrence and specify the extent to which Client Information was compromised or disclosed.

We and our affiliates will, through the Computer System or otherwise, have access to Client Information. We and our affiliates may use Client Information in our and their business activities. When the Franchise Agreement expires or terminates, we and our affiliates may make all disclosures and use the Client Information in any manner that we or they deem necessary or appropriate. You must secure from your clients, prospective clients and others all consents and authorizations, and provide them all disclosures, that applicable law requires to transmit the Client Information to us and our affiliates, and for us and our affiliates to use that Client Information, in the manner that the Franchise Agreement contemplates.

## **ITEM 15**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

If you are a corporation, partnership or limited liability company, you must have an individual owner serve as your “**Operating Principal**”. The Operating Principal must own at least 5% of the voting and ownership interests in the franchisee entity. You must inform us in writing whether the Operating Principal will assume full-time responsibility for the daily supervision and operation of your Franchised Business. If the Operating Principal will not supervise your Franchised Business on a full-time and daily basis, you must employ a full-time manager (a “**Manager**”) with qualifications reasonably acceptable to us, who will assume responsibility for the daily administrative operation of your Franchised Business.

You must, at all times, retain and exercise direct management and decision-making control over all aspects of the Franchised Business. Your personal supervision is not required if the day-to-day operation of your Franchised Business is performed by a Manager who has successfully completed our required training program and has, at our sole discretion, the appropriate experience and training. If you do not personally supervise the operation of your Franchised Business, you and your Operating Principal still must attend and satisfactorily complete training. You, your

Operating Principal or your Manager must devote full time and best efforts to the operation of your Franchised Business. You will be required to maintain certain hours of operation at your Franchised Business as set forth in the Manual. You are not restricted as to whom you may hire as a Manager, except that your Manager must be approved by us.

If you are a corporation or other business entity, or an individual who owns a 5% or greater interest in the entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement, including the confidentiality provisions and restrictions on owning interests in, or performing services for, competitive businesses, by signing the Unlimited Guaranty and Assumption of Obligations attached as Schedule 3 to the Franchise Agreement.

## **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell the Services and Products we specify which may be expanded periodically in our discretion. We may periodically add, delete and modify the Services and Products you will offer at your Franchised Business. You may not sell any Services or Products that we have not authorized, and you must discontinue offering any Services or Products that we may disapprove of even if the Services or Products were previously approved. We may take action, including terminating your Franchise Agreement, if you purchase or sell unapproved Services or Products or make purchases from unapproved suppliers. Periodically, we may allow certain Services or Products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors, including test marketing, your qualifications, and regional or local differences. There are no limits on our right to do so.

You may be required to retain the services of Authorized Care Providers approved and licensed in your state to administer certain Services. Your relationship with your Medical Director or P.C. must comply with applicable laws in your jurisdiction. A sample Management Services Agreement and Medical Director Agreement are attached to the Franchise Agreement in Schedule 10. We may periodically establish maximum and/or minimum prices or provide a range of prices for Services and Products that your Franchised Business will offer. Depending on the regulations applicable in your Designated Territory, certain of the Services may be deemed “medical services” and, in such case, may be offered, administered and/or provided only by or through the supervision of Authorized Care Providers and/or your Medical Director. In all such cases, you will act solely in the capacity of an administrative management services provider to the medical professionals at your Franchised Business. We may, but are not obligated to, provide you with the services of a pre-approved Authorized Care Provider. You are solely responsible to comply with applicable laws in your jurisdiction.

You will not, without our approval, offer any Services or Products (including promotional items) not authorized by us. Your Franchised Business may not be used for any purpose, other than the operation of a Pause franchised business, in compliance with the Franchise Agreement. As a Pause franchisee, you will operate your Franchised Business at all times in two separate and concurrent capacities depending on whether the Services being provided constitute medical services requiring an Authorized Care Provider. You will either (i) provide all services that are not medical in nature, or (ii) provide non-clinical administrative management services to the Authorized Care Providers

that are responsible for delivering or performing these Services. In order to provide the above-referenced administrative management services, you will enter into the MSA with the Authorized Care Provider(s) in a form similar to the draft MSA attached Schedule 10 to the Franchise Agreement.

You are not authorized to operate your Franchised Business under the MUDA, and the MUDA therefore contains no provisions restricting the Services and Products you may offer. However, with respect to each Pause studio developed under the MUDA, you will be subject to the restrictions on Services and Products contained in our then-current standard franchise agreement. The restrictions in our current Franchise Agreement are set out above.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreement attached to this Disclosure Document.**

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT/MUDA</b>	<b>SUMMARY</b>
a. Length of Franchise Term	FA: Section 4.1 MUDA: Section 5 and 6	The initial term of the Franchise Agreement is 10 years.
b. Renewal or Extension of Term	FA: Section 4.2 MUDA: Section 5	You have the right to renew the Franchise Agreement for an additional term of ten years. You must pay the renewal fee equal to \$10,000. If you do not meet the conditions, we may refuse to renew or extend the terms of your Franchise Agreement.
c. Requirements for Franchisee to Renew or Extend	FA: Section 4.2 MUDA: Not applicable	You may renew the Franchise Agreement if you: have fully complied with the provisions of the Franchise Agreement; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us or any of our affiliates; are not in default of any provision of the Franchise Agreement or any other agreement between you

PROVISION	SECTION IN FRANCHISE AGREEMENT/MUDA	SUMMARY
		and us or our affiliates or suppliers; have given timely written notice of your intent to operate a successor franchise to us not earlier than 12 months but no later than six months prior to the end of the term of the Franchise Agreement; sign a current Franchise Agreement, which may have materially different terms and conditions than your original Franchise Agreement; comply with current qualifications and agree to comply with any training requirements; sign a general release in a form the same as or similar to the General Release attached as Schedule 8 to the Franchise Agreement and pay a renewal fee of \$10,000.
d. Termination by you	FA: Section 16.1 MUDA: Not applicable	You may not terminate the Franchise Agreement or the MUDA prior to the expiration of their terms unless otherwise permitted pursuant to state law.
e. Termination by Franchisor without Cause	FA: Not applicable MUDA: Not applicable	We may not terminate the Franchise Agreement or MUDA without good cause
f. Termination by Franchisor with Cause	FA: Section 16.2 MUDA: Section 9	We may terminate the Franchise Agreement and MUDA only if you default. If we terminate the Franchise Agreement or MUDA following a default, your interests in both will terminate.
g. “Cause” Defined – Curable Defaults	FA: Section 16.2.2 MUDA: Section 9	If a default arises from your failure to comply with a mandatory specification in the Franchise Agreement, MUDA or Manual, you can avoid termination of the Franchise

PROVISION	SECTION IN FRANCHISE AGREEMENT/MUDA	SUMMARY
		<p>Agreement if you cure the default within 30 days of receiving our notice of default, except for the defaults that require cure in a shorter time and non-curable defaults. If a default arises from your failure to maintain insurance, you can avoid termination of the Franchise Agreement if you cure the default within three days of receiving our notice of your failure to maintain insurance. If a default arises from your failure to make payments due to us, you can avoid termination of the Franchise Agreement if you cure the default within five days of receiving our notice of default. If we terminate the Franchise Agreement resulting from a default, your interest in the franchise will terminate.</p>
<p>h. “Cause” Defined – Non-Curable Defaults</p>	<p>FA: Section 16.2.1 MUDA: Section 9</p>	<p>Non-curable defaults under the Franchise Agreement are enumerated in Section 16.2.1 and include material misrepresentations and omissions during the sales process, unauthorized surrender or transfer of the Franchised Business, conviction of or no contest to a felony or other crime or offense that adversely impacts the System and the Marks, unauthorized use of the Marks and Confidential Information, abandonment of the Franchised Business, and bankruptcy-related events. Termination of the Franchise</p>

PROVISION	SECTION IN FRANCHISE AGREEMENT/MUDA	SUMMARY
		Agreement allows us to terminate the MUDA.
i. Franchisee’s Obligations on Termination/Non-Renewal	FA: Sections 17.1 and 17.2 MUDA: Section 10	If the Franchise Agreement is terminated or not renewed, you must: stop operating the Franchised Business; stop using any trade secrets, Confidential Information, the System and the Marks; cancel or assign to us any assumed names; pay all sums owed to us (and our affiliates and suppliers) including damages and costs incurred in enforcing the Franchise Agreement; return the Manual, trade secrets and all other Confidential Information; assign your telephone and facsimile numbers to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.
j. Assignment of Contract by Franchisor	FA: Section 18.1 MUDA: Section 11	There are no restrictions on our right to assign our interest in the Franchise Agreement or the MUDA.
k. “Transfer” by Franchisee – Definition	FA: Section 18.2 MUDA: Section 11	“Transfer” includes transfer of an interest in the franchise, the Franchise Agreement, the MUDA or the Franchised Business’s assets.
l. Franchisor’s Approval of Transfer by Franchisee	FA: Section 18.2 MUDA: Section 11	You may not transfer your interest in the MUDA or the Franchise Agreement without our prior written consent which such consent shall not be unreasonably withheld.
m. Conditions for Franchisor Approval of Transfer	FA: Section 18.2 MUDA: Section 11	We will consent to a transfer if: we have not exercised our right of first refusal; all obligations owed to us (and our affiliates

PROVISION	SECTION IN FRANCHISE AGREEMENT/MUDA	SUMMARY
		<p>and suppliers) are paid; you and the transferee have signed a general release in a form the same as or similar to the General Release attached as Schedule 8 to the Franchise Agreement; the prospective transferee meets our business and financial standards; the transferee and all persons owning any interest in the transferee sign the then current Franchise Agreement; you provide us with a copy of all contracts and agreements related to the transfer; you or the transferee pay us a Transfer Fee of \$10,000; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; you have agreed to guarantee performance by the transferee, if requested by us; the transferee has obtained all necessary consents and approvals of third parties; you or all of your equity owners have signed a non-competition agreement; and the transferee has agreed that its Operating Principal will complete the initial training program before assuming management of the Franchised Business.</p>
<p>n. Franchisor’s Right of First Refusal to Acquire Franchisee’s Franchised Business</p>	<p>FA: Section 19 MUDA: Not applicable</p>	<p>We may match an offer for your Franchised Business or an ownership interest you propose to sell.</p>
<p>o. Franchisor’s Option to Purchase</p>	<p>FA: Section 17.4 MUDA: Section 11</p>	<p>Except as described in (n) above, we do not have the right to purchase your Franchised</p>

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT/MUDA</b>	<b>SUMMARY</b>
Franchisee's Franchised Business		Business; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the Franchised Business for at the depreciated value calculated on a declining basis of accounting at the rate of 20% per annum or your cost (at our option), less any sums of money owed by you to us and less any sums of money necessary to upgrade and renovate the Accepted Location to meet our then-current standards for a Pause business and less any sums necessary to acquire clear title to the lease or sublease interest.
p. Death or disability of Franchisee	FA: Section 18.6 MUDA: Section 11	After the death or incapacity of an owner of the franchise, his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the franchise within 180 days of death or incapacity or we may terminate.
q. Non-Competition Covenants During the Term of the Franchise	FA: Sections 7.4 and 17.2 MUDA: Section 12	You may not have an interest in a Competing Business during the term of your Franchise Agreement and MUDA. We have the right to require you, your owners (and members of their families and households) and your officers, directors, executives, managers, professional staff, and employees, agents, consultants, and independent contractors to execute a nondisclosure and



PROVISION	SECTION IN FRANCHISE AGREEMENT/MUDA	SUMMARY
		non-competition agreement. You shall provide us with copies of all nondisclosure and non-competition agreements signed pursuant to this Section. We shall be a third-party beneficiary with the right to enforce covenants contained in such agreements.
r. Non-Competition Covenants After the Franchise is Terminated or Expires	FA: Section 17.2 MUDA: Section 12	For 2 years after the termination or expiration of the Franchise Agreement and MUDA, you may not offer competitive business services or sell products offered by Pause or similar to the products offered by your Franchised Business within 15 miles of your Franchised Business or any other Pause business, or planned expansion thereof, or affiliate-owned businesses; or soliciting or influencing any of our customers, employees, or business associates to compete with us or terminate their relationship with us or any of our franchisees.
s. Modification of the Agreement	FA: Sections 9.2, 22.7, 22.8 MUDA: Section 18.1	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Manual without your consent if the modification does not materially alter your fundamental rights.
t. Integration/Merger Clause	FA: Section 22.7 MUDA: Section 18	Only the terms of the Franchise Agreement and MUDA are binding (subject to state law). Any representations or promises outside of this Disclosure Document, MUDA and/or

PROVISION	SECTION IN FRANCHISE AGREEMENT/MUDA	SUMMARY
		Franchise Agreement are not enforceable.
u. Dispute Resolution by Arbitration or Mediation	FA: Section 23.9 MUDA: Section 19	You must mediate and arbitrate claims against us which may be subject to state law.
v. Choice of Forum	FA: Section 23.2 MUDA: Section 18	Any litigation or arbitration must be pursued in Los Angeles County, California (subject to applicable state law).
w. Choice of Law	FA: Section 23.1 MUDA: Section 18	Except as to claims governed by federal law, Delaware law applies (subject to applicable state law).

## 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 and/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 franchised business or under particular circumstances.

As of December 31, 2023, we had five affiliate-owned locations (each, a “**Location**”) and no franchised locations. Presented below are the historic Gross Revenue figures for the three affiliate-owned locations that operated for all twelve months of 2023. We exclude the data of two Locations that were not open for all twelve months of 2023. The reporting period for the first Location (“**Location #1**”), which opened in 2016, is January 1, 2021 through December 31, 2023. The reporting period for the second Location in West Hollywood (“**Location #2**”), which opened in May 2021, is May 2021 through December 31, 2023. The reporting period of the third Location (“**Location #3**”), which opened on June 1, 2022, and the reporting period is June 1, 2022 through December 31, 2023.

The three Locations in the below chart are located within the greater Los Angeles, California, metro area, are not under any territorial restrictions and operate locations that are between 2,700

and 3,400 square feet. The Locations did not pay any Royalty Fee or Advertising Fund Contribution and are not subject to any local advertising or marketing requirements. The Locations will contribute to the Advertising Fund after the opening of our first franchised Location. Based upon applicable local laws, these Locations contract with a P.C. and the figures below include both our affiliate and P.C.'s combined financial information during the measurement period. Please carefully read all of the information in this Item 19, and all of the notes following the charts, in conjunction with your review of the historical data. Since their inception, all three Locations have been under the principal management team of Jeff Ono and John Klein, who have spent significant time assisting in the operations of these Locations.

### Tables 1 to 3

Tables 1, 2 and 3 provide an overview of the financial performance of the Locations. Tables 1a, 1b, and 1c include a summary of the monthly and total Gross Revenue generated by each Location during its respective reporting period. Table 2 provides average and median margin data for the expenses incurred by Location #1 and Location #2 during calendar year 2022. Table 3 provides average and median margin data for the expenses incurred by Location #1, Location #2 and Location #3 during calendar year 2023.

**Table 1a**  
**Location #1<sup>1,7,8</sup>**  
**Monthly and Total Gross Revenue**  
**January 2021 through December 2023**

<b>Month</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
January	\$97,044	\$163,077	\$182,303
February	\$91,969	\$131,900	\$129,563
March	\$92,987	\$156,528	\$144,617
April	\$91,582	\$163,936	\$139,395
May	\$111,069	\$172,211	\$149,427
June	\$108,869	\$161,951	\$169,744
July	\$129,904	\$144,117	\$144,103
August	\$128,684	\$158,915	\$127,769
September	\$125,386	\$118,818	\$136,769
October	\$115,944	\$172,770	\$160,189
November	\$170,060	\$224,565	\$205,412
December	\$196,260	\$207,196	\$199,108
<b>Total Gross Revenue</b>	<b>\$1,459,759</b>	<b>\$1,975,984</b>	<b>\$1,888,399</b>

**Table 1b**  
**Location #2<sup>1,7,8</sup>**

**May 2021 to December 2023**

<b>Month</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
January	N/A	\$126,246	\$160,245
February	N/A	\$124,394	\$132,772
March	N/A	\$132,310	\$150,204
April	N/A	\$139,889	\$170,013
May	\$129,119*	\$150,402	\$153,777
June	\$94,366	\$150,469	\$156,571
July	\$99,830	\$132,028	\$148,201
August	\$114,142	\$138,474	\$155,506
September	\$114,548	\$129,558	\$142,317
October	\$140,692	\$147,817	\$157,979
November	\$174,090	\$226,201	\$220,061
December	\$148,312	\$192,338	\$166,026
<b>Total Gross Revenue</b>	<b>\$1,015,099</b>	<b>\$1,790,128</b>	<b>\$1,913,672</b>

\*The first month of Gross Revenue for Location #2 (May 2021) includes Gross Revenue generated from both pre-opening sales and post-opening sales.

**Table 1c**  
**Location #3<sup>1, 7, 8</sup>**  
**June 2022 to December 2023**

<b>Month</b>	<b>2022</b>	<b>2023</b>
January	N/A	\$117,911
February	N/A	\$107,812
March	N/A	\$116,487
April	N/A	\$120,607
May	N/A	\$123,095
June	\$114,275*	\$119,729
July	\$69,049	\$113,622
August	\$76,687	\$94,149
September	\$80,163	\$97,640
October	\$94,484	\$102,742
November	\$143,271	\$168,240
December	\$141,931	\$160,939
<b>Total Gross Revenue</b>	<b>\$719,862</b>	<b>\$1,442,972</b>

**\*The first month of Gross Revenue for Location #3 (June 2022) includes Gross Revenue generated from both pre-opening sales and post-opening sales.**

**Table 2**  
**Average Cost of Goods and Expenses Margins**  
**Location #1 and Location #2**  
**Calendar Year 2022**

	<b>Average</b>	<b>Median</b>	<b>High</b>	<b>Low</b>	<b>Number Meeting or Exceeding Average*</b>
<b>Cost of Goods</b>	12.13%	12.13%	14.24%	10.02%	1 of 2 (50%)
<b>Payroll Expense</b>	23.58%	23.58%	26.12%	21.03%	1 of 2 (50%)
<b>Advertising &amp; Marketing</b>	6.27%	6.27%	6.63%	5.91%	1 of 2 (50%)
<b>Rent</b>	8.18%	8.18%	10.09%	6.26%	1 of 2 (50%)
<b>Other Operating Expenses</b>	15.19%	15.19%	15.81%	14.57%	1 of 2 (50%)
<b>Franchise-Related Adjustments</b>					
<b>Technology fee</b>	0.46%	0.46%	0.48%	0.44%	1 of 2 (50%)
<b>Royalty</b>	7.0%	7.0%	7.0%	7.0%	2 of 2 (100%)
<b>Advertising Contribution</b>	1.0%	1.0%	1.0%	1.0%	2 of 2 (100%)

\*For purposes of Table 2, we disclose outlets with an equal or lower margin than the average in the respective category

**Table 3**  
Average Cost of Goods and Expenses  
Location #1, Location #2, and Location #3  
Calendar Year 2023

	<b>Average</b>	<b>Median</b>	<b>High</b>	<b>Low</b>	<b>#Meeting or Exceeding Average*</b>
<b>Cost of Goods</b>	11.73%	12.2%	13%	10%	1 of 3 (33%)
<b>Payroll Expense</b>	28.42%	27.6%	31%	27%	2 of 3 (66%)
<b>Advertising &amp; Marketing</b>	4.93%	4.5%	5.9%	4%	2 of 3 (66%)
<b>Rent</b>	12.26%	11.0%	19.2%	7%	2 of 3 (66%)
<b>Other Operating Expenses</b>	14.81%	13.7%	18.11%	12.58%	2 of 3 (66%)
<b>Franchise-Related Adjustments</b>					
<b>Technology fee</b>	0.5%	0.5%	0.6%	0.5%	2 of 3 (66%)
<b>Royalty</b>	7.0%	7.0%	7.0%	7.0%	3 of 3 (100%)
<b>Advertising Contribution</b>	1.0%	1.0%	1.0%	1.0%	3 of 3 (100%)

\*For purposes of Table 3, we disclose outlets with an equal or lower margin than the average in the respective category

**Notes to Table 1 and 2:**

1. “Gross Revenue” represents the actual gross revenue, less refunds, from the sale of the Services and Products through the Studio. All Franchise-Related Adjustments are based on the total Gross Revenue of Studio.
2. “Margin” refers to the percentage of Gross Revenue spent on each category of expenses.
3. “Cost of Goods Sold” represents the costs of items used in the Locations including the IV nutrient drips, vitamin shots, retail products, salt, and general supplies and materials.
4. “Advertising and Marketing” includes the Margin for expenses relating to advertising, marketing, and promotional expenses.
5. “Payroll Expenses” includes the Margin for payroll taxes, payroll-related fees, wages, and salaries.
6. “Rent” includes the Margin for the monthly costs associated with the lease for the Location. All other facilities expenses are listed in “Other Expenses.”
7. “Other Operating Expenses” includes all other operating expenses incurred by the Locations. The expenses include those expenses that will paid to a medical provider if you operate under an agreement with a P.C.

8. “Franchise-Related Adjustments” include: Royalty Fees imputed at the 7% of Gross Revenue royalty fee rate and Advertising Contributions equal to 1% of Gross Sales. All Locations exceeded the required marketing for franchisees. Although the Locations incurred technology-related expenses, we have imputed a Technology Fee equal to \$8,640.
9. You should conduct an independent investigation of the costs and expenses you will incur in managing your Franchised Business. The financial information we used in preparing this Item 19 is based entirely upon unaudited information. Prospective franchisees or sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to their contents or form. Written substantiation of all financial performance information presented in this financial performance representation will be made available to you at our headquarters upon reasonable request.
10. Location #1 has two float tanks, four saunas, two cold plunge pools, one LED light bed and three IV drip chairs. Location #2 has three float tanks, four saunas, four cold plunge pools, one cryotherapy room and two IV drip chairs. Location #3 has three float tanks, four saunas, four cold plunge pools, one LED light bed, one cryotherapy room and three IV drip chairs.

Table 4

Table 4 includes a summary of the monthly Utilization Rates (defined below) of each reporting Studio during the 2023 calendar year. We include a breakdown of the utilization rates for Primary Services and Secondary Services.

**Table 4**  
 Monthly Utilization Rate  
 Location #1, Location #2, and Location #3  
 Calendar Year 2023

Services	Affiliate Location #1		Affiliate Location #2		Affiliate Location #3	
	Primary	Secondary	Primary	Secondary	Primary	Secondary
<b>January</b>	72%	15%	61%	22%	44%	11%
<b>February</b>	62%	11%	63%	21%	45%	12%
<b>March</b>	62%	14%	62%	20%	45%	11%
<b>April</b>	59%	14%	59%	21%	46%	11%
<b>May</b>	60%	17%	57%	23%	43%	15%
<b>June</b>	61%	19%	51%	26%	47%	16%
<b>July</b>	58%	16%	46%	23%	42%	17%
<b>August</b>	51%	15%	47%	25%	37%	19%
<b>September</b>	56%	16%	51%	28%	42%	14%
<b>October</b>	56%	16%	52%	24%	39%	14%

<b>November</b>	55%	15%	50%	21%	41%	13%
<b>December</b>	60%	15%	50%	22%	46%	14%

Notes to Table 4:

1. “Primary Services” refers to float, infrared sauna/contrast therapy, and IV vitamin drip services.
2. “Secondary Services” refers to cryotherapy, LED light therapy, vitamin shot, and compression therapy services.
3. “Utilization Rate” is calculated by determining the number of services rendered during a month divided by the total number of services that could have rendered during each respective calendar month. Each Location has the ability to provide a specific number of services a day.

**Written substantiation of the financial performance representation will be made available to the prospective franchisee upon reasonable request.**

Some Locations have sold this amount. Your individual financial results may differ. There is no assurance that you will sell as much.

Other than the above, 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 the franchisor’s management by contacting Jeff Ono, 13353 W. Washington Blvd., Los Angeles, CA 90066, jeff@pausestudio.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1  
SYSTEMWIDE OUTLET SUMMARY  
FOR YEARS 2021 TO 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2021	0	0	0
	2022	0	0	0
	2023	0	0	0



Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Company-Owned*	2021	1	2	+1
	2022	2	3	+1
	2023	3	5	+2
Total Outlets	2021	1	2	+1
	2022	2	3	+1
	2023	3	5	+2

\*The Company-Owned locations listed in the chart above are owned by affiliates (see Item 2).

**TABLE 2**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**FOR YEARS 2021 TO 2023**

State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
Totals	2021	0
	2022	0
	2023	0

**TABLE 3**  
**STATUS OF FRANCHISED OUTLETS**  
**FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
All States	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Totals	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

**TABLE 4**  
**STATUS OF COMPANY-OWNED OUTLETS**  
**FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
California	2021	1	1	0	0	0	2
	2022	2	1	0	0	0	3
	2023	3	2	0	0	0	5
Total Outlets	2021	1	1	0	0	0	2
	2022	2	1	0	0	0	3
	2023	3	2	0	0	0	5

**TABLE 5**  
**PROJECTED OPENINGS AS OF DECEMBER 31, 2023**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arkansas	1	1	0
California	3	2	0
Colorado	2	1	0
Connecticut	1	1	0
Florida	5	3	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Georgia	2	2	0
Iowa	1	1	0
New York	1	1	0
Tennessee	1	1	0
Texas	3	1	0
Total	20	14	0

As of the date of this Disclosure Document, we have no franchisees. Exhibit F will be updated in to include the list of the names of all current franchisees and the address and telephone number of each of their outlets. Exhibit F also will contain a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within ten weeks of the Issuance Date of this Disclosure Document. 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, certain franchisees have signed confidentiality clauses that limit them from discussing with you their experiences as a franchisee in our franchise system. There are no trademark-specific franchisee organizations associated with the franchise system being offered.

**ITEM 21  
FINANCIAL STATEMENTS**

We have not been in business for three years or more, and therefore cannot include all financial statements required by the Franchise Rule of the Federal Trade Commission. Attached as Exhibit E is our audited financial statement as of December 31, 2023 and December 31, 2022. Our fiscal year end is December 31st.

**ITEM 22  
CONTRACTS**

The following contracts are attached to this Disclosure Document:

- Exhibit B – FRANCHISE AGREEMENT
- Schedule 1-Franchise Fee, Accepted Location, Territory and Opening Date
- Schedule 2-Nondisclosure and Non-Competition
- Schedule 3-Unlimited Guaranty and Assumption of Obligations
- Schedule 4-Franchisor Lease Addendum
- Schedule 5-ACH Payment Agreement

Schedule 6-Holders of Legal or Beneficial Interest; Operating Principal  
Schedule 7-State Addenda to the Franchise Agreement  
Schedule 8-General Release  
Schedule 9-SBA Addendum  
Schedule 10-Sample Management Services Agreement  
Schedule 11-Conditional Assignment of Telephone Number  
Exhibit C – MULTI-UNIT DEVELOPMENT AGREEMENT  
Attachment A-Certification by Developer  
Attachment B-Guaranty  
Attachment C-Transfer of a Franchise to a Corporation or LLC  
Attachment D-Development Schedule  
Attachment E-Development Area  
Attachment F-State Addendum to Multi-Unit Development Agreement  
Exhibit G – FRANCHISEE DISCLOSURE QUESTIONNAIRE

### **ITEM 23 RECEIPT**

You will find two copies of a receipt in Exhibit J at the end of the Disclosure Document. One receipt must be signed, dated and delivered to us. The other receipt should be retained for your records.

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT**

### **PAUSE FRANCHISOR INC. LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

Our registered agent in the State of Delaware is: GKL Registered Agents of DE, Inc., 3500 S. Dupont Highway, Dover, Delaware 19901. 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:

**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

<p><b><u>CALIFORNIA</u></b></p> <p>State Administrator and Agent for Service of Process: Commissioner Department of Financial Protection and Innovation 320 W. 4<sup>th</sup> Street, #750 Los Angeles, CA 90013 (213) 576-7500 (866) 275-2677</p> <p><b><u>HAWAII</u></b></p> <p>Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p> <p><u>Agent for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p> <p><b><u>ILLINOIS</u></b></p> <p>Illinois Attorney General Chief, Franchise Division 500 S. Second Street Springfield, IL 62706 (217) 782-4465</p> <p><b><u>INDIANA</u></b></p> <p>Secretary of State Securities Division Room E-018 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681</p> <p><b><u>MARYLAND</u></b></p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360</p>	<p><b><u>MARYLAND CONTINUED</u></b></p> <p><u>Agent for Service of Process:</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020</p> <p><b><u>MICHIGAN</u></b></p> <p>Michigan Department of Attorney General Consumer Protection Division 525 W. Ottawa Street Lansing, MI 48913 (517) 373-7117</p> <p><b><u>MINNESOTA</u></b></p> <p>Department of Commerce Commissioner of Commerce 85 Seventh Place East, Suite 280 St. Paul, MN 55101-3165 (651) 539-1600</p> <p><b><u>NEW YORK</u></b></p> <p><u>Administrator:</u> NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21<sup>st</sup> Floor New York, NY 10005 (212) 416-8222</p> <p><u>Agent for Service of Process:</u> Secretary of State 99 Washington Avenue Albany, NY 12231</p> <p><b><u>NORTH DAKOTA</u></b></p> <p><u>Administrator:</u> North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712</p> <p><u>Agent for Service of Process:</u> Securities Commissioner 600 East Boulevard Avenue State Capitol, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510</p>	<p><b><u>RHODE ISLAND</u></b></p> <p>Department of Business Regulation 1511 Pontiac Avenue, Bldg. 68-2 Cranston, RI 02920 (401) 462-9527</p> <p><b><u>SOUTH DAKOTA</u></b></p> <p>Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563</p> <p><b><u>VIRGINIA</u></b></p> <p>State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9<sup>th</sup> Floor Richmond, VA 23219</p> <p><u>Agent for Service of Process:</u> Clerk of the State Corporation Commission 1300 E. Main Street, 1<sup>st</sup> Floor Richmond, VA 23219</p> <p><b><u>WASHINGTON</u></b></p> <p><u>State Administrator:</u> Washington Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760</p> <p><u>Agent for Service for Process:</u></p> <p>Director of Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501</p> <p><b><u>WISCONSIN</u></b></p> <p>Department of Financial Institutions Division of Securities 201 W. Washington Avenue Madison, WI 53703 (608) 266-3364</p>
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Rev. 090723



**EXHIBIT B TO THE DISCLOSURE DOCUMENT**

**PAUSE FRANCHISOR INC.  
FRANCHISE AGREEMENT**

**PAUSE FRANCHISOR INC.  
FRANCHISE AGREEMENT**





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Schedule 1-Franchise Fee, Accepted Location Territory and Opening Date



Schedule 2-Nondisclosure and Non-Competition Agreement  
Schedule 3-Unlimited Guaranty and Assumption of Obligations  
Schedule 4-Franchisor Lease Addendum  
Schedule 5-ACH Payment Agreement  
Schedule 6-Holders of Legal or Beneficial Interest in Franchisee; Operating Principal  
Schedule 7-State Addenda to the Franchise Agreement  
Schedule 8-General Release  
Schedule 9-SBA Addendum  
Schedule 10-Sample Management Services Agreement  
Schedule 11-Conditional Assignment of Telephone Number

**PAUSE FRANCHISOR INC.  
FRANCHISE AGREEMENT**

This Franchise Agreement (this “**Agreement**”) is made and entered on \_\_\_\_\_  
(the “**Effective Date**”) by and between:

- Pause Franchisor Inc., a Delaware corporation having its principal place of business at 13353 W. Washington Blvd., Los Angeles, CA 90066 (“**Franchisor**,” “**we**,” “**us**,” or “**our**”); and
- \_\_\_\_\_, an individual/partnership/corporation/limited liability company established in the State of \_\_\_\_\_ and whose principal address is \_\_\_\_\_ (“**Franchisee**,” “**you**,” or “**your**”).

**RECITALS**

A. We have developed our own distinctive and proprietary systems for operating relaxation and wellness studio under the name “Pause®” that focus wellness on the whole person, natural remedies, and education featuring cryogenic therapy, flotation therapy, vitamin infusion therapy, cold plunge/contrast therapy, sauna therapy, and red light therapy, other services (collectively the “**Services**”) and merchandise and products (collectively, the “**Products**”) all of which we may periodically change, discontinue, improve, modify and further develop at our option from time to time.

B. The distinguishing characteristics of a Pause franchised business includes among other things: business processes, technologies, trade secrets, customer lists, knowledge, know-how, trade names, service marks, trademarks, logos, emblems, trade dress and other intellectual property; distinctive signage and decor; branding elements; standards, specifications and sources for Services, Products, supplies, appearance, operations and management control; safety standards; training and assistance; purchasing programs; and advertising, marketing, promotional and sales programs; all of which we may periodically change, discontinue, improve, modify and further develop at our option from time to time (the “**System**”).

C. The System relates to and includes the development and operation of Pause studios and the franchise offering through the Disclosure Document that is governed by this Agreement shall be referred to as the “**Franchised Business**” herein.

D. You have been advised that, among other things, the Services and Products involve activities of a nature and type that may require the administration, supervision, management, and oversight of Authorized Care Providers, including licensed medical professionals and health care providers and that your ownership and the types of activity that your Franchised Business may engage in is subject to and requires compliance with significant federal, state and local rules and regulations related to the practice of medicine and other licensing requirements.

E. You have been advised that, prior to signing this Agreement and prior to developing your Franchised Business, you should retain your own independent legal counsel to advise you as to all applicable federal, state and local laws.

F. We identify the System by means of our proprietary marks. Our proprietary marks include the trade name “Pause®” and our logos, service marks, trademarks, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may use in connection with the System (all of these are referred to herein as our “**Marks**”). We continue to develop, use, and control the use of our 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 high standards of quality, appearance, and service.

G. We are in the business of developing and awarding franchise rights to third party franchisees, such as you, to develop and operate a Pause studio. You have asked to obtain a franchise from us. By entering into this Agreement, you understand and acknowledge (a) the importance of our high standards of quality, appearance, and service and the necessity of operating your Franchised Business under this Agreement in conformity with our standards and specifications; (b) that you received our current Franchise Disclosure Document and its exhibits, including this Agreement (the “**Disclosure Document**”) at least 14 calendar days before you signed this Agreement or made a payment to us in connection with the franchise sale; (c) that you have carefully reviewed the Disclosure Document and had enough time, if you wanted, to consult with a lawyer, accountant or other professional advisor; (d) that you had the opportunity to ask us and our employees, agents, or representatives all appropriate questions and those questions have been answered to your satisfaction; (e) that, if you chose not use a professional advisor, you represent you are satisfied relying on your own education, experience, and skill to evaluate the Disclosure Document and this Agreement; (f) that you have reached the age of majority, you have the legal capacity to enter into this Agreement and independently operate your Franchised Business, you are not violating any other agreement by entering into or performing under this Agreement, and you are not listed or “blocked” in connection with, and are not in violation of any anti-terrorism law, regulation, or executive order; (g) that no employee, agent or representative of ours made any oral, written or visual representation or projection to you of actual or potential sales, earnings or net or gross profits, costs involved in operating a Pause business, or the likelihood of success that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document; (h) that you understand the risks of owning your Franchised Business and you are able to accept such risks; (i) that you understand the success of your Franchised Business will depend primarily on your own efforts and abilities and those of your employees; (j) that our approval of the location for your Franchised Business does not guarantee your success; and (k) that other factors beyond our or your control will affect your Franchised Business’s success including competition, demographic patterns, consumer trends, economic and market conditions, government policies, labor costs, lease terms and other factors which may be difficult to anticipate, assess or even identify.

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 contract, and for other good and valuable consideration (the sufficiency and receipt of which they hereby acknowledge) and they agree as follows:



## 1. DEFINITIONS

While certain terms may be defined in the body of this Agreement, the following words and terms have the following meanings for your ease of reference:

“**Affiliate**” means any business entity that is under our control and with common ownership as us;

“**Agreement**” means this agreement entitled “Pause Franchisor Inc. Franchise Agreement” and all instruments supplemental hereto or in amendment hereof;

“**Authorized Care Providers**” means those licensed individuals, professional corporations and other individuals and entities that, under applicable federal, state and local rules and regulations are trained, authorized and permitted to perform, offer, provide, oversee, and manage the delivery and performance of those Services that such individual and/or corporate entity performs, offers, provides, oversees, and/or manages at the Franchised Business and/or on behalf of the Franchised Business;

“**Authorized Care Provider Regulation**” means all applicable federal, state and local rules and regulations that relate to the ownership and operation of your Franchised Business, the Services, and the operation of your Franchised Business including, but not limited to, laws related to actions that an Authorized Care Provider may or may not engage in regarding ownership, diagnosis, treatment, supervision, delegation, flow of funds and the actions that you may or may not engage in. Without limitation to the foregoing, Authorized Care Provider Regulation shall include all health law regulations and rules including, but not limited to, to health privacy laws such as the Health Insurance Portability and Accountability Act of 1996, the Stark laws, anti-kickback laws, state disclosure laws, the corporate practice of medicine (“**CPOM**”) doctrine, and advertising and promotion laws of medical-related services;

“**Client Information**” means names, contact information, financial information and other personal identifiable information of or relating to your Franchised Business’s clients and prospective clients.

“**Competitive Business**” means any business that offers the same or similar products and services as your Franchised Business under any service system or any business that offers medical spa, health and wellness, or longevity services and products or any business in which Trade Secrets and Confidential Information could be used to the disadvantage of us, any affiliate or our other franchisees but does not include (a) any business operated by you under a Franchise Agreement with us, or (b) any business operated by a publicly-held entity in which you own less than a 5% legal or beneficial interest;

“**Computer System**” has the meaning given to such term in 12.5.1;

“**Confidential Information**” means technical and non-technical information used in or related to the operation of your Franchised Business and not commonly known by or available to the public, including, without limitation, Trade Secrets (defined below), methods and Products, customer or client Services techniques and other techniques and methodologies not generally known to the

industry or public, client lists, Services, the Manual, and any other information identified or labeled as confidential when delivered by us but shall not include any information that: (a) is now or subsequently becomes generally available to the public through no fault of you; (b) you can demonstrate it was rightfully in your possession, without obligation of nondisclosure, pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

“**Default Rate**” has the meaning given to such term in 3.5.1;

“**Effective Date**” means the date on which we and you fully execute this Agreement, thereby commencing its effectiveness and term, on the date;

“**Franchise**” means the right granted to you by us to use the System and the Marks;

“**Franchisor Indemnities**” has the meaning given to such term in Section 21.3;

“**Gross Revenue**” means all sales, revenues, charges and receipts from whatever source (whether in the form of cash, check, credit or debit card, barter exchange, trade credit or other credit transactions) that arise, directly or indirectly, from the operation of or in connection with your Franchised Business. Gross Revenue includes all revenues earned from the Services offered at your Franchised Business, leasing space on your premises to sub-lessees (if approved by us and the landlord), usage income, and insurance proceeds you receive for loss or interruption of business due to a casualty or similar event at your Franchised Business including all sales from your Franchised Business even if your Franchised Business operates under a Management Service Agreement with the Authorized Care Provider(s). Gross Revenue excludes sales taxes collected from customers and paid to the appropriate taxing authority and any other bona fide refunds to customers;

“**Gross Revenue Reports**” has the meaning give to such term in Sections 3.2.3 and 12.2;

“**Incapacity**” means the inability of you, or any holder of a legal or beneficial interest in you, to operate or oversee the operation of your Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

“**Initial Franchise Fee**” has the meaning given to such term in 3.1;

“**Internet**” means any local or global interactive communications media that is now available, or that may become available, including sites and domain names on the World Wide Web and social media websites and applications;

“**Management Fee**” has the meaning given to such term in 3.10;

“**Manager**” means the individual who is approved by us that will run the day-to-day operation of your Franchised Business;

“**Manual**” means the Pause Operations Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by us from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers’ manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, us;

“**Marks**” means the service mark “Pause” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as we may designate to be used in connection with your Franchised Business and as we may update periodically from time-to-time;

“**Operating Principal**” means the person who you designate in Schedule 6 if you are a corporate entity that must devote full time and best efforts to the development and operation of your Franchised Business and must have at least 5% ownership of the Franchisee entity and full authority to bind you regarding all operational decisions about your Franchised Business;

“**Opening Date**” means the deadline by which the Franchised Business must be open for business to the public, as set forth in Schedule 1;

“**POS System**” means the point of sale system being utilized at Pause studios which may change or be modified in the Franchisor’s sole discretion;

“**Royalty Fee**” has the meaning given to such term in Section 3.2;

“**System**” means the uniform standards, methods, procedures and specifications developed by us and as may be added to, changed, modified, withdrawn or otherwise revised by us for the operation of your Franchised Business;

“**Technology Fee**” has the meaning given to such term in 3.11; and

“**Trade Secrets**” means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in the operation of your Franchised Business that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

## 2. GRANT OF FRANCHISE; ACCEPTED LOCATION

### 2.1 Grant

Subject to the terms and conditions set forth in this Agreement, and the recitals being true and correct and incorporated herein, we grant you the right, and you accept and undertake the obligation:

- 2.1.1 to operate one Franchised Business under the System;
- 2.1.2 to use the Marks and the System, but only in connection with your Franchised Business (recognizing that we may periodically change, improve and further develop the Marks and the System); and
- 2.1.3 to do so only at or from a location referred to herein as the Accepted Location and within the Designated Territory identified and defined in Section 2.2, Section 2.4 and Schedule 1 attached hereto.

### 2.2 Accepted Location

- 2.2.1 *Accepted Location Defined.* The street address or geographical description of the area for your Franchised Business is specified in Schedule 1 attached to this Agreement and is referred to herein as the “**Accepted Location.**”
- 2.2.2 *Retail Space.* You must locate, obtain and occupy the site for your Franchised Business on your own initiative and at your own expense. You are required to engage a real estate broker who is either an approved supplier (“**Approved Supplier**”) or has been preapproved by us. Our affiliate, Accelerator Inc., is the preferred Approved Supplier for your real estate brokerage services. You must operate your Franchised Business from retail space of approximately 2,600 to 3,000 square feet. We will furnish you with prototypical plans and design specifications for your Franchised Business.
- 2.2.3 *Reservation of Rights to Approve Location.* We have the absolute right to grant or withhold approval of the Accepted Location under this Section 2.2. You understand, acknowledge, and agree that our review and approval of your proposed location, under this Section 2.2 does not constitute our assurance, representation, or warranty of any kind that your Franchised Business will be profitable or successful.
- 2.2.4 *Restriction on Relocation.* You may not relocate your Franchised Business from the Accepted Location without our written consent. Any proposed relocation will be subject to our review of the proposed new site under our then-current standards for site selection, and we will also have the right to take into consideration any commitments we have given to other franchisees, licensees, landlords, and other parties relating to the proximity of a new Pause business to their establishment. If



we permit you to relocate your Franchised Business, you agree to fully de-identify the former location of the Franchised Business in accordance with our requirements at your sole cost and expense.

- 2.2.5 *Site Review Package.* You are responsible for completing and submitting to us for review and approval all information and materials we designate regarding your proposed site. We will issue our approval or disapproval of your proposed site within 30 days after we receive all of the information and materials we requested. We may not withhold our approval unreasonably. We will not be deemed to have withheld our approval unreasonably if the proposed site fails to meet our then-current standards and specifications, as we determine in our discretion.
- 2.2.6 *Lease Review.* If, after your submission of all the information requested, we issue an approval of your proposed site, you must submit to us your letter of intent for the space along with a copy of the proposed lease for the approved site before you sign the lease. We have the right to review of your letter of intent and lease to ensure that the lease meets our criteria. If we do not approve the proposed lease for the site, the site will be deemed disapproved and you will not be permitted to open your Franchised Business at that location.
- 2.2.7 *Time Limit to Sign Lease.* If you have not executed a letter of intent or similar instrument with your proposed landlord for an Accepted Location within 90 days of signing this Agreement, we may require you to hire a real estate broker of our choosing to assist you in obtaining a lease for an Accepted Location at your sole cost and expense. If you do not secure an Accepted Location and enter into a binding lease agreement that has been approved by us for such location within 180 days of signing this Agreement, we may terminate this Agreement.
- 2.2.8 *Time Limit to Complete Construction.* You must commence construction immediately after your lease is signed and complete construction no later than 30 days before the Opening Date. You shall be responsible to notify us that the construction has commenced within 10 days of the commencement date. You may choose to hire a project manager to manage the buildout of your Franchised Business including using our recommended vendor, Build'M, which will assist you in tracking time and cost allocation of your Franchised Business real estate and construction cost. You must engage our Approved Supplier for architecture who will prepare drawings for your Franchised Business. You must also secure and engage a third-party engineer, if necessary, to perform services in connection with the required to buildout your premises. You and your architect must make sure that your construction plans comply with all applicable laws, ordinances, building codes and our then current System standards and specifications.
- 2.2.9 *Time Limit to Commence Operation.* You must open your Franchised Business no more than 12 months after the Effective Date of this Agreement. You may not open your Franchised Business to the public until we issue a written approval authorizing your opening. We will not issue our approval, and you will be prohibited from

opening your Franchised Business until you obtain our written approval, if (a) your Franchised Business has not been constructed and equipped in accordance with our standards and specifications, (b) you failed to successfully complete initial training, (c) in view of our management, we determine you and your employees are not prepared to open, (d) your Franchised Business has not been given all the proper governmental approvals by the local authorities, or (e) any of the conditions in Section 5.3 have not been met.

## 2.3 Sub-Franchising/Third Parties

- 2.3.1 *Restriction on Sublicensing.* You shall not sublicense the use of the System or Marks to any person or entity. Notwithstanding the foregoing, if your jurisdiction requires that you form a Management Service Organization (“MSO”) and contract with a Professional Corporation (“P.C.”) under a Management Service Agreement (an “MSA”), you may be permitted to grant a limited sublicense to the P.C. to use portions of the System and the Marks., so long as we have reviewed and approved the MSA, and given our prior written consent.
- 2.3.2 *Restriction on Granting Rights to Third Parties.* Except as permitted in Section 18, you shall not grant any person or entity the right to perform any part of your rights or obligations licensed hereunder.

## 2.4 Designated Territory

- 2.4.1 *Territory Defined.* Your Franchised Business will be located at a single site, which must meet our standards and specifications and must be approved by us in advance. You shall be prohibited from operating a franchise, conducting business or soliciting customers outside of the designated territory (“**Designated Territory**”) without our prior written consent. We will designate your Designated Territory in Schedule 1 after your Accepted Location is approved by us.
- 2.4.2 *Your Rights and Our Rights.* During the initial term and all renewal terms of this Agreement, and provided that you are in full compliance with this Agreement and all other agreements between you and us, we shall not own or operate, or grant anyone else the right to own or operate, a Pause franchised business within the Designated Territory identified in Schedule 1 which may be modified and finalized after you sign this Agreement. You understand that is the limit of your rights.
- 2.4.3 *Territory Size.* We reserve the right to grant each franchisee a Designated Territory on a case-by-case basis in order to account for the unique features of each geographic marketplace; however, typically, your Designated Territory will be based on the area that is within a three mile radius from your Accepted Location or have a population of about 100,000 residents. However, the exact size of your Designated Territory will depend upon various factors including natural boundaries like highways and bodies of water, the demographics of the metropolitan area, and whether your Franchised Business is located in an urban, suburban or rural area. If

your Accepted Location is located in an urban area, such as a city or major metropolitan downtown area, then your Designated Territory may be a more limited radius around the Accepted Location that includes the above referenced 100,000 resident population. The three mile radius or 100,000 residents will be determined by us, in our sole discretion, using the mapping service, program and/or software selected by us, in our sole discretion, including, without limitation Google Maps. We may grant you a Designated Territory of less than a three mile radius or 100,000 residents based on the population density and demographics of the area in which you wish to open your Franchised Business. We reserve the right to demarcate the exact bounds of your Designated Territory once a primary location is chosen and approved, and such Designated Territory shall not be altered.

- 2.4.4 *Activity Restricted to Your Territory.* You may not offer or sell wellness products or services outside your Designated Territory without our prior written consent. Except in conjunction with approved advertising promotions, you may not directly market or solicit business outside your Designated Territory without prior written authorization from us, including ad and Internet marketing. You may not distribute postcards, letters, fliers, emails, or other marketing communications outside your Designated Territory, make telemarketing calls to clients located outside your Designated Territory, or advertise in print or other media where two-thirds or more of the media circulation base or broadcast area is located outside your Designated Territory.
- 2.4.5 *No Right of First Refusal.* Except for the Designated Territory granted in this Agreement, we do not grant you any rights of first refusal to obtain additional franchise rights. If you wish to develop additional Pause businesses, you must enter into a new Franchise Agreement and meet all our current requirements for franchisees.
- 2.4.6 *Your Compliance.* You shall have the right to the benefits of the Designated Territory as long as you adhere to the terms of this Agreement. If you default on your obligations under this Agreement, as an alternative to termination, we may, at our sole and absolute discretion, unilaterally modify or completely eliminate any rights that you may have with respect to the Designated Territory, effective 10 days after delivery of written notice to you and your failure to cure the default if the default is curable and charge you an administrative fee of 15% of Gross Revenue.
- 2.4.7 *Reservation of Rights.* You understand and acknowledge that any rights not expressly granted to you with respect to your Designated Territory are reserved to us. We retain the right to conduct any business at any location, including: (a) the right to offer Pause franchises using our System and Marks to others for any site outside your Designated Territory regardless of how close the site is to your Accepted Location; (b) the right to sell, rent and distribute any services and products, directly or indirectly, and/or license others to sell and distribute any Services and Products, directly or indirectly, from any location or to any purchaser (including, but not limited to, sales made to purchasers in the Designated Territory

through retail establishments, mail order, independent distributors, wholesale distribution, phone order, on the Internet, and/or sales to delivery customers), except that we shall not do so from a Pause studio located inside the Designated Territory; (c) the right to produce, license, distribute and market Services and Products bearing the Pause name or other marks, including vitamins, packaged items, books, retail items, food and beverage products, and apparel, among other things, at any location or any outlet, regardless of proximity to your Franchised Business, through any distribution channel, at wholesale or at retail, including by means of the Internet, mail order, direct mail advertising, delivery, and other distribution methods; (d) the right to develop, operate, and franchise others to operate, any business concept except a Pause-branded business at any place, including within the Designated Territory, and use the Marks or any other trademarks owned, licensed, or developed by us or our affiliates in connection with those concepts, even if such concepts sell products and services that are similar to, the same as, or competitive with the Services you offer; (e) the right to approve or disapprove other franchisee's requests to purchase local marketing that penetrates your Designated Territory in our sole discretion; (f) the right to merge with, acquire or be acquired by any business of any kind under other systems and/or other marks, which business may offer, sell, operate or distribute and/or license others to offer, sell, operate and distribute goods and services through franchised or non-franchised businesses, at wholesale or retail, within and outside the Designated Territory; (g) the right to operate at "**Non-Traditional Sites**" such as military bases, hotels, college campuses, airports, train stations, travel plazas, casinos, and sports or entertainment venues or stadiums; and/or (h) the right to operate a Pause-branded business at a trade show booth or similar "pop-up" location in your Designated Territory for up to 20 days.

### 3. FEES

#### 3.1 Initial Fees

- 3.1.1 *Initial Franchise Fee.* You shall pay us the fee set forth in Schedule 1 upon execution of this Agreement. You acknowledge and agree that the Initial Franchise Fee is fully-earned by us when paid and is not refundable under any circumstances.
- 3.1.2 *Veterans Discount.* We currently discount the Initial Franchise Fee by \$5,000 for United States Veterans who have been honorably discharged. This discount is applied once in connection with a qualified Veteran's purchase of his or her first Franchised Business.

#### 3.2 Royalty Fee

- 3.2.1 *Royalty Fee Payment.* You agree to pay us a continuing fee equal to 7% of Gross Revenue (the "**Royalty Fee**") for the right to use the System and the Marks.
- 3.2.2 *Royalty Fee Payment Date.* The Royalty Fee shall be paid by you by the seventh day of each month for the prior month. The Royalty Fee begins when you

commence operations. We reserve the right to change the time and manner of payment at any time upon written notice to you.

- 3.2.3 *Gross Revenue Report.* Upon our request, you shall provide to us a Gross Revenue Report, as required by Section 12.2, for the months requested.

### **3.3 Taxes, Permits and Indebtedness**

- 3.3.1 *Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of your Franchised Business. 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 within 30 days, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.

- 3.3.2 *Payment of Vendors.* 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 your Franchised Business. Your failure to pay vendors and suppliers shall be grounds for default and/or termination.

- 3.3.3. *Tax Disputes.* 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 your Franchised Business, or any improvements thereon.

- 3.3.4 *Compliance with Law.* You must comply with all state and local laws and regulations regarding the management of a medical office. You must also make sure that your relationship with the physicians complies with all laws and regulations, and that the physicians secure and maintain in force all required licenses, permits and certificates relating to the operation of your Franchised Business. Each state has medical, nursing, physician assistant, cosmetology, chiropractic and/or other boards that determine rules and regulations regarding their respective members and the scope of services that may legally be offered by their members. Applicable laws and regulations generally include requirements for medical providers to hold state licenses and registrations to work as (as applicable) physicians, nurse practitioners, advanced practice registered nurses, and physician assistants in the state where your Franchised Business is located, and to hold required certifications by, or registrations in, any applicable professional association or registry. If we grant you the right to operate a Pause franchised business, we are not engaging in the practice medicine, nursing or any other profession that requires specialized training or certification, and you must not engage in the practice of medicine, nursing, or any other profession that requires specialized training or certification. This Agreement shall and does not interfere,

affect or limit the independent exercise of medical judgment by the Authorized Care Providers, including physicians and their medical staff. Your Franchised Business will be subject to laws, regulations and ordinances that are applicable to businesses generally. You must obtain and maintain any permits, licenses, and certifications necessary for the operation of your Franchised Business. Your failure to comply with all applicable laws shall be grounds for default and/or termination.

- 3.3.5 *Notice of Violations and Actions.* You agree to notify us in writing immediately after: (a) you receive notice of any investigation by a government entity, any complaint or notice from the state or federal department of financial services, 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, (b) the occurrence of any accident or injury which may adversely affect the operation of your Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement, or (c) the discovery of any facts that may give rise to a professional liability claim against either party to this Agreement.

### **3.4 Electronic Transfer of Funds**

All fees and other amounts due to us or advanced by us shall be paid to us through a designated bank account. You must allow us to debit your account through the Automated Clearing House (“ACH”) system. The ACH form you are required to fill out is attached as Schedule 5 to this Agreement. You shall make deposits to the designated bank account sufficient to cover amounts owed to us prior to the date such amounts are due. You shall not close your designated bank account without our written consent.

### **3.5 Interest, Late Fees and Failure to Comply**

- 3.5.1 *Interest and Default Rate.* All amounts due to us and other amounts not received by us within five days after the due date shall incur interest at the rate of 1.5% per month or the rate legally allowed by the law of the state where you are located, whichever is lower (the “**Default Rate**”) from the date payment is due to the date payment is received by us.
- 3.5.2 *Late Fees.* In addition to the interest fee referenced above, you will pay us a \$100 late fee for each occurrence of a payment not received by us on or before its due date. This Section does not constitute an agreement by us to accept any payments after the due date or a commitment by us to extend credit to or otherwise finance you.
- 3.5.3 *Failure to Comply.* You shall pay us for all costs incurred by us in the collection of any unpaid and past due amounts, including reasonable accounting and legal fees. You shall also reimburse us on demand for all costs and expenses incurred by us (including without limitation, our costs of re-training your personnel, legal and accounting costs and the costs and expenses of our personnel) to enforce

compliance of your monetary and non-monetary obligations under this Agreement. You shall reimburse us for such costs and expenses through the ACH system.

### **3.6 Application of Payments**

Notwithstanding any designation by you, we shall have the right to apply any payments by you to any past due indebtedness owed to us or our affiliates in any proportion or priority.

### **3.7 Operations Manual Replacement Fee**

You agree to pay us \$250 if you lose or destroy the Manual.

### **3.8 Maintenance and Refurbishing of Business**

We may charge you certain maintenance and refurbishment fees for any work we perform on your behalf to repair or otherwise improve your Franchised Business, including any such repairs or improvements made on our own initiative if you refuse to complete any requested maintenance or refurbishment. The total amount of the maintenance and refurbishment fees that you pay us will vary depending on the labor and material costs of any such maintenance and refurbishing, as well as any associated costs or losses we may incur due to your failure to maintain or refurbish the location in accordance with our requests. If, after we notify you, and you do not undertake efforts to correct deficiencies in the appearance of your Franchised Business, we can undertake the repairs, and you must reimburse us.

### **3.9 Insufficient Funds Fee**

You agree to pay to us \$100 if any payment you owe to us or one of our affiliates is rejected due to insufficient funds in your designated bank account, or if any other payment instrument you use is rejected for insufficient funds.

### **3.10 Management Fee**

If we agree to take over your business upon default or abandonment, you agree to pay our expenses plus an administrative fee of 15% of Gross Revenue above the other fees due to us (the “**Management Fee**”). The Management Fee will only be charged when we, one of our employees, or a third party appointed by us, actively control(s) the day-to-day management of your Franchised Business. The Management Fee shall be paid at the same time as Royalty Fees and all other fees due to us. We have no obligation to you to manage your business upon default or abandonment but we reserve this right in our sole discretion.

### **3.11 Technology Fee**

You agree to pay us \$720 per month for licensing our approved third-party POS System supplier we designate, currently Zenoti, and to create and maintain any technology services provided by us, our affiliates or any third-party (the “**Technology Fee**”). This fee includes the costs associated with licensing designated software, programs, applications, and/or other platforms, from us or our

designee for your Franchised Business. This fee may also be used, without limitation, for developing, researching, maintaining, implementing, modifying, and/or upgrading technology used in connection with the System as we deem appropriate in our sole discretion as well as membership applications, help desk fees for required software, user-based fees for an internal portal or benchmarking platform, website-related costs and expenses, social media templates, two email addresses per location (additional email addresses can be purchased for an additional fee), and/or for any other technology-related expenses. Because this fee is largely determined by third-party vendor costs, we reserve the right to increase this fee upon notice to you.

### **3.12 Conference Fee**

We may hold an annual franchisee conference devoted to training and plans for the future of Pause which you will be required to attend. You shall pay \$500 per person for our conference. Additionally, you must pay for your representatives' salaries and benefits, and for their travel, lodging, and meal expenses.

### **3.13 Authorized Care Provider Fee**

At your request, and subject to applicable law in your jurisdiction, we may elect to provide you with access to an Authorized Care Provider to supervise the medical personnel at your Franchised Business. You will be responsible to pay any contractual fees and costs associated with the relationship between you and Authorized Care Provider.

### **3.14 CPI Adjustments to Fixed Fees**

All fees expressed as a fixed dollar amount in this Agreement are subject to adjustment based on changes to the Consumer Price Index in the United States ("CPI"). We may periodically review and increase these fees based on changes to the CPI, but only if the increase to the CPI is more than 5% higher than the corresponding CPI in effect on: (a) the Effective Date of this Agreement (for the initial CPI fee adjustments); or (b) the date we implemented the last CPI fee adjustment (for subsequent fee adjustments). We will notify you of any CPI fee adjustment at least 60 days before the CPI fee adjustment becomes effective. We will implement no more than one CPI fee adjustment during any calendar year. Notwithstanding the foregoing, the CPI fee adjustments in this Section shall not impact fees which we reserve the right to increase in higher amounts or to adjust more frequently, including but not limited to the Technology Fee.

## **4. TERM AND RENEWAL**

### **4.1 Initial 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 10 years from the Effective Date.

### **4.2 Renewal Terms**





You will have the right to renew your rights to operate your Franchised Business for one additional successor term of ten years, so long as you have satisfied all of the conditions specified below before each such renewal:

- 4.2.1 You have, during the entire term of this Agreement, fully complied with the provisions of this Agreement;
- 4.2.2 You have, at your expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that your Franchised Business reflects our then-current standards and specifications;
- 4.2.3 You have satisfied all monetary obligations owed by you to us (or any affiliate or supplier), and have timely met these obligations throughout the term of this Agreement;
- 4.2.4 You are not in default of any provision of this Agreement or any other agreement between us or between you and our affiliates or suppliers, landlord and vendors;
- 4.2.5 You have given written notice of your intent to operate a successor franchise to us not earlier than 12 months but no later than six months prior to the end of the term of this Agreement;
- 4.2.6 You have executed our then-current form of franchise agreement, which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee or Advertising Fund Contribution;
- 4.2.7 You have complied with our then-current qualifications for a new franchisee and have agreed to comply with any training requirements;
- 4.2.8 You have executed a general release, in a form the same as or similar to the General Release attached as Schedule 8, of any and all known and unknown claims against us, any affiliate, and against our and our affiliates' officers, directors, shareholders, managers, members, partners, owners, employees and agents, except to the extent prohibited by the laws of the state where your Franchised Business is located; and
- 4.2.9 You have paid the renewal fee of \$10,000.

## 5. FRANCHISED BUSINESS

### 5.1 Operation of Your Franchised Business

You shall operate your Franchised Business within the Designated Territory from the Accepted Location. You shall manage and administer your Franchised Business from the Accepted Location and shall maintain and store your books and records at the Accepted Location.

## 5.2 Time to Open

You shall have 12 months after the Effective Date to develop and open your Franchised Business. If you fail to meet this requirement, we shall have the right to terminate this Agreement and retain all fees paid to us or our affiliate by you. You shall comply with all conditions set forth in Section 5.3 below and be prepared to open and continuously operate your Franchised Business. Time is of the essence.

## 5.3 Development and Opening

You assume all cost, liability, expense and responsibility for locating, obtaining and developing the site for the Franchised Business and equipping the Franchised Business at the Accepted Location. You are responsible for all zoning and regulatory approvals which may be required by applicable law or which may be necessary as a result of any restrictive covenants related to the approved site. You must submit to us a certificate of insurance evidencing that you have insurance coverage required under this Agreement for the construction of your Franchised Business and evidence that all required approvals, clearances, permits and certifications have been obtained. Before opening your Franchised Business and commencing business, you must:

- 5.3.1 fulfill all of your obligations pursuant to the other provisions of this Section 5;
- 5.3.2 furnish us with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as we may request;
- 5.3.3 must attend and successfully complete, to our satisfaction, the initial training program (which may include an online component) we offer for Pause franchisees at our headquarters or another location that we specify;
- 5.3.4 possess all required state, county, city, and local professional licenses and certifications;
- 5.3.5 obtain all necessary state, county, city, and local permits and licenses, including any zoning permits needed to operate a medical spa facility at your Accepted Location;
- 5.3.6 pay in full all amounts due to us, our affiliates and any third-party vendors;
- 5.3.7 provide us with a copy of any agreements necessary to operate a medical spa facility in your jurisdiction including, but not limited to, the Management Service Agreement (“MSA”) (in substantially the same form as the draft MSA provided in Schedule 10 attached hereto) and/or a Medical Director Agreement (attached as Exhibit D to the MSA) in a form that complies with applicable law; and
- 5.3.8 obtain our written permission and approval to open.

## 5.4 Site Approval and Failure to Open

- 5.4.1 *Our Approval.* You acknowledge that neither our acceptance of the site for your Accepted Location nor any information communicated to you regarding our standard site selection criteria nor the specific location of the premises will constitute a warranty or representation of any kind, express or implied, as to the suitability or profitability of the site for your Franchised Business. Our acceptance of the proposed site merely signifies that we are willing to grant a franchise for a Franchised Business at the site. Upon our approval of the site for your Accepted Location, the parties will memorialize in Schedule 1 their mutual agreement that the approved site is the Accepted Location. **YOU ARE SOLELY RESPONSIBLE FOR ENSURING THE PROPOSED SITE IS SUITABLE FOR YOUR FRANCHISED BUSINESS AND THAT ANY STRUCTURES ON THE SITE ARE IN COMPLIANCE WITH APPLICABLE LAW.**
- 5.4.2 *Opening Date.* The Opening Date shall be included in Schedule 1 and shall not be more than 12 months from the date you execute this Agreement.
- 5.4.3 *Rights Upon Termination for Failure to Open.* If this Agreement is terminated because you fail to open or fail to comply with the time limitations to open, we shall retain the entire Initial Franchise Fee paid by you among our other rights. The parties agree that the Initial Franchise Fee shall be retained in consideration of the services provided, time expended, work performed, and other efforts of us up to the date of your failure to timely commence operations of your Franchised Business and shall not be construed as nor considered to be a penalty.

## 6. MARKS

### 6.1 Ownership

Your right to use the Marks is derived solely from this Agreement, is non-exclusive and is limited to the conduct of business by you pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by us. Any unauthorized use of the Marks by you is a breach of this Agreement and an infringement of our rights in and to the Marks. Your use of the Marks, and any goodwill created thereby, shall inure solely to our benefit. You shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to you. You shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks. The terms of this Section 6 apply to the use of the Marks by your P.C., if any, pursuant to an MSA.

### 6.2 Limitations on Use

- 6.2.1 *Business Entity Name.* You shall not use the name Pause or a portion of any Mark as part of your business entity name.



- 6.2.2 *Unauthorized Service.* You shall not use Pause or any of our Marks in connection with the sale of any unauthorized medical service or product or in any other manner not expressly authorized in writing by us. Violating this term constitutes grounds for immediate termination of this Agreement.
- 6.2.3 *Fictitious Name.* You shall obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Pause and shall immediately cancel the fictitious name upon termination or expiration of this Agreement.
- 6.2.4 *Trademark Registration.* You shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, the name Pause, any of the Marks used in conjunction with your Franchised Business or a trademark or service mark that is confusingly similar to any Mark licensed to you.
- 6.2.5 *Public Notification.* You shall include on your letterhead, forms, cards and other such identification, a prominent notice stating that your Franchised Business is an “Independently Owned and Operated Pause Franchise”.
- 6.2.6 *Limited Permission to Use the Marks.* The permission to use the name Pause and our other Marks granted to you under this Agreement does not constitute a warranty of the absence of any third-party senior or superior use claims in and to the Marks. We shall have no liability to you for any senior users that may claim rights to the Marks. You shall amend any business entity name at our request and at your expense.

### **6.3 Notification of Infringements and Claims**

You shall immediately notify us in writing of any infringement, claim of infringement, unfair competition, or challenge to your use of any of the Marks or claim by any person of any rights in any of the Marks. You shall not communicate with any person other than us and our counsel in connection with any such infringement, challenge, or claim. We are not required to take affirmative action when notified of these uses or claims. We have the sole right to control any administrative or judicial proceeding arising out of any infringement, challenge, or claim involving a trademark licensed by us. This Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorable to you. You shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of us or our counsel, be necessary or advisable to protect and maintain our interests in any such litigation or other proceeding or to otherwise protect and maintain our interest in the Marks.

### **6.4 Indemnification for Use of Marks**



We may but we are not required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the use of our Marks. At our option, we or our designee may defend and control the defense of any proceeding arising directly from your use of any Mark.

## **6.5 Discontinuance of Use**

If we deem it necessary for you to modify or discontinue use of any of the Marks, and/or use additional or substitute trade names, trademarks, service marks or other commercial symbols, you shall comply with our directions within ten business days after notice to you by us and subject to the limitations in Section 10.2. We shall not be required to reimburse you for your expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by you to promote a modified or substitute Mark.

## **6.6 Right to Inspect**

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that you are properly employing the Marks in the operation of your Franchised Business, we reserve the right to inspect your Franchised Business at any time without advanced notice. You shall comply with all reasonable requests for information and documentation during these inspections and shall give us access to speak directly to your employees and medical professionals about the operation of your Franchised Business.

## **6.7 Franchisor's Sole Right to Domain Name**

You shall not advertise on the Internet using, or establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Marks or the word "Pause" or any variation thereof without our written approval. We are the sole owner of a right, title and interest in and to such domain names. We may grant you a sub-page on our website for purposes of providing the public with contact information for your Franchised Business and other content in our discretion.

# **7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION**

## **7.1 Confidentiality of Trade Secrets and Other Confidential Information**

You acknowledge that we are disclosing Trade Secrets and other Confidential Information to you during the training program, through the Manual, and as a result of guidance furnished to you during the term of this Agreement. You shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to use it in the development and operation of your Franchised Business and in performing your duties during the term of this Agreement. You acknowledge that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. You acknowledge that the Trade Secrets and other Confidential Information are proprietary and are disclosed to you

solely on the condition that you (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this Agreement, except as permitted under an approved MSA; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information. You shall enforce this Section as to your employees, agents and representatives including by requiring them to sign the Nondisclosure and Non-Competition Agreement attached as Schedule 2 and shall be liable to us for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them. The terms of this Section 7 apply to Trade Secrets and other Confidential Information disclosed to your P.C., if any, pursuant to an MSA.

## **7.2 Additional Developments**

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for you or your owners or employees, shall be promptly disclosed to us and shall be deemed the sole and exclusive property of ours and our works made-for-hire, and no compensation shall be due to you or your owners or employees therefore, and you hereby agree to assign to us all right, title and interest in any intellectual property so developed. We have the right to incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire,” you shall assign, and by this Agreement, do assign, ownership of that item, and all related rights to that item, to us and shall sign any assignment or other document as we request to assist us in obtaining or preserving intellectual property rights in the item. We shall disclose to you concepts and developments of other franchisees that are made part of the System. As we may reasonably request, you shall take all actions to assist our efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by us or not.

## **7.3 Exclusive Relationship**

You acknowledge that we would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Pause franchisees if owners of Pause businesses and members of their immediate families or households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, you and any holder of a legal or beneficial interest in the Franchisee entity (or any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff of the Franchisee entity, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall not:

- 7.3.1 divert or attempt to divert any business or customer of your Franchised Business to any Competitive Business, 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 the Marks or the System;

- 7.3.2 at any time during the term of this Agreement, own, maintain, engage in, be employed by, perform services for or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, or have any interest in or involvement with a Competitive Business;
- 7.3.3 at any time within a two-year period following termination or expiration of this Agreement, own, maintain, engage in, be employed by, perform services for or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, or have any interest in or involvement with a Competitive Business at the Accepted Location or within a 15-mile radius of your Franchised Business or any Pause franchise or affiliate-owned Pause business as set forth in Section 17;
- 7.3.4 call on, solicit, accept business from, or take away any customers or prospective customers of your Franchised Business or of us or our affiliates for the benefit of any person or entity outside the System. The term “**Prospective Customer(s)**” includes any person or entity that received a quote for any Products or Services from your Franchised Business, or any person or entity whose information was provided to your Franchised Business, at any time during the six-month period preceding the termination, expiration, non-renewal or transfer of the Agreement; or
- 7.3.5 call on, solicit, accept business from, or take away for the benefit of yourself or any other person or entity, any prospective customers or customers of your Franchised Business or of us or our affiliates, that you worked with or serviced in any capacity or that you received any confidential or proprietary information about, regarding the Services similar to those provided by your Franchised Business, for a continuous period of two years after the nonrenewal, expiration or termination of this Agreement.

#### **7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals**

We have the right to require any holder of a legal or beneficial interest in the Franchisee entity (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of the Franchisee entity to execute a Nondisclosure and Non-Competition Agreement, in a form the same as or similar to Schedule 2, upon execution of this Agreement or prior to each such person’s affiliation with Franchisee. Upon our request, you shall provide us with copies of all Nondisclosure and Non-Competition Agreements signed pursuant to this Section. Such agreements shall remain on file at your Accepted Location and are subject to audit or review as otherwise set forth herein. We shall be a third-party beneficiary with the right to enforce covenants contained in such agreements.

#### **7.5 Reasonableness of Restrictions**

You acknowledge that the restrictive covenants contained in this Section are essential elements of this Agreement, and that without their inclusion we would not have entered into this Agreement. You acknowledge that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of us, the System and the Marks and you waive any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

## 8. TRAINING AND ASSISTANCE

### 8.1 Initial Training

8.1.1 *Who Must Attend Training.* Before opening your Franchised Business, you (or if you are an entity, your Operating Principal) and your Manager (if you will employ a Manager) must attend and successfully complete, to our satisfaction, the initial training program (which may include an online component) we offer for Pause franchisees at our headquarters or another location that we specify. We reserve the right to vary the length and content of the initial training program as we deem appropriate in our sole discretion based on the experience of the attendee. We reserve the right to select when you will attend the initial training program and may delay your attendance until a suitable time near the grand opening date for your Franchised Business in our sole discretion.

8.1.2 *Training.* Your Franchised Business must at all times be under the active full-time management of either you, the Operating Principal or Manager and the Authorized Care Providers who have successfully completed (to our satisfaction) our training program. If you, your Operating Principal, your Manager or your Authorized Care Providers cannot complete the training program to our satisfaction, we may terminate this Agreement or require you to complete additional training.

8.1.3 *Qualified Replacement Training.* If you (or your Operating Principal), your Manager or your Authorized Care Providers cease active management or employment at your Franchised Business, then any replacements must attend and successfully complete our training program to our reasonable satisfaction, as soon as it is practical to do so but, in all cases, the replacement shall successfully complete training within 30 days. You must pay our then-current per diem training charges (\$500 per day) for additional training.

### 8.2 Opening Assistance

Prior to opening of your Franchised Business, we will provide to you general guidance that we think is advisable, in our sole discretion, and as may be described in the Manual.

### 8.3 Failure to Complete Initial Training Program

You are required to complete the initial training program before commencing operation of your Franchised Business. If we determine that you are unable to satisfactorily complete the training program described above, we have the right to terminate this Agreement. If this Agreement is



terminated pursuant to this Section 8.3, we shall have no obligation to return any of the Initial Franchise Fee. If you are a business entity and the Operating Principal fails to complete the initial training program to our reasonable satisfaction, you may be permitted to select a substitute Operating Principal who must complete the initial training to our satisfaction. You will be required to pay us our then-current rates for additional training or \$500 per day per trainee (plus hotel, air fare and other expenses incurred by us and our trainers).

#### **8.4 Ongoing Training**

We may require that your Operating Principal, Managers, Authorized Care Providers and employees periodically attend additional courses, seminars, and other training programs. You will also bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance and you must pay our then-current per diem training charges of \$500 per day for additional training. We may hold periodic conferences, as we deem necessary, to discuss sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs and merchandising procedures. In the event that such conferences are held, we reserve the right to charge a fee for your attendance at the conference which is currently \$500 per person, and you must pay all your travel and living expenses related to your attendance at the conference. You are solely responsible for ensuring that your management staff and employees are adequately trained.

#### **8.5 Point of Sale System**

You shall purchase, use and maintain the POS System that we prescribe for Pause studios. We may periodically modify the standards for the POS System and/or change the POS System, and, if so, you will acquire, at its cost, such modified or new POS System within 30 days from the date of notice. You will be solely and completely responsible for the acquisition, operation, maintenance, and upgrading of the POS System. Your POS System must be connected to the Internet and be capable of being accessed by us, our affiliates or a designated third-party for the purpose of implementing software, transmitting and receiving data, maintaining the POS System, compliance with this Agreement, and for any valid business purpose in our sole discretion. You shall provide us with access to the POS System information at such times and in such manner as we establish, in compliance with all applicable laws, with or without notice, to retrieve transaction information and operations data as we deem appropriate. You may be required to periodically update, upgrade or replace the POS System. You are solely responsible to ensure that the installation and operation of the POS System is in compliance with applicable health laws, including HIPAA.

### **9. OPERATIONS MANUAL**

#### **9.1 Loan by Franchisor**

While this Agreement is in effect, we shall lend to you one copy of the Manual or grant you access to an electronic copy of the Manual. Except in the case of a conflict with applicable laws or regulations, you shall conduct your Franchised Business in strict accordance with the provisions set forth in the Manual. The Manual may consist of one or more separate manuals and other

materials as designated by us and may be in written or electronic form. The Manual shall, at all times, remain our sole property and shall promptly be returned to us upon expiration or termination of this Agreement.

## **9.2 Revisions**

We have the right to add to or otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules we prescribe. We may make such additions or modifications without prior notice to you. You shall immediately, upon notice, adopt any such changes and shall ensure that your copy of the Manual is up-to-date at all times. If a dispute as to the contents of the Manual arises, the terms of the master copy of the Manual maintained by us at our headquarters shall be controlling.

## **9.3 Confidentiality**

The Manual contains Trade Secrets and other Confidential Information of ours, and its contents shall be kept confidential by you during the term of this Agreement and subsequent to the expiration, non-renewal or termination of this Agreement. You shall at all times ensure that your copy of the Manual is available at your Franchised Business in a current and up-to-date manner. If the Manual is in paper form or stored on computer-readable media, you shall maintain the Manual in a secure manner at the Accepted Location; if the Manual is in electronic form, you shall maintain the Manual in a password-protected file. You shall only grant authorized personnel, as defined in the Manual, access to the Manual or any key, combination, or passwords needed for access to the Manual. You shall not disclose, duplicate, or otherwise use any portion of the Manual in an unauthorized manner.

# **10. FRANCHISE SYSTEM**

## **10.1 Uniformity**

Except in the case of a conflict with applicable laws or regulations, you shall strictly comply, and shall cause your Franchised Business and your employees to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Manual or other communications supplied to you by us. Consistent with the goals of the System, you shall be responsible for the day-to-day operation of your Franchised Business. In case of a conflict between the Manual, this Agreement or other communications supplied to you on the one hand, and applicable laws or regulation, you shall request a variance and we shall grant an automatic variance for the purpose of compliance with such laws or regulations. You acknowledge the mandatory specifications, standards and operating procedures are not for the purpose of exercising control of over the day-to-day operation of your Franchised Business.

## **10.2 Modification of System**

You acknowledge and understand that, from time to time, we may introduce, as part of the System, other methods, technology or Services and Products which require certain System modifications including, without limitation, the adoption and use of modified or substitute Marks, new computer hardware and software, new equipment, new technology or signage. You agree to make all required upgrades and modifications at your expense as may be required by us.

### **10.3 Refurbishment of your Franchised Business**

You must, at your sole cost and expense, promptly and fully comply with any changes made to the System by us. You shall periodically make such capital improvements and modifications necessary to modernize, redecorate and upgrade your Franchised Business in accordance with our then-current design standards. You must complete any required change, to our satisfaction, within 30 days any Franchisor-mandated improvements or modifications. Upon our request, you shall correct any minor deficiencies in your Franchised Business's appearance or set-up and you must refurbish the Accepted Location to our then-current standards. The obligations described in this Section are exclusive of the obligations described in Section 10.2.

### **10.4 Variance**

We have the right to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which we deem to be of importance to the successful operation of any particular Pause business. We shall not be required to disclose or grant to you a like or similar variance hereunder.

### **10.5 Unapproved Products and Services**

You acknowledge that the offer or sale of any unapproved products or services at the Franchised Business constitutes a breach of this Agreement and good cause for termination of this Agreement. You authorize us to cure any default under this Section on your behalf by removing and disposing of any unapproved products and unapproved equipment and other materials from your Franchised Business. Any dispute between you and us as to whether any item, service, or equipment is approved will be governed by the official lists we maintain at our principal place of business. You hereby grant us all of your right, title, and interests in and to any unapproved products and equipment at the Franchised Business, and waive any claims you may have against us arising from the removal and disposal of any unapproved products and unapproved equipment and other materials. You acknowledge that we have the right to physically remove any unapproved products and equipment from your Franchised Business, and to dispose of them in any way we desire, without any compensation or liability to you.

### **10.6 Price Restrictions**

To the extent permitted by applicable law, we may periodically establish maximum and/or minimum prices or provide a range of prices for services and products that your Franchised Business will offer, including without limitation, prices for membership or promotions in which all or certain of our franchisees participate. If we establish such prices for any services or products,

you cannot exceed or reduce that price, but will charge the price for the service or product that we establish subject to applicable law and restrictions. You will apply any pricing matrix or schedule established by us. However, in states where you must enter a MSA this provision will be modified, to the extent legally permissible, to conform to the laws of the state where your Franchised Business will be located.

## 11. ADVERTISING AND PROMOTIONAL ACTIVITIES

### 11.1 Local Marketing

- 11.1.1 *Local Marketing Requirement.* You must spend a minimum of \$3,500 per month on local advertising, promotion and marketing of your Franchised Business. Local marketing expenditures will be directed towards local online, digital marketing and advertising mechanisms within the geographical area of your Franchised Business. You shall allocate these monies toward print and direct mail and/or digital marketing (and related professional fees and costs) utilizing the following advertising mediums: (i) pay per click advertising through Google; (ii) Facebook advertising campaigns; (iii) YouTube advertising campaigns; (iv) Instagram advertising campaigns; (v) e-mail marketing campaigns; (vi) other social media platforms; (vii) localized digital campaigns utilizing search engine optimization tools (SEO), and (viii) any additional local marketing initiatives. Local marketing expenditures are not included in your Advertising Fund Contribution and are your sole cost and expense. Any marketing that you conduct must be factually accurate and not misleading and conform to the highest standards of ethical marketing and the promotional policies which we prescribe in our Manual and through communications to you from time to time. If you do not spend the required amount on local marketing, we may require you to pay the difference between \$3,500 and what you spent on local marketing in the previous month to us.
- 11.1.2 *Franchisor's Control and Approval.* We shall have sole control over creative concepts, materials, and media used in local marketing programs, and the placement and allocation thereof. You may not use a marketing agency for your local marketing unless you have received our approval, which can be withheld in our discretion. We do not warrant that any particular franchisee will benefit directly or pro rata from expenditures by its local marketing program. We do not warrant the success or effectiveness of any particular advertising/marketing program. We shall have the right to approve or disapprove all marketing and promotional materials that you propose to use.
- 11.1.3 *Local Marketing Criteria.* Certain criteria will apply to the local marketing that you conduct. All of your local marketing must be professional and dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans and materials (unless, within the previous six months, we prepared or already approved the plans or materials). If you email us with your

request for approval, along with all needed information, we will ordinarily provide you with our response (whether approval or disapproval) to the proposed plans or materials within 10 business days; but if we do not give our approval within 15 business days, we will have been deemed to disapprove the plans or materials.

- 11.1.4 *Our Sole Property.* All copyrights in and to marketing, advertising and promotional materials you develop (or that are developed for you) will become our sole property. You must sign any documents (and, if necessary, require your independent contractors to sign the documents) that we deem reasonably necessary to implement this provision. We may periodically make available to you certain marketing materials for your use in local marketing and promotion, some of which must be purchased.
- 11.1.5 *Local Marketing Defined.* As used in this Agreement, the term “local marketing” refers to only the direct costs of purchasing and producing marketing materials (such as camera-ready advertising and point of sale materials), marketing to referral partners, and your direct out-of-pocket expenses related to costs of marketing in your local market or area. Local marketing and promotions also include postage, shipping, telephone, and photocopying costs. Local marketing does not, however, include any of the following: (a) salaries, incentives or discounts offered to your employees, and your employees’ expenses; (b) charitable, political, or other contributions or donations; and (c) the value of discounts given to consumers.
- 11.1.6 *Materials Available for Purchase.* We, our vendors or our affiliates may periodically make available to you for purchase marketing plans and promotional materials, merchandising materials, sales aids, point-of-purchase materials, special promotions, community relations programs, and similar marketing and promotional materials for use in local marketing.
- 11.1.7 *Periodic Marketing Programs.* You acknowledge and agree that periodic marketing programs and promotions will, if and when we approve and adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in marketing programs and promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities. You must participate in all advertising, promotional and marketing initiatives we may require. Without limitation, initiatives may include prize contests, special product and service offers and coupons. Advertising, promotional and marketing initiatives may be conducted internationally, nationally, regionally and locally and may vary from region to region or locality to locality; all other franchisees using the System shall not necessarily be required to participate in the initiatives in which you must participate. You must also participate in the launch of any new Services and Products we may require, and you must honor all coupons, gift certificates and other promotional offers authorized by us including without limitation, you must honor all coupons, certificates and promotional offers presented to you.

- 11.1.8 *Considerations as to Charitable Efforts.* You acknowledge and agree that certain associations between you and/or the Franchised Business, 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 Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions that involve the donation of any money, Products, Services, goods, or other items to, any charitable, political or religious organization, group, or activity.
- 11.1.9 *Additional Marketing Expenditure Encouraged.* You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business. If you fail to make the required local marketing expenditures, you must pay the balance due to us to be applied to our Advertising Fund.

## 11.2 Advertising Fund

During the term of this Agreement, you will contribute to the System-wide marketing, advertising, and promotion fund (the “**Advertising Fund**”). You shall pay to us an amount equal to 1% of Gross Revenue as an “**Advertising Fund Contribution.**” We may from time to time change the rate or rates required to be paid by you as an Advertising Fund Contribution, provided that (a) the amount of such payment that is based on Gross Revenue will not exceed 2% of Gross Revenue, and (b) no change in the rate will take effect unless we give you at least three months prior written notice. We will maintain and administer the Advertising Fund as follows:

- 11.2.1 We will control the creative concepts and the materials and media to be used, and we will determine the placement and allocation of advertisements. We may use print, television, radio, Internet, or other media for advertisements and promotions. We do not guarantee that any particular franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the Advertising Fund;
- 11.2.2 We will use Advertising Fund Contributions for producing, maintaining, administering and directing consumer advertising (including but not limited to the cost of preparing and conducting television, radio, Internet, magazine, direct mail and newspaper advertising campaigns and other public relations activities; hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees). We will maintain your contributions in a separate account from our funds. We will not use Advertising Fund Contributions for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the Advertising Fund. We will not use Advertising Fund Contributions for the direct solicitation of franchise sales. However, we may include a statement regarding the availability of information about the purchase of Pause franchises in advertising

and other items produced or distributed using the Advertising Fund in our discretion;

- 11.2.3 We shall attempt to use all contributions in the fiscal year they are made; however, if less than all monies in the Advertising Fund are spent in the fiscal year in which they accrue, the money will remain in the Advertising Fund to be spent in subsequent years. We will use any interest or other earnings of the Advertising Fund before we use current contributions. We intend for the Advertising Fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the fund until all contributions and earnings have been used for advertising and promotional purposes or we have returned your *pro rata* share;
- 11.2.4 The Advertising Fund is not audited. The Advertising Fund is not a trust, and we assume no fiduciary duty in administering the fund. Upon your request, we will provide you, within 120 days of our fiscal year end, a written statement for such fiscal period setting forth in brief detail the total amounts collected and disbursements made by us in connection with the Advertising Fund. Locations owned by us or our affiliates may elect to contribute equally to the Advertising Fund and, if so, it will be in an amount equal to franchisees;
- 11.2.5 Except for salaries of marketing personnel employed by the Franchisor, we do not receive compensation for providing goods or services to the Advertising Fund; and
- 11.2.6 The Advertising Fund is not and will not be our asset. Although the Advertising Fund is intended to be of perpetual duration, we maintain the right to terminate the Advertising Fund. The Advertising Fund will not be terminated, however, until all monies in the Advertising Fund have been expended for marketing purposes. If amounts are unspent in the Advertising Fund at fiscal year-end, those amounts are carried over by the Advertising Fund for expenditure in the following year.

### **11.3 Internet Marketing**

- 11.3.1 *Restrictions on Internet.* You are restricted from establishing a presence on, or marketing on the Internet without our written consent. We have an Internet website at the uniform resource locator (URL) [www.pausestudio.com](http://www.pausestudio.com) that provides information about the System and about Pause. We may provide you with a page on our home page, where we will have contact information on your location. We retain the sole right to post content on our website and otherwise market on the Internet, including the use of other websites, domain names, social media accounts, URLs, keywords, linking, search engines, SEO techniques, banner ads, meta-tags, marketing, e-commerce and co-branding arrangements. You may be requested to provide content for our Internet marketing efforts and you must follow our intranet and Internet usage rules, policies and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, social media pages and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to

approve any linking to, or other use of, the Pause website. You are not permitted to register or use a domain name containing “Pause” or any Mark in the URL.

11.3.2 *Our Online Site.* We will have the right, but not the obligation, to provide you with one or more references or webpage(s), as we may periodically designate, within our Online Site. The term “**Online Site**” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, the web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, TikTok, YouTube, Instagram, etc.), blogs, vlogs, applications to be installed on mobile devices (for example, iOS or Android apps), and other applications. However, if we approve a separate Online Site for you (which we are not obligated to do), then each of the following provisions will apply: (1) you may neither establish nor use any Online Site without our prior written approval; (2) before establishing any Online Site, you must submit to us, for our prior written approval, a sample of the proposed Online Site, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta tags), in the form and manner we may require; (3) you must not modify an Online Site without our prior written approval; (4) you must comply with the standards and specifications for Online Sites that we may periodically prescribe in the Manual or otherwise in writing; (5) if we require, you must establish hyperlinks to our Online Site and other Online Sites; and (6) 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.

11.3.3 *Social Media.* In all cases, we have control over any profiles that use or relate to the Marks, that display the Marks, or that are maintained on Online Sites and applications and all other similar websites and applications that may exist in the future. We or our affiliates may use part of the Advertising Fund monies collected under this Agreement to pay or reimburse the costs associated with the development, maintenance, and update of such Online Sites. We may (but need not) establish guidelines pursuant to which you may establish profiles or otherwise establish a presence on approved Online Sites and platforms. In such event, you must comply with the written standards imposed from time to time on such use. You will make us a co-administrator on any Online Sites used at your Franchised Business and will sign over control of any Online Site accounts or profiles, and provide access to reports and history of promotion performance, upon our request.

11.3.4 *Photo/Video Release.* Subject to applicable law, you authorize us to use your likeness and any likeness of your Franchised Business in a photograph (“**Image**”) in any and all publications made by us or an affiliate on our website, on our social media network, in print or digital publications promoting our brand, and for any commercially reasonable reason. All such Images will become our property. You agree to waive any rights to royalties or any other compensation related to our use of the Images and to hold us harmless from all claims, demands, and causes of action which you may have in connection with this authorization. You further agree



to secure copyrights or licenses from any professional photographer hired or engaged by you which provides for System-wide use of such photographs.

#### **11.4 Grand Opening Marketing and Pre-Opening Sales**

You must spend \$40,000 on local advertising, promotion, and other marketing activities in connection with your grand opening. You will pay this amount to vendors that we specify or approve. Such amount shall be spent within 90 days before your Franchised Business opens and during its first 30 days of operation. You must submit to us proof of these expenditures within 120 days after your Franchised Business first opens for business. This requirement is in addition to your Local Marketing Requirement and the expenditures towards your grand opening do not count towards the Local Marketing Requirement. You must perform pre-opening Services and Products sales activities during the 90-day period preceding your Opening Date (or such other period as may be prescribed by us). All such sales activities must comply with our standards, and as otherwise approved in writing by us. Before you may commence sales activities: (i) you must have received our authorization in writing to sell Services and Products; (ii) your Operating Principal and/or Manager shall have completed to our satisfaction the pre-sales training program; and (iii) you have secured all financing and permits necessary to develop, build and fully equip the Franchised Business. You must also comply with and certify to us in writing that you have obtained all necessary bonds and otherwise has complied, and will comply, with all applicable laws relating to its presale of Services and Products. If you fail to meet these requirements, in addition to our other rights and remedies, you will not be authorized to begin offering or selling Services and Products.

#### **11.5 Cooperative Marketing**

We may, in our discretion, form local or regional marketing cooperatives covering your Designated Territory and the territory of at least one other franchisee for the purpose of developing and implementing local or regional marketing programs, or we may approve of the formation of such a marketing cooperative by our franchisees. If we require you to join a local or regional marketing cooperative (the “**Co-op**”), then you must: join the Co-op; participate with other franchisees in the Co-op’s marketing programs; and pay your share of the Co-op’s marketing expense. Any payments you make for the Co-op’s marketing will be applied towards your Local Marketing Requirement but will not affect your obligation to make Advertising Fund Contributions under this Agreement. If the amount you contribute to a Co-op is less than the Local Marketing Requirement, then you shall nevertheless spend the difference locally. The Co-op’s marketing expenses will be allocated among its members based on the number of participating franchisees or on some other reasonable basis as may be determined by the franchise advisory council or us. We or our designee will be responsible for administering the Co-op; however, we may delegate this authority to the franchise advisory council or some other committee of franchisees. The Co-op will operate under written governing documents prepared by us or our designee, which will be made available to you upon reasonable request. An accounting of the operation of the Co-op will be prepared annually by the Co-op, at the Co-op’s expense, and made available to Co-op members upon request. We have the right, in our sole discretion, to modify, merge or dissolve any Co-op upon written notice to its members; however, a Co-op will not be dissolved until all of the money in the Co-op has been spent for marketing purposes.

## **11.6 Gift Cards, Loyalty Programs and Client Information**

You must, at your expense, participate in, and comply with the requirements of our gift certificate, loyalty, customer retention, and customer loyalty programs that we implement from time to time. You must take any other action that we require in order for you to participate in these programs. You may not issue or offer any benefit, gift certificate, gift card, stored value card, customer loyalty or retention program, without our prior written approval. You acknowledge that we and our affiliates shall have the right, through the POS System and the Computer System, to independent and unrestricted access to lists of your Franchised Business's members, clients and/or prospects, including names, addresses, and other related information, all of which constitutes Client Information. We may use such Client Information in our business activities subject to applicable laws including HIPAA. You may not use Client Information to compete with us during the term of this Agreement and after the termination and/or expiration of this Agreement. Upon termination or expiration of this Agreement, we and our affiliates reserve the right to make any and all disclosures and use the Client Information in any manner that we or our affiliates deem appropriate or necessary.

## **12. ACCOUNTING, RECORDS, AND REPORTING OBLIGATIONS**

### **12.1 Records**

During the term of this Agreement, you shall maintain full, complete, and accurate books, records and accounts in compliance with all HIPAA and CPOM regulations as well as any applicable state laws governing patient records. You shall utilize the accounting software QuickBooks (or other Franchisor approved accounting software) to manage your books. You shall retain during the term of this Agreement, and for three years thereafter, all books and records related to your Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by us or required by law. By signing this Agreement, you grant us unlimited access to the accounting software and Computer System for any legitimate reason in our discretion or business purpose.

### **12.2 Gross Revenue Reports**

You shall maintain an accurate record of Gross Revenue and, upon our request, shall deliver to us electronically a signed and verified statement of Gross Revenue.

### **12.3 Financial Statements**

You shall supply to us on or before the 15<sup>th</sup> day of each month a balance sheet and income statement for the preceding month. You shall, at your expense, submit to us within ninety (90) days after the end of each calendar year, an income statement, profit and loss statement, and balance sheet for the calendar year just ended. If required by us, such financial statements shall be reviewed or audited by a certified public accountant. You shall submit to us such other periodic

financial reports in the manner and at the time specified in the Manual or otherwise requested by us in writing.

## 12.4 Other Reports

You shall submit to us copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as we may reasonably request from time to time or as specified in the Manual. We shall have the right to release financial and operational information relating to your Franchised Business to our lenders or prospective lenders. You shall certify as true and correct all reports to be submitted pursuant to this Agreement.

## 12.5 Computer Equipment; Required Software; Our Access; Telephone Numbers

12.5.1 *Computer System.* You must meet our current requirements concerning the Computer System, including: (a) POS System, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems for use at Pause studios, between or among other franchised businesses, and between and among your Franchised Business(es), and you, and us; (b) physical, electronic, and other security systems and measures; (c) printers and other peripheral devices; (d) archival back-up systems; © internet access mode (such as the telecommunications connection) and speed; and (f) technology used to enhance and evaluate the customer experience (collectively, all of the above are referred to as the “**Computer System**”). It is solely your responsibility to ensure the installation and operation of the Computer System complies with applicable law, including, without limitation, privacy laws (e.g., HIPAA) related to customer protected health information (as defined under HIPAA or applicable state law) or other customer data. You must have Cyber Liability insurance to protect you and us for any data breach.

12.5.2 *Required Equipment and Software.* You shall purchase, install, and use computer equipment consisting of hardware and software in accordance with our specifications in the Manual. We may periodically require you to upgrade and update the hardware and software used in connection with the Computer System. There are no contractual limitations on the frequency and cost of these upgrades and updates. We reserve the right to approve your email address or require you to use only an email address that we provide for your Franchised Business’s business emails.

12.5.3 *Franchisor Access.* We shall have full access to all of your Computer System, POS System and data and all related information by means of direct access, either in person or by telephone, modem, or Internet to permit us to verify your compliance with your obligations under this Agreement. You must afford us unimpeded independent access to your Computer System in the manner, form, and at the times we may request. We will have the right at any time to retrieve and use this data and information from your Computer System in any manner we deem necessary or desirable. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and

electronic business records related to your Franchised Business and any other operations taking place through your Franchised Business. There are no contractual limitations on our right to access the information stored on your Computer System.

12.5.4 *Telephone.* We have the right to require you to use one or more designated telephone vendors. We may designate, and own, the telephone numbers for your Franchised Business. You must sign our Conditional Assignment of Telephone Number attached hereto as Schedule 11.

12.5.5 *Email and Internet.* You must be able to access information that is available on the Internet and be able to send and receive email.

12.5.6 *Client Lists.* Any client lists or information compiled or amassed through your Computer System, point-of-sale system or otherwise, will be our proprietary property. You may not sell or use client lists or information for any purpose other than in connection with the operation of your Franchised Business.

## **12.6 Right to Inspect**

We have the right, during normal business hours without notice, to examine, copy, and audit your books, records, and tax returns. If the audit or any other inspection should reveal that any payments to us have been underpaid, then you shall immediately pay us the amount of the underpayment, \$1,000 and interest from the date such amount was due until paid at the rate of 1.5% per month (or the rate legally allowed by the law of the state where you are located, whichever is lower). You shall, in addition, reimburse us for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies we may have.

## **12.7 Release of Records**

At our request, you shall release or authorize and direct third party(ies), including accounting and legal professionals, to release to us copies of all accounting and financial records arising from or relating to the operation of your Franchised Business including, but not limited to, records evidencing sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to us on a monthly basis for the length of the unexpired term of this Agreement or until such time as we withdraw our request. You shall execute all documents necessary to facilitate the release of records referenced herein to us.

## **12.8 Privacy Laws**

You must abide by all federal and state privacy laws, including HIPAA, as amended, inclusive of its implementing regulations and other applicable laws related to the collection, storage, use, and data security of personal or individually identifiable health information of customers, and comply with our policies pertaining to such privacy laws. If you become aware of any violation of any privacy laws and/or security of Client Information, or have a reasonable basis to believe that you

will receive a notice of such violation, or have reason to believe that the security or integrity of any records containing Client Information has been breached or potentially breached or have notice of any other event that exposes or threatens to expose Client Information to unauthorized third parties, then you shall promptly provide written notice to us regarding such breach, potential breach or notice. Such notice shall include a detailed description of the Client Information at issue and the factual circumstances surrounding such breach, potential breach or notice. You shall comply with all applicable laws and cooperate with and follow any instructions provided by us or your Cyber Liability insurer in responding to any such breach including with respect to notifying any individuals, regulators, law enforcement agencies, consumer reporting agencies or others.

## 13. STANDARDS OF OPERATION

### 13.1 Authorized Services, Products and Suppliers

- 13.1.1 *Generally.* You shall not conduct any business or sell any products at the Franchised Business other than the Services and Products approved by the Franchisor. We have the right to require you to purchase products from designated or Approved Suppliers as well as enter into service agreements with approved vendors. We have the right to add, eliminate, modify, and substitute any of the authorized Services and Products or the designated suppliers in our sole discretion.
- 13.1.2 *Reputation and Goodwill.* You acknowledge that the reputation and goodwill of the System is based in large part on offering high quality Services and Products to your customers. Accordingly, you, your staff, and your Authorized Care Providers shall provide the Services and Products with the greatest diligence and care and comply with our specifications and quality standards. You shall not offer for sale, sell or provide through your Franchised Business or from the Franchised Business any products or services that we have not approved. Furthermore, you must offer for sale all Services and Products currently offered by us or which will be offered by us in the future.
- 13.1.3 *Supplier Review.* Notwithstanding anything contrary in this Agreement, we have the right to review from time to time our approval of suppliers. We may revoke our approval of any item, service or supplier at any time by notifying the supplier without notice to you. You shall, at your own expense, promptly cease using, selling or providing any items and services disapproved by us. The cost to review a new product or service as proposed by you shall not exceed \$1,500 per product or service. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the goods or services from the supplier. Our criteria for approving or revoking approval of suppliers includes: the supplier's ability to provide sufficient quantity of goods; quality of goods or services at competitive prices; production and delivery capability; our existing relationships with competitive vendors; and experience, dependability and general reputation. We notify you in our Manual or other written communications if we revoke approval of any supplier. Despite the existence of this approval process, we reserve the right to be the only Approved Supplier of a product or

service. In that situation, you will be required to purchase the authorized Product or Service from us and no one else. The price you will pay for the Product or Service will be the price then in effect, and we may make a profit on the sale of the Product or Service. YOU MAY NOT INSTALL ANY UNAUTHORIZED EQUIPMENT OR OFFER ANY UNAUTHORIZED PRODUCT OR SERVICE AT ANY TIME.

13.1.4 *Variance Rights.* We have the right to designate certain Products and Services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as we determine including, but not limited to, franchisee qualifications, test marketing and regional or local differences. We have the right to give our consent to one or more franchisees to provide certain services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.4 and shall not create any rights in you to provide the same Products or Services.

13.1.5 *Supplier Benefits.* We have the right to retain volume rebates, markups and other benefits from suppliers, including our affiliates, or in connection with the furnishing of suppliers. You shall have no entitlement to or interest in any such benefits.

## 13.2 Appearance and Condition of your Franchised Business

You shall maintain your Franchised Business, including the signage, décor and branding elements in a condition we approve and shall repair or replace the signage, décor and branding elements as necessary to comply with our specifications and any applicable laws or regulations. The expense of such maintenance shall be borne by you and shall be in addition to any required System modifications, as described in Section 10.2.

## 13.3 Ownership and Management

You shall designate in Schedule 6 the “**Operating Principal**” who is an individual that we approve who must own and control, or have the right to own and control not less than a 5% interest in Franchisee’s equity, shall have the authority to bind Franchisee regarding all communications with us and operational decisions with respect to your Franchised Business, and who must have completed our initial training program to our satisfaction. The Operating Principal must, at all times, retain and exercise direct management control over all aspects of your Franchised Business except in jurisdictions which prohibit your management over medical services offered. You agree that your Authorized Care Providers will be in control and supervise the medical offerings at your Franchised Business as set forth in Section 13.13 below if required by applicable law. Your Operating Principal’s personal supervision is not required if the day-to-day operation of your Franchised Business is performed by an approved “**Manager**” who has successfully completed our required training program and has, at our sole discretion, the appropriate experience and training to operate the Franchised Business.

Even if your Operating Principal does not plan to personally supervise the operation of your Franchised Business on a daily basis, your Operating Principal still must attend and satisfactorily complete training. The Operating Principal or your Manager must devote full time and best efforts

to the operation of your Franchised Business. You are not restricted as to whom you may hire as a Manager, except that your Manager must be competent, conscientious, substance-free, fully-trained and must meet all of our requirements. Your Manager must be approved by us. You and/or your Manager will recruit, hire, train, terminate, and supervise all non-medical employees, set pay rates, and pay all wages and related amounts, including any employment benefits, unemployment insurance, withholding taxes or other sums. We are not an employer, co-employer or joint employer with you of your management staff or other employees. You are solely responsible for all employment matters, decisions and relationships.

#### **13.4 Days of Operation**

You shall keep your Franchised Business open for business during normal business hours on the days specified in the Manual.

#### **13.5 Contributions and Donations**

In order to protect the Marks, you must obtain our prior written consent before making any contributions or donations of items, services or funds to any non-profit organization on behalf of your Franchised Business. We may withhold any such consent in our sole and absolute discretion.

#### **13.6 Licenses, Permits and Regulations (Medical and Non-Medical)**

You shall secure and maintain in force all required operational and professional licenses, permits and certificates necessary for the operation of your Franchised Business, including all zoning and local permits necessary to operate your Franchised Business at your Accepted Location, and shall operate your Franchised Business in full compliance with all applicable laws, ordinances and regulations. We make no representation to you with regard to any legal requirements that you must satisfy or comply with in connection with the operation of your Franchised Business. **YOU SHALL BE SOLELY RESPONSIBLE FOR INVESTIGATING AND COMPLY WITH ALL LAWS, ORDINANCES, AND MEDICAL OR NON-MEDICAL REGULATIONS** with regard to the operation of your Franchised Business.

#### **13.7 Notification of Proceedings**

You shall notify us in writing of the commencement of any action, suit or proceeding involving you, your owners, or your Franchised Business, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of your Franchised Business immediately but not more than three days after notice of such commencement or issuance. You shall deliver to us immediately but not more than three days after your receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects your failure to meet and maintain the highest applicable rating or your noncompliance or less than full compliance with any applicable law, rule or regulation.

#### **13.8 Compliance with Good Business Practices**

You acknowledge that the quality of customer service, and every detail of appearance and demeanor of you and your employees, is material to this Agreement and the relationship created and licenses granted hereby. Accordingly, you shall endeavor to maintain high standards of quality and service in the operation of your Franchised Business, including operating in strict compliance with all applicable rules and regulations. You shall at all times give prompt, courteous and efficient service to customers of your Franchised Business. You shall in all dealings with your customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If we deem that you did not fairly handle a customer complaint or that you have operated outside of applicable rules and regulations, we have the right to intervene and satisfy the customer. We have the right to terminate this Agreement for a violation of this Section that negatively impacts the goodwill in the Pause brand. You shall reimburse us for all costs and expenses (including attorneys' fees) incurred by us in servicing a customer of your Franchised Business or responding to negative publicity pursuant to this Section.

### **13.9 Attire**

You shall abide by all dress code requirements stated in the Manual or upon our notification to you.

### **13.10 Credit Cards**

You shall, at your expense, lease or purchase the necessary equipment and/or software through approved vendors and shall have arrangements in place with Visa, MasterCard, American Express and such other credit card issuers as we may designate, from time to time, to enable your Franchised Business to accept such methods of payment from your customers.

### **13.11 Email**

You shall, at all times and at your expense, maintain a Pause email address and account for communicating with us and your customers. The Technology Fee set forth in Section 3.11 includes two email addresses for your Franchised Business. Additional email addresses can be purchased for an additional fee. In sending emails from your Pause email address, you shall identify yourself as an independent owner and operator of the Franchisee entity doing business as Pause. You shall refrain from giving out titles to employees and your staff that causes confusion to the public as to the ownership of the Franchisor and as to our and your franchise relationship.

### **13.12 Best Efforts**

You shall use your best efforts to promote and increase the clients and recognition of Services and Products offered through your Franchised Business. You shall require all of your employees, officers, agents and representatives to make a good faith effort to enhance the sales of all Services and Products provided as part of the System.

### **13.13 Authorized Care Providers**



Applicable laws and regulations may require that your Franchised Business be operated by one or more Authorized Care Providers licensed to provide medical spa services in the state in which your Franchised Business is located. You and the Authorized Care Providers may need to enter into a MSA in a form similar in substance to Schedule 10. The MSA shall be in effect at all times during the operation of your Franchised Business. Your MSA must be prepared, reviewed, and confirmed by your independent legal counsel as being compliant with all Authorized Care Provider Regulations, and such MSA must be approved by us. In certain jurisdictions, you may be able to operate your Franchised Business with a Medical Director Agreement which also must be prepared by your independent legal counsel and approved by us. If you are a licensed physician, you may operate your Franchised Business under your license in compliance with the terms of this Agreement.

## 14. FRANCHISOR'S ASSISTANCE

### 14.1 General Advice and Guidance

We may periodically provide general guidance to you by telephone and/or electronic correspondence, with respect to operating your Franchised Business as we deem necessary in our sole discretion.

### 14.2 Periodic Visits

We and our representative may, in our sole discretion, make periodic visits, which may be announced or unannounced, to your Franchised Business. During the visit, we may monitor and observe the conduct of the Franchisee, the Operating Principal, and the employees of your Franchised Business for the purposes of determining compliance with the requirements of this Agreement, for conducting quality assurance audits which may include customer surveys, and for any other purpose connected with the System. Such right shall also include, without limitation, the ability to confer with your employees and customers and to observe the manner in which you are selling Services and Products and dealing with customers. You shall, in all cases, facilitate our exercise of our rights under this Section. Our representatives who visit, monitor or review your Franchised Business may prepare, for the benefit of both you and us, written reports detailing any successes, problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of your Franchised Business. By signing this Agreement, you agree to implement any required changes or improvements as required by us with time being of the essence.

## 15. INSURANCE

### 15.1 Types and Amounts of Coverage

15.1.1 *Insurance Coverage Required.* 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, at your expense, at least the following insurance policy or policies in connection with your Franchised Business:

- 15.1.1.1 Commercial general liability insurance, including us, and any entity in which we have an interest and any entity affiliated with us and each of our members, managers, shareholders, directors, officers, partners, employees, servants and agents as additional insureds protecting against any and all claims for personal, bodily and/or property injury occurring in or about the premises of the Franchised Business and protecting against assumed or contractual liability under this Agreement with respect to your Franchised Business and your operations, including personal and advertising liability as well as products and completed operations coverage, with such policy to be placed with minimum limits of \$1,000,000 combined single limit per occurrence; \$2,000,000 general aggregate per location; and \$300,000 for damage to leased property, provided, however, that at our election, such minimum limits may be periodically increased;
- 15.1.1.2 Property Liability coverage covering all perils to personal property contained within and outside the premises of your Franchised Business. The amounts may vary based on coverage needed but must cover your business property and a minimum of \$500,000;
- 15.1.1.3 Workers' Compensation Coverage and such other insurance as may be required by statute or rule of the state or locality in which your Franchised Business is located in the amount of \$1,000,000 per person, \$1,000,000 in the aggregate and \$1,000,000 for occupational disease;
- 15.1.1.4 Employment Practices Liability insurance in the amount of at least \$500,000 for each claim;
- 15.1.1.5 Professional liability coverage in the amount of \$1,000,000, and \$3,000,000 in the aggregate;
- 15.1.1.6 Cyber Liability coverage with limits of liability between \$500,000 and \$1,000,000;
- 15.1.1.7 Business interruption and extra expense insurance for a minimum of six months to cover net profits and continuing expenses, including Royalty Fees;
- 15.1.1.8 Identity theft protection with a minimum of \$5,000 expense limit;
- 15.1.1.9 Umbrella liability coverage with minimum limits of \$1,000,000 per occurrence and \$2,000,000 general aggregate; and
- 15.1.1.10 Any other insurance coverage that is required by the Manual or federal, state, or municipal law. If you operate in certain states with additional regulations, you may be required to obtain higher coverage amounts,

including but not limited to higher aggregate limits on your commercial general liability and professional liability coverages, or retention amounts on your employment practices liability coverage.

15.1.2 *Insurance Advice.* You shall seek advice from your professional and business advisors and a licensed insurance agent and procure such other types of coverage and amounts of coverage in accordance with the advice received and as required by law.

## **15.2 Future Increases**

We have the right to establish and modify the minimum coverages required, and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards, or other relevant changes in circumstances. In addition to naming us as additional insured, you must include any endorsements we may require (including an “alternate employer endorsement” under Employer’s Liability policy even though we are not your employer) and include a waiver of subrogation in favor of us and our affiliates, and each of our and our affiliates’ officers, directors, shareholders, partners, members, agents, attorneys, representatives, independent contractors, servants, and employees.

## **15.3 Carrier Standards**

The insurance policies you procure 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 your Franchised Business is located, and must include, at a minimum (except that we may reasonably specify additional coverages and higher policy limits for all franchisees periodically in the Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances).

## **15.4 Evidence of Coverage**

Your obligation to obtain and maintain the insurance policies shall not be limited in any way by reason of any insurance which may be maintained by us, nor shall your performance of this obligation relieve you of liability under the indemnity provisions set forth in Section 21.3. Upon issuance of a policy and renewal of said policy, you shall provide to us certificates of insurance showing compliance with the foregoing requirements immediately but no later than 15 days from your receipt of such certificates. Such certificates shall state that said policy or policies shall not be canceled or altered without at least 30 days’ prior written notice to us and shall reflect proof of payment of premiums.

## **15.5 Failure to Maintain Coverage**

We do not derive revenue as a result of your purchase of insurance. If you fail to purchase and maintain any required insurance coverage or furnish satisfactory evidence of coverage to us, in addition to our other remedies (including without limitation declaring you in default of this Agreement), we may, but are not obligated to, purchase the insurance coverage for you. If we do purchase insurance on your behalf, you must pay us on our demand the amount of any premiums plus an additional 10% administrative fee to cover expenses we incur in obtaining the insurance. The failure to maintain insurance coverage at any time is a default under this Agreement.

## **16. DEFAULT AND TERMINATION**

### **16.1 Termination by Franchisee**

Under no circumstances may Franchisee terminate this Agreement. Your unilateral termination of this Agreement will be deemed a termination without cause and a breach of this Agreement.

### **16.2 Termination by Franchisor**

16.2.1 Upon the occurrence of any of the following events, you shall be deemed to be in default of this Agreement. We have the right to terminate this Agreement, upon written notice to you and without any opportunity to cure the default, if you:

- 16.2.1.1 fail to timely establish, equip, and commence operations of your Franchised Business pursuant to Section 5;
- 16.2.1.2 fail to satisfactorily complete our training program or if your Operating Principal or Manager fail to satisfactorily complete our training program pursuant to Section 8;
- 16.2.1.3 fail to obtain and maintain all required medical and non-medical professional licenses, permits, and certifications to operate your Franchised Business;
- 16.2.1.4 make any material misrepresentation or omission during the pre-sale process and/or in your application to obtain a Pause franchise from us or otherwise to us in the course of entering into this Agreement;
- 16.2.1.5 are convicted of or plead no contest to a felony or other crime or offense;
- 16.2.1.6 fail to refrain from activities, behavior, or conduct likely to adversely affect the reputation of us, you or your Franchised Business after a five day written notice to cure;
- 16.2.1.7 disclose, duplicate, or otherwise use in an unauthorized manner any portion of the Manual, Trade Secrets, trademarks, our trade name Pause, or any Confidential Information;

- 16.2.1.8 fail to have any holder of a legal or beneficial interest in your Franchisee entity (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of the Franchisee entity, execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Schedule 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide us with copies of all nondisclosure and non-competition agreements signed pursuant to Section 7.4 if requested by us;
- 16.2.1.9 abandon, fail, or refuse to actively operate your Franchised Business for three or more consecutive days (unless your Franchised Business has not been operational for a purpose approved by us), or, if first approved by us, fail to promptly relocate your Franchised Business or any other event rendering your premises unusable;
- 16.2.1.10 surrender or transfer control of the operation of your Franchised Business without our approval, make or attempt to make an unauthorized direct or indirect assignment of your Franchised Business, or your assets, or an ownership interest in the Franchisee entity, or if you fail or refuse to assign your Franchised Business or the interest in the Franchisee entity of a deceased or incapacitated owner thereof as herein required;
- 16.2.1.11 fail to maintain your Franchised Business under the primary supervision of your Operating Principal or approved Manager during the 180 days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in the Franchisee entity pursuant to Section 18.6;
- 16.2.1.12 submit to us at any time during the term of this Agreement any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to us by more than 2% for any accounting period and you are unable to demonstrate that such understatements resulted from inadvertent error;
- 16.2.1.13 become insolvent, meaning unable to pay bills as they become due in the ordinary course of business or if a receiver of your property or any part thereof is appointed by a court or if you make a general assignment for the benefit of your creditors or if a final judgment remains unsatisfied of record for 30 days or longer (unless supersede as bond is filed) or if execution is levied against your business or property or if a suit to foreclose any lien or mortgage against your Franchised Business, and/or the equipment is instituted against you and not dismissed within 30 days;

- 16.2.1.14 misuse or make an unauthorized use of any of the Marks or commit any other act which impairs the goodwill associated with any of the Marks;
- 16.2.1.15 fail to submit reports or other information or supporting records when due, to pay any Royalty Fee, Advertising Fund Contribution, amounts due for purchases from us or any of our affiliates, or other payment when due to us or any affiliate within five days of a written notice to you;
- 16.2.1.16 violate any medical, health or safety law, ordinance or regulation, or operate your Franchised Business in a manner that presents a health or safety hazard to your customers, employees, or the public;
- 16.2.1.17 engage in any activity exclusively reserved to us;
- 16.2.1.18 fail to comply with any applicable medical law or regulation governing the operation of your Franchised Business;
- 16.2.1.19 breach this Agreement three times in a 12-month period and/or fail three times in a 12-month period to comply with mandatory specifications, customer service standards, or operating procedures prescribed in the Manual, whether or not previous breaches or failures are cured;
- 16.2.1.20 default under any other agreement between us (or any of our affiliates) and you, such that we or our affiliates, as the case may be, have the right to terminate such agreement or such agreement automatically terminates;
- 16.2.1.21 perform any competing Services in any geographic location outside of the Designated Territory, whether or not such geographic location falls within another franchisee's territory or the territory of any other Franchisor-controlled business;
- 16.2.1.22 fail to refer business opportunities or offers received by third parties, if such business opportunities or offers would take place in any geographic location which falls under the territory of other franchisees, our affiliated business(es), or which are directly controlled by us; and
- 16.2.1.23 if any governmental office overseeing your business determines you violated any state or federal law or if, during the investigation, we determine in our sole discretion that you violated any of the subsections in Section 16.2.1.

16.2.2 Except as otherwise provided in Section 16.2.1, we have the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that you may avoid

termination by curing such default or failure (or by providing proof acceptable to us that you have made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

16.2.2.1 within three days of receiving notice of your failure to maintain insurance as specified in Section 15 of this Agreement ;

16.2.2.2 within five days of receiving notice of your failure to pay any amounts due to us, one of our affiliates or an Approved Supplier; or

16.2.2.3 within 30 days of receiving notice of any other default by you or upon your failure to comply with any mandatory specification, standard, or operating procedure prescribed in the Manual or otherwise prescribed in writing.

16.2.3 For any default of this Agreement which triggers our ability to terminate, we may as an alternative to termination, at our sole and absolute discretion:

16.2.3.1 modify or completely eliminate any rights you may have with respect to the Designated Territory effectively immediately or on a new effective date in our sole discretion; or

16.2.3.2 automatically and permanently transfer your clients to an existing Pause franchisee or one or more of our affiliates.

### **16.3 Reinstatement and Extension**

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, we may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to you without waiving any of our rights under this Agreement.

### **16.4 Right of Franchisor to Discontinue Services to Franchisee**

If you are in breach of any obligation under this Agreement, and we deliver to you a notice of default or termination, we have the right to suspend our performance of any of our obligations under this Agreement until such time as you correct the breach.

### **16.5 Right of Franchisor to Operate Your Franchised Business**

Following the delivery of a notice of default or termination, if necessary, in our discretion, we shall have the right, but not the obligation, to assume the operation of your Franchised Business until

such time as you correct the breach if applicable. We charge a Management Fee as set forth in Section 3.10.

## **17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION**

### **17.1 Actions to be Taken**

Except as otherwise provided herein, upon termination, non-renewal or expiration, this Agreement and all rights granted hereunder to you shall terminate and you shall:

- 17.1.1 immediately cease to operate your Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former Pause franchisee;
- 17.1.2 cease to use the Trade Secrets or other Confidential Information, the System and the Marks, including, without limitation, all slogans, symbols, logos, advertising materials, stationery, forms, and any other items which display or are associated with the Marks;
- 17.1.3 take such action as may be necessary to cancel or assign to us, at our option, any assumed name or equivalent registration filed with state, city, or county authorities which contains the name "Pause" or any other Mark, and you shall furnish us with evidence satisfactory to us of compliance with this obligation within 30 days after termination or expiration of this Agreement;
- 17.1.4 pay all sums owing to us and any of our affiliates. In the event of termination for any default, such sums shall include, but not be limited to, all damages, costs, and expenses, including reasonable attorneys' fees, with respect to litigation, arbitration, appellate, or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by us as a result of any early termination of this Agreement, and any other amounts due to us or any affiliate;
- 17.1.5 pay to us all costs and expenses, including reasonable attorneys' fees, incurred by us subsequent to the termination or expiration of your Franchised Business in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement as set forth in Section 22.4;
- 17.1.6 immediately return to us the Manual, Trade Secrets, and all other Confidential Information, including records, files, instructions, brochures, agreements, and any other materials relating to the operation of your Franchised Business (all of which are acknowledged to be our property);
- 17.1.7 assign all telephone listings and numbers for your Franchised Business to us and shall notify the telephone company and all listing agencies of the termination or expiration of your right to use any telephone numbers or facsimile numbers



associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same;

- 17.1.8 if applicable, assign to us any interest which you have in any lease or sublease for your Franchised Business by executing the Franchisor Lease Addendum attached as Schedule 4 upon our request. In the event that we do not elect to exercise our option to acquire such lease or sublease, you shall make such modifications or alterations to the Accepted Location immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said Accepted Location from that of other Pause businesses and shall make such specific additional changes thereto as we may reasonably request for that purpose. In the event you fail or refuse to comply with these requirements, we shall have the right to enter upon the Accepted Location without being guilty of trespass or any other tort for the purpose of making or causing to be made such changes as may be required, at your expense, which expense you agree to pay upon demand;
- 17.1.9 upon termination of this Agreement: (i) by us due to your default of this Agreement; or (ii) following your purported termination without cause, you agree to pay to us, within 15 days after the effective date of this Agreement's termination, in addition to any other amounts owed under this Agreement, liquidated damages equal to the average monthly Royalty Fee and Advertising Fund Contribution you owed during the total months of operation preceding the effective date of termination multiplied by: (i) 36; or (ii) the number of months remaining in this Agreement had it not been terminated, whichever is less, but in no case will such damages be less than \$30,000. You and we acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination and the loss of cash flow from Royalty Fees and Advertising Fund Contributions due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees and Advertising Fund Contributions would have grown over what would have been this Agreement's remaining term. You and we consider these liquidated damages to be a reasonable, good faith pre-estimate of those damages. The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees and Advertising Fund Contributions. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fees payments and Advertising Fund Contributions. You agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the payment of Royalty Fees and Advertising Fund Contributions;
- 17.1.10 execute any legal document that may be necessary to effectuate the termination of this Agreement and shall furnish to us, within 30 days after the date of termination, written evidence satisfactory to us of your compliance with the foregoing obligations;

17.1.11 comply with all applicable covenants that, by their nature, survive expiration or termination of this Agreement, including those discussing confidentiality, non-competition, and non-solicitation, in this Agreement;

17.1.12 transfer any interests in existing client contracts to us or our designee; and

17.1.13 comply with all other applicable provisions of this Agreement.

## **17.2 Post-Termination Covenant Not to Compete**

17.2.1 *Franchisee Acknowledgement.* You acknowledge that the restrictive covenants contained in this Section and in Section 7 are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

17.2.1.1 to protect the Trade Secrets and other Confidential Information of Franchisor;

17.2.1.2 to induce us to grant a Franchised Business to you; and

17.2.1.3 to protect us against our substantial costs in training you and your officers, directors, executives, and professional staff.

17.2.2 *In-Term and Post-Termination Non-Compete and Non-Solicit Agreement.* Except as otherwise approved in writing by us neither you, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee or any of their immediate family, shall, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, during the term of this Agreement and for a period of two years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly:

17.2.2.1 own, maintain, engage in, be employed by or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, offer services or products (including identical or similar Services and Products offered by your Franchised Business) to or have any interest in or involvement with a Competitive Business located or operating (a) at or within a 15-mile radius of your Franchised Business, or (b) within a 15-mile radius of any other Pause business in existence at the time of termination or expiration, or (c) any other business owned or operated by us in existence at the time of termination or expiration;

17.2.2.2 solicit business from customers of your former Franchised Business;

17.2.2.3 contact or communicate with any of your suppliers or vendors for any purpose related to a Competitive Business;

17.2.2.4 solicit any of our employees, or any other Pause franchisee for any competitive purpose, or knowingly solicit or induce such an employee or franchisee to violate any confidentiality, non-competition or franchise agreement; or

17.2.2.5 refrain from any activity set forth in Section 7.3.

### **17.3 Unfair Competition**

If you operate any other business during and after the term of this Agreement that is not in violation of the in-term and post-term covenants, you shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute our rights in the Marks. You shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with us. This Section is not intended as an approval of your right to operate other businesses and in no way is it intended to contradict Sections 7.3, 17, 17.1 or 17.2. You shall make such modifications or alterations to your Franchised Business (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between us or the System and any business subsequently operated by you or others at your Franchised Business. You shall make such specific additional changes to your Franchised Business as we may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If you fail or refuse to comply with the requirements of this Section, we have the right to enter upon your Franchised Business for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense you shall pay upon demand.

### **17.4 Franchisor's Option to Purchase Certain Business Assets**

We have the right (but not the obligation), for a period of 30 days after termination or expiration of this Agreement, to purchase any or all assets of your Franchised Business including equipment, supplies and other inventory or equipment at the depreciated value calculated on a declining basis of accounting at the rate of 20% per annum or your cost (at our option), less any sums of money owed by you to us and less any sums of money necessary to upgrade and renovate the Accepted Location to meet our then-current standards for a Pause business and less any sums necessary to acquire clear title to the lease or sublease interest. In the event that we are unable to agree on the value of said items, an independent appraiser shall be appointed by us to determine the value of the items based on the declining basis of accounting metric set forth in this Section. The determination of said appraiser shall be final and binding upon the parties. You shall pay the costs and expenses associated with the appointment of an independent appraiser.

### **17.5 Survival of Certain Provisions**

All obligations of you and us, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

## 18. TRANSFERABILITY OF INTEREST

### 18.1 Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by us and such rights will inure to the benefit of any person or entity to whom transferred. Nothing contained in this Agreement shall require us to remain in the medical spa and wellness business or to offer the same Products or Services, whether or not bearing our Marks, in the event that we exercise our rights under this Agreement to assign our rights in this Agreement.

### 18.2 Transfer by Franchisee to a Third Party

Your rights and duties as set forth in this Agreement, and the franchise herein granted, are personal to you (or your owners), and we have entered into this Agreement in reliance upon your personal or collective skill and financial ability. Accordingly, neither you nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, your Franchised Business granted hereby, the assets of your Franchised Business or any part or all of the ownership interest in you without our prior written approval. The term “transfer” means any of the following: the sale of the assets of your Franchised Business; the sale, assignment, or conveyance of your stock, membership interest, membership units, or partnership units of your franchise to any third party; or the placement of your assets, stock, membership interest, partnership units, or membership units of your business into a business trust. Any purported transfer without such approval shall be null and void and shall constitute a breach of this Agreement. If you are in compliance with this Agreement, our consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

- 18.2.1 you have complied with the requirements set forth in Section 19;
- 18.2.2 all obligations owed to us, our subsidiaries, our affiliates, suppliers, and all other outstanding obligations relating to your Franchised Business, are fully paid and satisfied;
- 18.2.3 you (and any transferring owners, if you are a business entity) have executed a general release, in a form the same as or similar to the General Release attached as Schedule 8, of any and all known and unknown claims against us, including our officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of your interest herein or to the transfer of your ownership of all or any part of your Franchised Business; provided, however, that if a general release is prohibited, you shall give the maximum release allowed by law;

- 18.2.4 the prospective transferee has satisfied us that it meets our management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as we may require to demonstrate ability to own and operate your Franchised Business;
- 18.2.5 the transferee and, if we require, all persons owning any interest in the transferee, have executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Advertising Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;
- 18.2.6 the transferee has executed a general release, in a form the same as or similar to the General Release attached as Schedule 8, of any and all claims against us and our officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), with respect to any representations regarding the franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;
- 18.2.7 you have provided us with a complete copy of all contracts and agreements and related documentation between you and the prospective transferee relating to the intended sale or transfer of the franchise;
- 18.2.8 you have paid to us a transfer fee in the amount equal to \$10,000;
- 18.2.9 the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term by executing a personal guaranty in such form as prepared by us;
- 18.2.10 you have agreed to be bound to the obligations of the new franchise agreement and to guarantee the full performance thereof by the transferee, if required by us;
- 18.2.11 the transferee has obtained all necessary consents and approvals by third parties and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;
- 18.2.12 you have, and if you are an entity, all of the holders of a legal and beneficial interest in Franchisee have executed and delivered to us a nondisclosure and non-competition agreement in a form satisfactory to us and in substance the same as the nondisclosure and non-competition covenants contained in Sections 7 and 17; and
- 18.2.13 the transferee agrees that its Operating Principal and Manager (if applicable) shall complete, to our satisfaction, a training program in substance similar to our initial training program prior to assuming the management of the day-to-day operation of your Franchised Business.

## 18.3 Transfer to a Controlled Entity

18.3.1 *Controlled Entity.* If you wish to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by you (“**Controlled Entity**”), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, our consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

- 18.3.1.1 the Controlled Entity is newly organized, and its charter or articles of formation provides that its activities are confined exclusively to the operation of your Franchised Business;
- 18.3.1.2 Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;
- 18.3.1.3 all obligations of you to us or any affiliate are fully paid and satisfied; provided, however, that neither you nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 18.2.8;
- 18.3.1.4 the Controlled Entity has entered into a written agreement with us expressly assuming the obligations of this Agreement and all other agreements relating to the operation of your Franchised Business. If the consent of any other party to any such other agreement is required, you have obtained such written consent and provided the same to us prior to consent by us;
- 18.3.1.5 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with us jointly and severally guaranteeing the full payment of the Controlled Entity’s obligations to us and the performance by the Controlled Entity of all the obligations of this Agreement;
- 18.3.1.6 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to us that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and
- 18.3.1.7 copies of the Controlled Entity’s articles of incorporation or organization, bylaws, operating agreement, federal tax identification number, and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to us. Any amendment to any

such documents shall also be furnished to us immediately upon adoption.

18.3.2 *Term of Transferred Franchise.* The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

18.3.3 *No Waiver.* We consent to a transfer of any interest in this Agreement, or of any ownership interest in your Franchised Business, shall not constitute a waiver of any claims we may have against the transferor or the transferee, nor shall it be deemed a waiver of our right to demand compliance with the terms of this Agreement.

#### **18.4 Franchisor's Disclosure to Transferee**

We have the right, without liability of any kind or nature whatsoever to you, to make available for inspection by any intended transferee of your Franchised Business all or any part of our records relating to this Agreement, your Franchised Business or to the history of the relationship of the parties hereto. You hereby specifically consent to such disclosure by us and shall release and hold us harmless from and against any claim, loss or injury resulting from an inspection of our records relating to your Franchised Business by an intended transferee identified by you.

#### **18.5 For-Sale Advertising**

You shall not, without our prior written consent, place in, on or upon the area of your Franchised Business, or in any communication media, including the Internet, any form of advertising relating to the sale of your Franchised Business.

#### **18.6 Transfer by Death or Incapacity**

Upon the death or incapacity of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding 180 days following such event, transfer such individual's interest in your Franchised Business or in Franchisee to a third party approved by us. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement. During such one 180-day period, your Franchised Business must remain at all times under the primary management of an operator who otherwise meets our management qualifications. Following such a death or incapacity of such person, if necessary in our discretion, we shall have the right, but not the obligation, to assume operation of your Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by us. We shall be given access to your Franchised Business, even if located within your principal residence, and shall not be held liable for trespass or any related tort. We may charge a Management Fee as stated in Section 16.5 for the period in which we operate your Franchised Business, and we shall be entitled to reimbursement of any expenses we incur that are not paid out of the operating cash flow of your Franchised Business.

## **19. RIGHT OF FIRST REFUSAL**

### **19.1 Submission of Offer**

If you, or any of your owners, propose to sell or otherwise transfer (including a transfer by death or incapacity pursuant to Section 18.6) your Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in your Franchised Business granted hereunder, you shall obtain and deliver a bona fide, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to us, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of your owners.

### **19.2 Franchisor's Right to Purchase**

We shall, for 30 days from the date of delivery of all such documents, have the right, exercisable by written notice to you, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to you. We have the right to substitute cash for the fair market value of any form of payment proposed in such offer. Our credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to you of our intent to exercise this right of first refusal, we shall have up to 60 days to close the purchase. We shall be entitled to receive from you all customary representations and warranties given by you as the seller of the assets or such ownership interest or, at our election, such representations and warranties contained in the proposal.

### **19.3 Non-Exercise of Right of First Refusal**

If we do not exercise our right of first refusal within 30 days from the date of delivery of all such documents, the offer or proposal may be accepted by you, subject to our prior written approval as required by Section 18.2. Should the sale fail to close within 120 days after the offer is delivered to us, our right of first refusal shall renew and be implemented in accordance with this Section.

### **19.4 Sales or Transfers to Family Excepted**

If you propose to sell or otherwise transfer your Franchised Business (or any of your assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in your Franchised Business granted hereunder to a member of Franchisee's (or your owners') family, then the terms and conditions of this Section shall be inapplicable. Nothing in this Section 19.4 shall be construed to relieve you from full compliance with the terms and conditions of Section 18.2 prior to a sale or transfer to family pursuant to this Section.

## **20. BENEFICIAL OWNERS OF FRANCHISEE**

### **20.1 Disclosure of Ownership Interests**



You represent, and we enter into this Agreement with you in reliance upon such representation, that the individual(s) identified in Schedule 6 of this Agreement is/are the sole holder(s) of a legal or beneficial interest (in the stated percentages) of the Franchisee entity. Each Principal must act and sign the Unlimited Guaranty and Assumption of Obligations attached as Schedule 3 in his/her individual capacity.

## **20.2 Updates to Ownership**

You agree that you will amend and modify Schedule 6 upon any change in ownership interest of the Franchisee entity and you shall furnished a revised Schedule 6 promptly to us to ensure that Schedule 6 is at all times current, complete and accurate.

## **21. RELATIONSHIP AND INDEMNIFICATION**

### **21.1 Relationship**

This Agreement is purely a contractual relationship between the parties and does not appoint or make you an agent, legal representative, joint-venturer, partner, employee, servant, or independent contractor of Franchisor for any purpose whatsoever. You may not represent or imply to third parties that you are an agent of Franchisor, and you are in no way authorized to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to create any obligation, express or implied, on our behalf. During the term of this Agreement, and any extension or renewal hereof, you shall hold yourself out to the public only as a franchisee and an owner and operator of your Franchised Business pursuant to a franchise license granted by us. You shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on all forms, stationery or other written materials, the content of which we have the right to specify. You shall also conspicuously identify yourself as the independent owner of your business in all business communications, such as email signatures, and on any documents, materials or information released by you. You shall ensure all employees, vendors and contractors receive actual notice of the correct legal name of their employer or the party with whom they have contracted, which is Franchisee and not Franchisor. Under no circumstances shall we be liable for any act, omission, contract, debt, nor any other obligation of you. We shall in no way be responsible for any injuries to persons or property resulting from the operation of your Franchised Business. Any third-party contractors and vendors retained by you to convert or construct the premises are independent contractors of you alone. You further agree that fulfillment of any and all of our obligations written in this Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

### **21.2 Standard of Care**

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires you to obtain our written consent or permits you to take any action or refrain from taking any action, we are free to act in our own self-interest without any obligation to act reasonably, to

consider the impact on you or to act subject to any other standard of care limiting our right, except as may be provided by statute or regulation.

### **21.3 Indemnification**

You shall hold harmless and indemnify us, our affiliates, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively “**Franchisor Indemnities**”) from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys’ fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon your (a) ownership or operation of your Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between you and us (or an affiliate); (d) defamation, libel or slander of us or the System; (e) acts, errors or omissions committed or incurred in connection with your Franchised Business; (f) acts, errors or omissions committed or occurring in connection with the sale or transfer of this Agreement, the assets of your Franchised Business or any ownership interest in you or the use or occupancy of your Franchised Business; (g) infringement or misuse of a third party’s trademark, patent, copyright or other intellectual property; or (h) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. The obligations of this Section shall expressly survive the termination of this Agreement.

### **21.4 Right to Retain Counsel**

You shall give us immediate notice of any such action, suit, demand, claim, investigation, or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnity. We have the right to retain counsel of our own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, our reputation or the goodwill of others, we have the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in our sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If our exercise of our rights under this Section causes any of your insurers to refuse to pay a third-party claim, all cause of action and legal remedies you might have against such insurer shall automatically be assigned to us without the need for any further action on either party’s part. Under no circumstances shall we be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against you. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by us from you.

## **22. GENERAL CONDITIONS AND PROVISIONS**

### **22.1 No Waiver**

No failure of ours to exercise any power reserved to it hereunder, or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Waiver by us of any particular default by you shall not be binding unless in writing and executed by us and shall not affect nor impair our right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by us of any payment(s) due shall not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement.

## **22.2 Injunctive Relief**

As any breach by you of any of the restrictions contained in Sections 6, 7, and 17 would result in irreparable injury to us, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, we shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, without the necessity of posting security or bond and you shall be responsible for our reasonable attorneys' fees incurred in pursuing the same. Our right to seek injunctive relief will not affect the parties' waiver of jury trial and the arbitration requirements set forth herein. Our rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court in our discretion.

## **22.3 Notices**

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by email (to the most recent email address provided by the recipient) or other reasonably reliable electronic communication system; (c) two business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five business days after being sent by Priority Mail, receipt acknowledged. Either party may change their address by a written notice sent in accordance with this Section 22.3. All notices, payments and reports required by this Agreement shall be sent to us at the following address, or at such other address as we may provide:

Pause Franchisor, Inc.  
Attn: Jeff Ono  
13353 W. Washington Blvd.  
Los Angeles, CA 90066

With a copy to:  
Drumm Law, LLC  
12650 W. 64th Avenue, #519  
Arvada, CO 80004

All notices to Franchisee shall be sent to the address set forth on Page 1 of this Agreement.



## 22.4 Cost of Enforcement or Defense

You agree to pay us all damages, costs and expenses (including without limitation reasonable attorneys' fees, arbitration fees, discovery costs, and all other related expenses) that we incur before expiration and termination to enforce or defend any provision in this Agreement including your non-payment of fees due to us and/or non-compliance of any System standard. You further agree to pay us all damages, costs and expenses (including without limitation reasonable attorneys' fees, arbitration fees, discovery costs, and all other related expenses) that we incur after the termination or expiration of the franchise granted under this Agreement in: (a) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including without limitation 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. If we are required to enforce or defend this Agreement or any claim arising out of the franchise relationship in a judicial or arbitration proceeding, we shall be entitled to reimbursement of our costs, including reasonable accounting and attorneys' fees, in connection with such proceeding if we are deemed the prevailing party or if you bring an action and voluntarily dismiss it.

## 22.5 Unlimited Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in the Franchisee entity of 5% or greater (the "**Principals**") shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations attached as Schedule 3, through which such holders agree to assume and discharge all of your obligations under this Agreement and to be personally liable hereunder for all of the same.

## 22.6 Approvals

Whenever this Agreement requires the prior approval or consent of us, you shall make a timely written request to us for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. We make no warranties or guarantees upon which you may rely, and assumes no liability or obligation to you or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

## 22.7 Entire Agreement

This Agreement, its schedules and the documents referred to herein shall be construed together and constitute the entire, full, and complete agreement between us and you concerning the subject matter hereof and shall supersede all prior agreements. You agree that no representation, oral or otherwise, has induced you to execute this Agreement, and there are no representations (other than those within our Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with respect to the

matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties. No provision herein expressly identifying any term or breach of this Agreement as material shall be construed to imply that any other term or breach which is not so identified is not material. However, nothing in this Agreement is intended to disclaim the representations made in the Disclosure Document or its exhibits or amendments.

## **22.8 Severability and Modification**

Except as noted below, each paragraph, part, term, and provision of this Agreement shall be considered severable. If any paragraph, part, term, or provision herein is ruled to be unenforceable, unreasonable, or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable, or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If we determine that a finding of invalidity adversely affects the basic consideration of this Agreement, we have the right to, at our option, terminate this Agreement. Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable, or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets or other Confidential Information or on competition to the maximum extent provided or permitted by law.

## **22.9 Construction**

All captions and headings herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

## **22.10 Force Majeure**

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation, pandemic or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement. During any applicable force majeure event, you shall be required to pay Royalty Fees and all fees due to us timely unless otherwise notified in writing by us.

## **22.11 Timing**

Time is of the essence. Except as set forth in Section 22.10, failure to perform any act within the time required or permitted by this Agreement shall be a breach of this Agreement.

## **22.12 Withholding Payments**

You shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to us or one of our affiliates or suppliers. You shall not withhold or offset any amounts, damages or other monies allegedly due to you against any amounts due to us. No endorsement or statement on any payment for less than the full amount due to us will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and we have the right to accept and cash any such payment without prejudice to our right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. We have the right to apply any payments made by you against any of your past due indebtedness as we deem appropriate. We shall set off sums we might owe to you against any unpaid debts owed by you to us.

### **22.13 Further Assurances**

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

### **22.14 Third Party Beneficiaries**

Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

### **22.15 Multiple Originals**

This Agreement may be executed in counterparts, and each executed copy will be deemed an original.

## **23. DISPUTE RESOLUTION**

### **23.1 Choice of Law**

This Agreement is effective upon its acceptance in California by our authorized officer. Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 and the sections following it) or other federal law, Delaware law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties. However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph. References to any law or regulation also refer to any successor laws or regulations and any implementing regulations for any statute, as in effect at the relevant time. References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency.

### **23.2 Jurisdiction and Venue**

Franchisee and Franchisor each consent and irrevocably submit to the exclusive jurisdiction and venue of the state and federal courts of competent jurisdiction for Los Angeles County, California, for any claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties, except those required to be submitted to arbitration, and waive any objection to the jurisdiction and venue of such courts. This exclusive choice of jurisdiction and venue provision does not restrict the ability of the parties to confirm or enforce judgments or awards in any appropriate jurisdiction.

### **23.3 Jury Waiver**

IN ANY TRIAL BETWEEN ANY OF THE PARTIES AS TO ANY CLAIMS, YOU AND WE AGREE TO WAIVE OUR RIGHTS TO A JURY TRIAL AND INSTEAD HAVE SUCH ACTION TRIED BY A JUDGE.

### **23.4 Class Action Waiver**

YOU AGREE TO BRING ANY CLAIMS, IF AT ALL, INDIVIDUALLY AND YOU SHALL NOT JOIN SUCH CLAIM WITH CLAIMS OF ANY OTHER PERSON OR ENTITY NOR SHALL YOU BRING, JOIN OR PARTICIPATE IN A CLASS OR COLLECTIVE ACTION AGAINST US WITH OTHER FRANCHISEES OR OTHER PERSONS OR ENTITIES.

### **23.5 Limitation of Damages**

FRANCHISEE WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE FRANCHISOR AND AGREES THAT IF THERE IS A DISPUTE, FRANCHISEE WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT WHICH SHALL NOT EXCEED AND SHALL BE LIMITED TO THE REFUND OF FRANCHISEE'S INITIAL FRANCHISE FEE AND ROYALTY FEES PAID. FRANCHISEE WAIVES AND DISCLAIMS ANY RIGHT TO CONSEQUENTIAL DAMAGES IN ANY ACTION OR CLAIM AGAINST FRANCHISOR CONCERNING THIS AGREEMENT OR ANY RELATED AGREEMENT.

### **23.6 Limitation of Actions**

FRANCHISEE AGREES TO BRING ANY CLAIMS AGAINST FRANCHISOR, IF AT ALL, WITHIN ONE YEAR OF THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIMS OR ONE YEAR FROM THE DATE ON WHICH YOU OR WE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST, AND THAT ANY ACTION NOT BROUGHT WITHIN THIS PERIOD SHALL BE BARRED AS A CLAIM, COUNTERCLAIM, DEFENSE, OR SET-OFF EXCEPT FOR CLAIMS FOR: (A) INDEMNIFICATION; OR (B) UNAUTHORIZED USE OF THE CONFIDENTIAL INFORMATION OR MARKS. HOWEVER, THIS PROVISION DOES NOT LIMIT OUR RIGHT TO TERMINATE THIS AGREEMENT IN ANY WAY.

### **23.7 Prior Notice of Claims**

As a condition precedent to commencing an action for any legal claim brought by you, you must notify us within 30 days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages and serve as a condition precedent to filing an arbitration against us.

### **23.8 Internal Dispute Resolution**

As a mandatory condition precedent prior to you taking any legal or other action against us, or our owners, officer and directors, whether for damages, injunctive, equitable or other relief (including, but not limited to, rescission), based upon any alleged act or omission of ours, you shall first give us 90 days prior written notice and opportunity to cure such alleged act or omission, or to resolve such matter.

### **23.9 Mediation and Arbitration**

23.9.1 *Mediation.* With the exception of any controversy or claim relating to the ownership or improper use of our Marks or Confidential Information, and except for equitable claims and claims of non-payment by us against you under this Agreement or any other agreement between us, the parties agree to submit any claim, controversy or dispute between or involving us or any of our affiliates (and our and their respective shareholders, officers, directors, agents, representatives and/or employees) and you (and your agents, representatives and/or employees, as applicable) arising out of or related to: (a) this Agreement or any other agreement between us and you or our and your respective affiliates; (b) our relationship with you; (c) the validity of this Agreement or any other agreement between you and us or our and your respective affiliates; or (d) any System standard, to non-binding mediation at a place that we designate within 25 miles of where our principal office is located at the time of the demand for mediation is made in Los Angeles County, California. The mediation shall be conducted by either a mutually agreed-upon mediator or, failing such agreement within a reasonable period of time (not to exceed 15 days) after either party has notified the other of their desire to seek mediation, by the American Arbitration Association in accordance with its Commercial Mediation Procedures. Absent agreement to the contrary, the mediator shall be experienced in the mediation of disputes between franchisors and franchisees. You and we agree that any statements made by either you or us in any such mediation proceeding will not be admissible in any subsequent arbitration or legal proceeding or otherwise disclosed by either you or us to any third party who, except to the extent a third party is a participant in the mediation proceeding. Each party will bear its own costs and expenses of conducting the mediation and share equally the costs of any third parties who are required to participate. However, the parties must immediately and contemporaneously submit the dispute for non-binding mediation. If the parties are unable to resolve the claim, controversy or dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by the written agreement of the parties, either party may bring a legal proceeding under this Section. The



mediation provisions of this Agreement are intended to benefit and bind certain third-party non-signatories, and all of your and our owners and affiliates. Any mediation proceeding conducted pursuant to this sub-section and any settlement or agreement arising therefrom shall be kept confidential between the parties, except for any settlement disclosure we are legally required to make within a franchise disclosure document. The parties intend for any mediation proceeding to be both private and confidential. Any third parties who are required to participate in a mediation proceeding must be bound by the same confidentiality obligations as the parties.

23.9.2 *Arbitration.* EXCEPT FOR ACTIONS BROUGHT BY US AGAINST YOU FOR NON-PAYMENT OF FEES UNDER THIS AGREEMENT OR ACTIONS BY US FOR INJUNCTIVE RELIEF, ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, IF NOT RESOLVED BY THE INTERNAL DISPUTE RESOLUTION AND MEDIATION PROCEDURES DESCRIBED ABOVE, MUST BE DETERMINED BY ARBITRATION IN LOS ANGELES COUNTY, CALIFORNIA, OR WHERE OUR PRINCIPAL OFFICES ARE LOCATED AT THE TIME THE DEMAND FOR ARBITRATION IS FILED BY THE AMERICAN ARBITRATION ASSOCIATION (“AAA”). THIS ARBITRATION CLAUSE WILL NOT DEPRIVE US OF ANY RIGHT WE MAY OTHERWISE HAVE TO SEEK INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION. THE CALIFORNIA-BASED ARBITRATOR MUST HAVE SUBSTANTIAL EXPERIENCE IN FRANCHISE LAW AND WITH COMMERCIAL DISPUTES. THE PARTIES AGREE THEY WILL ASK THAT THE ARBITRATOR LIMIT DISCOVERY TO THE GREATEST EXTENT POSSIBLE CONSISTENT WITH BASIC FAIRNESS IN ORDER TO MINIMIZE THE TIME AND EXPENSE OF ARBITRATION. IF PROPER NOTICE OF ANY HEARING HAS BEEN GIVEN, THE ARBITRATOR WILL HAVE FULL POWER TO PROCEED TO TAKE EVIDENCE OR TO PERFORM ANY OTHER ACTS NECESSARY TO ARBITRATE THE MATTER IN THE ABSENCE OF ANY PARTY WHO FAILS TO APPEAR. BOTH PARTIES WAIVE ANY RIGHTS THEY MAY HAVE TO DEMAND TRIAL BY JURY OR TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. THE ARBITRATOR WILL HAVE NO POWER TO: (A) STAY THE EFFECTIVENESS OF ANY PENDING TERMINATION OF FRANCHISE; (B) ASSESS PUNITIVE DAMAGES AGAINST EITHER PARTY; OR (C) MAKE ANY AWARD THAT MODIFIES OR SUSPENDS ANY LAWFUL PROVISION OF THIS AGREEMENT. THE PARTY AGAINST WHOM THE ARBITRATORS RENDER A DECISION MUST PAY ALL EXPENSES OF ARBITRATION. ANY COURT OF COMPETENT JURISDICTION MAY ENTER JUDGMENT UPON ANY AWARD. THE PARTIES AGREE AND INTEND THAT AN ARBITRATION WILL BE KEPT BOTH PRIVATE AND CONFIDENTIAL BETWEEN THEM. AT THE OUTSET OF ANY ARBITRATION, THE PARTIES WILL SEEK THE ENTRY OF A PROTECTIVE ORDER FROM THE ARBITRATOR, PROTECTING ALL PLEADINGS, MOTIONS, EXHIBITS, DEPOSITION TRANSCRIPTS,

DISCOVERY REQUESTS AND RESPONSES, DOCUMENTS, AWARDS, ORDERS, DECISIONS AND REPORTS FROM DISCLOSURE BY THE PARTIES, THE ARBITRATOR, AND ANY NON-PARTY WITNESSES OR OTHER PARTICIPANTS. ADDITIONALLY, ANY FINAL AWARD SHALL REITERATE SUCH ORDER OF PROTECTION, EXCEPT FOR THE TERMS OF AN AWARD WHICH WE ARE LEGALLY REQUIRED TO DISCLOSE IN A FRANCHISE DISCLOSURE DOCUMENT, OR DISCLOSURES IN CONNECTION WITH JUDICIAL PROCEEDINGS ANCILLARY TO THE ARBITRATION, SUCH AS A JUDICIAL CHALLENGE TO, OR ENFORCEMENT OF, AN AWARD, AND UNLESS OTHERWISE REQUIRED BY LAW.

### **23.10 Waiver of Bond**

You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

### **23.11 Arbitration Fees**

If we are the substantially prevailing party in arbitration, you agree to reimburse our costs and attorney fees, as well as the arbitration costs and fees, incurred in pursuing or defending the claims against you or us including all mediation and investigation costs and expenses. In any arbitration filed by you where we have no substantive counterclaim against you, you are required to advance and pay all fees to the AAA and the arbitrator.

### **23.12 Third Party Beneficiaries**

Our officers, directors, members, shareholders, agents, and employees are express third-party beneficiaries of the terms of the dispute resolution provisions contained herein.

### **23.13 Release of Prior Claims**

By executing this Agreement, you, individually and on behalf of your heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, forever releases and discharges Franchisor and our officers, directors, employees, agents and servants, including our subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under this Agreement or any other agreement between the parties executed prior to the date of this Agreement including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state or territory thereof. However, this release expressly excludes claims arising from representations in the Disclosure Document or its exhibits or amendments.

## **23.14 No Personal Liability**

You agree that fulfillment of any and all of our obligations written in this Agreement or based on any oral communications that may be ruled to be binding in a court of law will be our sole responsibility and none of our agents, representatives, nor any individuals associated with our franchise company will be personally liable to you for any reason. This is an important part of this Agreement. You agree that nothing that you believe you have been told by us or our representatives will be binding unless it is written in this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

## **24. ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS**

### **24.1 Business Entity**

Franchisee and each Principal represent and warrant that: (a) Franchisee is a duly organized and validly existing entity under the laws of the state of its organization, and, if a foreign business corporation, partnership, limited liability company or other legal entity, Franchisee is duly qualified to transact business in the state in which its Franchised Business is located; (b) Franchisee has provided truthful information about residency of each of its shareholders or members and shall hold Franchisee harmless from any liability for providing incorrect or false information; (c) the undersigned Principal has the authority to execute and deliver this Agreement and to perform its obligations; (d) true and complete copies of the articles or certificate of organization, operating agreement, partnership agreement, bylaws, trust agreements and all other documents relating to the ownership, organization, capitalization, management and control of the Franchisee entity shall be promptly delivered to us; and (e) Franchisee's activities are restricted to those necessary solely for the ownership, operation and development of Pause studios in accordance with this Agreement.

### **24.2 Regulatory Reviews and Approvals**

You represent and warrant that you have retained your own independent counsel to advise the Franchisee entity and its Principals regarding the laws and regulations governing medical facilities in general in your jurisdiction, your Franchised Business, your Authorized Care Providers, your relationship with Authorized Care Providers, marketing of your Services and Products, the use of Services and Products on patients, CPOM, fee splitting, and all other rules and regulations that may apply to operating your Franchised Business.

### **24.3 Employment Matters**

You represent and warrant that you will comply with all applicable employment laws governing your Franchised Business and that you will provide wages and/or benefits and maintain work hours in compliance with applicable laws. You agree that you will not utilize forced, prison or child labor. No person may be employed at an age younger than that permitted by applicable law, and such age must be appropriately documented.

## **25. ACKNOWLEDGMENTS**

### **25.1 Receipt of this Agreement and the Franchise Disclosure Document**

You represent and acknowledge that you have received this Agreement and that you have received our Disclosure Document at least 14 calendar days prior to the date on which this Agreement was executed. **Initial:** [       ]

### **25.2 True and Accurate Information**

You represent that all information set forth in any and all applications, financial statements, and submissions to us is true, complete, and accurate in all respects, and you acknowledge that we are relying upon the truthfulness, completeness, and accuracy of such information. **Initial:** [       ]

### **25.3 No Violation of Other Agreements**

You represent that your execution of this Agreement will not violate any other agreement or commitment to which you or any holder of a legal or beneficial interest in the Franchisee entity is a party. **Initial:** [       ]

### **25.4 Franchisee Compliance with Healthcare Laws and Regulations**

YOU UNDERSTAND, ACKNOWLEDGE AND AGREE THAT YOU HAVE BEEN ADVISED BEFORE SIGNING THIS AGREEMENT THAT YOU MUST INDEPENDENTLY EVALUATE AND INTERPRET, WITH YOUR OWN INDEPENDENT LEGAL COUNSEL, APPLICABLE AUTHORIZED CARE PROVIDER REGULATIONS AS THEY RELATE TO YOUR OWNERSHIP AND OPERATION OF THE FRANCHISED BUSINESS. **Initial:** [       ]

YOU UNDERSTAND, ACKNOWLEDGE AND AGREE THAT NOTHING IN THIS AGREEMENT, THE MANUAL, OR OTHERWISE SHALL BE INTERPRETED AS AUTHORIZING US TO EXERT CONTROL OVER THE DELIVERY OF HEALTH CARE SERVICES INCLUDING THE SERVICES AND PRODUCTS, TO THE EXTENT THAT ANY SUCH SERVICES REQUIRE THE JUDGMENT, TREATMENT AND/OR ACTION OF AN AUTHORIZED CARE PROVIDER IN THE APPLICABLE JURISDICTION OF YOUR FRANCHISED BUSINESS. **Initial:** [       ]

YOU UNDERSTAND, ACKNOWLEDGE AND AGREE THAT MEDICAL TREATMENT SHALL BE EXCLUSIVELY DETERMINED BY YOUR AUTHORIZED CARE PROVIDERS. **Initial:** [       ]

YOU UNDERSTAND, ACKNOWLEDGE AND AGREE THAT YOU ARE SOLELY AND EXCLUSIVELY RESPONSIBLE TO ENSURE THAT YOUR FRANCHISED BUSINESS IS OPERATED, AND ALL AUTHORIZED SERVICES AND AUTHORIZED MEDICAL SERVICES ARE RENDERED, IN ACCORDANCE WITH ALL APPLICABLE LAWS, INCLUDING ALL AUTHORIZED CARE PROVIDER REGULATIONS. **Initial:** [       ]

IN WITNESS WHEREOF the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

**PAUSE FRANCHISOR INC.**

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**FRANCHISEE:**

Franchisee Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE 1 TO THE FRANCHISE AGREEMENT  
FRANCHISE FEE, ACCEPTED LOCATION, TERRITORY AND OPENING DATE**

**INITIAL FRANCHISE FEE:** \$ \_\_\_\_\_

**ACCEPTED LOCATION AND TERRITORY:**

The Accepted Location under this Agreement will be:

\_\_\_\_\_

If the Accepted Location has not yet been selected and approved, the geographic area within which you will select the site for your Franchised Business is [subject to change in our discretion]:

\_\_\_\_\_

The Designated Territory under this Agreement (if applicable) will be:

\_\_\_\_\_ mile-radius around Accepted Location

Check if map is attached.

**OPENING DATE:** \_\_\_\_\_

**PAUSE FRANCHISOR INC.**

**FRANCHISEE:**

Signature: \_\_\_\_\_

Franchisee Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE 2 TO THE FRANCHISE AGREEMENT  
NONDISCLOSURE AND NON-COMPETITION AGREEMENT**

This “Agreement” made as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between \_\_\_\_\_, (“Franchisee,” “we,” “us,” or “our”) and \_\_\_\_\_ (“Individual,” “you,” or “your”).

**W I T N E S E T H:**

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (“Franchise Agreement”) by and between Franchisee and the Franchisor, Pause Franchisor Inc. (“Company”); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said Trade Secrets and other Confidential Information; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in any business (i) offers the same or similar medical spa, wellness and/or cosmetic services and products as a Pause business under any service system (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee, or Company, any affiliate of Company or Company’s other franchisees (hereinafter, “Competitive Business”); provided, however, that the term Competitive Business shall not apply to any business operated by Franchisee under a Franchise Agreement with Company.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

**1. Trade Secrets and Confidential Information**

- 1.1 Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business.
- 1.2 For the purposes of this Agreement, a “Trade Secret” is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in the Pause business that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain

economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

- 1.3 For the purposes of this Agreement “**Confidential Information**” means technical and non-technical information used in or related to Pause businesses that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Operations Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual; (ii) Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.
- 1.4 Any information expressly designated by Company or Franchisee as “**Trade Secrets**” or “**Confidential Information**” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee’s providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

## 2. Confidentiality/Non-Disclosure

- 2.1 Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.
- 2.2 Individual’s obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual’s relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual’s obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a Pause business.



### **3. Non-Competition**

- 3.1 During the term of Individual's relationship with Franchisee and for a period of two years after the expiration or termination of Individual's relationship with Franchisee, regardless of the cause of expiration or termination, Individual shall not, directly or indirectly, divert or attempt to divert any business or customer of Franchisee or the Company or any licensed Pause location to any Competitive Business, 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 the Company's service mark "Pause" and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as the Company designates to be used in connection with Pause or the Company's uniform standards, methods, procedures and specifications for the establishment and operation of a Pause business.
- 3.2 During the term of Individual's relationship with Franchisee, Individual shall not, directly or indirectly, develop, own, manage, operate, be employed by or have any interest in a Competitive Business or offer Competitive Business services without the express written consent of Franchisee and the Company.
- 3.3 For a period of two years after the term of Individual's relationship with Franchisee, regardless of the cause of termination, Individual shall not, directly or indirectly, develop, own, manage, operate, be employee by or have any interest in a Competitive Business or offer Competitive Business services anywhere within a 15-mile radius of any Pause business location without the express written consent of Franchisee and the Company.
- 3.4 At no time shall Individual, directly or indirectly, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisee, Company or any other Pause business to violate a non-disclosure or non-competition agreement to which such employee or business associate is a party.

### **4. Reasonableness of Restrictions**

Individual acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the Company's business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this

Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

## 5. Relief for Breaches of Confidentiality, Non-Solicitation, and Non-Competition

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and/or Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

## 6. Dispute Resolution

- 6.1 **Choice of Law.** Except as to claims governed by federal law, Delaware law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties (“**Claims**”).
- 6.2 **Jurisdiction and Venue.** You and we agree that venue and jurisdiction for any Claims, except those required to be submitted to arbitration, shall be proper solely in the state and federal court nearest to our corporate headquarters in Los Angeles County, California.
- 6.3 **Jury Waiver.** In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.
- 6.4 **Class Action Waiver.** You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.
- 6.5 **Punitive Damages Waiver.** As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.
- 6.6 **Limitation of Actions.** You agree to bring any Claims against us, if at all, within one year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.
- 6.7 **Prior Notice of Claims.** As a condition precedent to commencing an action for a Claim, you must notify us within 30 days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

- 6.8 **Internal Dispute Resolution.** You must first bring any Claim to our CEO, after providing notice as set forth in Section 6(g) above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.
- 6.9 **Mediation and Arbitration.** Before you may bring any Claim against us, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we cannot mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association (“AAA”) and split any AAA and mediator fees equally. If mediation is unsuccessful and you decide to pursue a legal claim against us, you agree to bring such claim solely in binding arbitration conducted in the city or county of our headquarters in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The proceedings will be held by a single arbitrator. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.
- 6.10 **Waiver of Bond.** You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.
- 6.11 **Attorney Fees.** If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

## 7. Miscellaneous

- 7.1 This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.
- 7.2 This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns. Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein.
- 7.3 The failure of either party to insist upon performance in any one or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

- 7.4 In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.
- 7.5 This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Company.
- 7.6 The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement.

**INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.**

**THE PARTIES ACKNOWLEDGE THAT THE COMPANY IS A THIRD-PARTY BENEFICIARY TO THIS AGREEMENT AND THAT THE COMPANY SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF THE FRANCHISEE. INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE COMPANY.**

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one original being delivered to each party as of the day and year first above written.

**FRANCHISEE:**

By: \_\_\_\_\_

Its: \_\_\_\_\_

**INDIVIDUAL:**

Signature: \_\_\_\_\_

Name Printed: \_\_\_\_\_

**SCHEDULE 3 TO THE FRANCHISE AGREEMENT  
UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS is given on \_\_\_\_\_ by \_\_\_\_\_ (“**Guarantor(s)**”).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement dated \_\_\_\_\_ herewith (“**Franchise Agreement**”) by Pause Franchisor Inc. (“**Franchisor**”), each of the undersigned Guarantors hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ (“**Franchisee**”) shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement. Each of the undersigned Guarantors shall be personally bound by, and personally liable for, Franchisee’s (a) financial and operational obligations under the Franchise Agreement (and Multi-Unit Development Agreement (“**MUDA**”) if applicable), whether now or in the future, and (b) breach of any provision in the Franchise Agreement (and MUDA if applicable), including those relating to monetary obligations, operational obligations, and obligations to take or refrain from taking specific actions or engaging in specific activities, such as those contemplated by Sections 6, 7, and 17 of the Franchise Agreement. Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right it may have to require that an action be brought against Franchisee (or Developer) or any other person as a condition of liability; and € any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (a) the undersigned’s direct and immediate liability under this Guaranty shall be joint and several; (b) the undersigned shall render any payment or performance required under the Franchise Agreement (or MUDA if applicable), whether now or in the future, upon demand if Franchisee (or Developer) fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person or entity; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Franchise Agreement.

Each of the undersigned waives: (i) acceptance and notice of acceptance by Franchisor of the forgoing undertakings; (b) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; and (c) any and all other notices and legal or equitable defenses, right of setoff, claim or counterclaim whatsoever to which they may be entitled at any time hereunder.

Each of the undersigned agrees that each of the obligations in Guaranty shall be continuing and shall not be discharged by: (i) the insolvency of Franchisee or the payment in full of all of the obligations at any time; (ii) the power or authority or lack thereof of Franchisee to incur the obligations; (iii) the validity or invalidity of any of the obligations; (iv) the existence or non-existence of Franchisee as a legal entity; (v) the transfer or assignment of all or a portion of the ownership in Franchisee and/or the assets of Franchisee; (vi) the execution of an owners agreement or any other form of guaranty by any direct, indirect or beneficial owner of Franchisee in favor of Franchisor or Franchisor's successors or assigns; (vii) any statute of limitations affecting the liability of the undersigned or the ability of Franchisor to enforce this Guaranty or the obligations; (viii) any right of offset, counterclaim or defense of any of the undersigned, including, without limitation, those which have been waived by the undersigned pursuant to this Guaranty; or (ix) the expiration, termination or assignment of the Franchise Agreement or any other agreement between Franchisee and Franchisor or its affiliates.

This Guaranty represents the entire agreement and understanding of these parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

Successors and Assigns; Death of Guarantor. This Guaranty shall be binding upon Guarantor(s) and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, Guarantor expressly agrees that Guarantor's death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that Guarantor's estate and heirs shall continue to be liable hereunder with respect to any Guaranteed Obligations created or arising after Guarantor's death.

The validity, interpretation and enforcement of this Guaranty and any dispute arising out of the relationship between Guarantor and Franchisor, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Delaware (without giving effect to principles of conflicts of law).

This Guaranty shall apply in equal force to any MUDA signed by Guarantor or an affiliated entity owned by Guarantor in conjunction with the Franchise Agreement and/or MUDA. Specifically, Guarantor shall render any payment or performance required under the MUDA upon demand if the Developer fails or refuses punctually to do so.

Dispute Resolution. You agree to be bound by the Dispute Resolution provisions found in Section 23 of any Franchise Agreement between the Franchisor and Franchisee as if set forth herein and as being equally applicable to this Guaranty and the dealings of the parties hereunder. Specifically, among other provisions, Guarantor agrees to arbitrate any and all Claims against the Franchisor in Los Angeles County, California, and that Los Angeles County, California is the sole and exclusive jurisdiction and venue for any such Claims, Franchisor may have against you for non-payment of amounts due and owing to the Franchisor or to obtain an injunction against Guarantor for breaches of the Franchise Agreement.

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

**PERSONAL GUARANTOR:**

**PERSONAL GUARANTOR:**

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Signature)

\_\_\_\_\_  
Personally and Individually (Signature)

HOME ADDRESS

HOME ADDRESS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_

PERCENTAGE OF OWNERSHIP  
IN FRANCHISEE: \_\_\_\_\_%

PERCENTAGE OF OWNERSHIP  
IN FRANCHISEE: \_\_\_\_\_%



**SCHEDULE 4**  
**FRANCHISOR LEASE ADDENDUM**

**FRANCHISOR’S LEASE ADDENDUM**

This Addendum to Lease (“**Addendum**”), dated \_\_\_\_\_, 20\_\_\_\_, is entered into by \_\_\_\_\_ and \_\_\_\_\_ between \_\_\_\_\_ (“**Landlord**”), \_\_\_\_\_ (“**Tenant**”) and Pause Franchisor Inc. (“**Franchisor**”), collectively referred to herein as the “**Parties**.”

A. Landlord and Tenant have entered into a certain Lease Agreement dated \_\_\_\_\_, 20\_\_\_\_, and pertaining to the premises located at \_\_\_\_\_ (“**Lease**”).

B. Landlord acknowledges that Tenant intends to operate a franchised business from the leased premises (“**Premises**”) pursuant to a Franchise Agreement (“**Franchise Agreement**”) with Franchisor under Franchisor’s trademarks and other names designated by Franchisor (herein referred to as “**Franchised Business**” or “**Franchise Business**”).

C. The parties now desire to supplement the terms of the Lease in accordance with the terms and conditions contained herein.

**NOW, THEREFORE**, it is hereby mutually covenanted and agreed among the Parties as follows:

1. Use of the Premises. During the term of the Franchise Agreement, the Premises shall be used only for the operation of the Franchised Business.

2. Franchise System. Landlord hereby consents to Tenant’s use of such proprietary marks, signs, interior and exterior décor items, color schemes and related components of the Franchised Business required by Franchisor. Tenant's use of such items shall at all times be in compliance with all applicable laws, ordinances, rules and regulations of governmental authorities having jurisdiction over the Premises.

3. Assignment. Tenant shall have the right, without further consent from Landlord, to sublease or assign all of Tenant’s right, title, and interest in the Lease to an assignee of the Tenant or the Franchised Business (“**Franchise Assignee**”) at any time during the term of the Lease, including any extensions or renewals thereof. In addition, if Tenant fails to timely cure any default under either the Lease or the Franchise Agreement, Franchisor or a Franchise Assignee that Franchisor designates, will, at its option, have the right, but not the obligation, to take an assignment of Tenant’s interest under the Collateral Assignment of Lease or other form of assignment and assumption document reasonably acceptable to Landlord, provided such Franchise Assignee cures a default of the Lease no later than ten days following the end of Tenant’s cure period. No assignment shall be effective until: (i) a Franchise Assignee gives Landlord written notice of its acceptance of the assignment and assumption of the Lease; and (ii) Tenant or the Franchisee Assignee has cured all material defaults of the Lease for which it has received notice

from Landlord. Nothing contained herein or in any other document shall create any obligation or liability of Franchisor, any Franchise Assignee, or guarantor thereof under the Lease unless and until the Lease is assigned to, and accepted in writing by a Franchise Assignee. In the event of any assignment or purported assignment under this Addendum, Tenant shall remain liable under the terms of the Lease and the assignee or subtenant shall retain all of the Tenant's rights granted in the Lease including without limitation: (x) any grant of a protected territory or use exclusivity; and (y) the renewal or extension of the Lease term. With respect to any assignment proposed or consummated under this Addendum, Landlord hereby waives any rights it may have to: (A) recapture the Premises; (B) terminate the Lease; or (C) modify any terms or conditions of the Lease. If Franchisor accepts an assignment and assumes the Lease under this section, Franchisor shall have the right to further sublet or reassign the Lease to another Franchise Assignee without Landlord's consent in which event Franchisor shall be released from any obligation or liability under the Lease. As used in this Addendum, "**Franchise Assignee**" means: (i) Franchisor or Franchisor's parent, subsidiary, or affiliate; or (ii) any franchisee of Franchisor or of Franchisor's parent, subsidiary, or affiliate.

4. Default and Notice.

a. If Tenant defaults on or breaches the Lease and Landlord delivers a notice of default to Tenant, Landlord shall contemporaneously send a copy of such default notice to Franchisor. Franchisor shall have the right, but not the obligation, to cure the default during Tenant's cure period plus an additional ten (10) day period. Franchisor will notify Landlord whether it intends to cure the default prior to the end of Tenant's cure period.

b. All notices to Franchisor shall be sent by a reputable overnight delivery service to the following address:

Pause Franchisor Inc.  
13353 W. Washington Blvd.  
Los Angeles, CA 90066

Franchisor may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees that it will notify both Tenant and Franchisor of any change in Landlord's mailing address to which notices should be sent.

c. Tenant and Landlord agree not to terminate, or materially amend the Lease during the term of the Franchise Agreement or any renewal thereof without Franchisor's prior written consent. Any attempted termination, or material amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

5. Termination or Expiration.

a. If Franchisor does not elect to take an assignment of the Tenant's interest, Landlord will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Landlord, to remove all signs, awnings, and all other items identifying

the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the Franchisor’s trademarks and franchise system and to distinguish the Premises from a Franchised Business provided that Franchisor repairs any damage caused to the Premises by exercise of its rights hereunder.

b. If any Franchise Assignee purchases any assets of Tenant, Landlord shall permit such Franchise Assignee to remove all the assets being purchased, and Landlord waives any lien rights that Landlord may have on such assets.

6. Consideration; No Liability.

a. Landlord acknowledges that the Franchise Agreement requires Tenant to receive Franchisor’s approval of the Lease prior to Tenant executing the Lease and that this Addendum is a material requirement for Franchisor to approve the Lease. Landlord acknowledges Tenant would not lease the Premises without this Addendum. Landlord also hereby consents to the Collateral Assignment of Lease from Tenant to Franchisor as evidenced by Attachment 1.

b. Landlord further acknowledges that Tenant is not an agent or employee of Franchisor, and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any Franchise Assignee, and that Landlord has entered into this with full understanding that it creates no duties, obligations, or liabilities of or against any Franchise Assignee.

7. Amendments. No amendment or variation of this Addendum shall be valid unless made in writing and signed by the Parties hereto.

8. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions, and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Addendum as though copies herein in full.

**IN TESTIMONY WHEREOF**, witness the signatures of the Parties hereto as of the day, month, and year first written above.

**LANDLORD:**

**TENANT:**

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_



**FRANCHISOR:**

\_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

\_\_\_\_\_

Title: \_\_\_\_\_

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**ATTACHMENT 1 TO LEASE ADDENDUM**

**COLLATERAL ASSIGNMENT OF LEASE**

A. FOR VALUE RECEIVED, as of the \_\_\_ day of \_\_\_\_\_, 20\_\_ (“**Effective Date**”), the undersigned, \_\_\_\_\_ (“**Assignor**”) hereby assigns, transfers and sets over unto \_\_\_\_\_ (“**Assignee**”) all of Assignor’s right, title, and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as **Exhibit A (“Lease”)** with respect to the premises located at \_\_\_\_\_ . This Collateral Assignment of Lease (“**Assignment**”) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee expressly assume the obligations of Assignor thereunder.

B. Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein, and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

C. Upon a default by Assignor under the Lease or under that certain franchise agreement for a franchise between Assignee and Assignor (“**Franchise Agreement**”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered, in Assignee’s sole discretion, to: (i) cure Assignor’s default of the Lease; (ii) take possession of the premises demised by the Lease; (iii) expel Assignor from the premises, either temporarily or permanently; (iv) terminate Assignor’s rights, title, and interest in the Lease; and/or (v) assume the Lease. If Assignee expends sums to cure a default of the Lease, Assignor shall promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of two percent per month, or the highest rate allowed by law.

Assignor agrees it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest to exercise the extension or renewal options in the name, place, and stead of Assignor for the sole purpose of effecting the extension or renewal.

*(Signatures on following page)*

**IN WITNESS WHEREOF**, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

**ASSIGNOR:**

\_\_\_\_\_

By: \_\_\_\_\_

Printed Name \_\_\_\_\_

Its: \_\_\_\_\_

**ASSIGNEE:**

\_\_\_\_\_

By: \_\_\_\_\_

Printed Name \_\_\_\_\_

Its: \_\_\_\_\_

Rev. 022324

**SCHEDULE 5 TO THE FRANCHISE AGREEMENT  
ACH PAYMENT AGREEMENT**

FRANCHISEE NAME: \_\_\_\_\_

**AUTHORIZATION AGREEMENT FOR ACH Payments**

(I/we) do hereby authorize Pause Franchisor Inc., hereinafter named the “**Franchisor**”, to initiate (debit or credit) entries to (my/our) (Checking Account / Savings Account) as indicated and named below as the depository financial institution, hereafter named FINANCIAL INSTITUTION pursuant to the terms of the Franchise Agreement by and between us and the Franchisor.

(I/we) acknowledge that the origination of ACH transactions to my (my/our) account must comply with the provisions of U.S. law. Furthermore, if any such debit(s) should be returned NSF, (I/we) authorize the Franchisor to collect such debit(s) by electronic debit and subsequently collect a returned debit NSF fee of \$100.00 per occurrence by electronic debit from my account identified below. In the event all funds and interests are not received by Franchisor within five days from presentment and intended withdrawal from our account by Franchisor, then we will be deemed in default of the Franchise Agreement. We further agree to pay all reasonable costs of collection including but not limited to reasonable attorney’s fees and court costs incurred by Franchisor. I am a duly authorized check signer on the financial institution account identified below, and authorize all of the above as evidenced by my signature below.

CHECK (ACH) INFORMATION ROUTING NUMBER: \_\_\_\_\_

ACCOUNT NUMBER: \_\_\_\_\_

DEPOSITORY NAME: \_\_\_\_\_

BRANCH: \_\_\_\_\_

CITY: \_\_\_\_\_ STATE: \_\_\_\_\_ ZIP: \_\_\_\_\_

COMPANY NAME: \_\_\_\_\_

FIRST NAME/LAST NAME: \_\_\_\_\_

BILLING ADDRESS: \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

PHONE NUMBER: \_\_\_\_\_

CUSTOMER NUMBER: \_\_\_\_\_

SIGNATURE ON FILE: \_\_\_\_\_

PHONE OR EMAIL APPROVAL AUTHORIZATION NUMBER: \_\_\_\_\_

**FRANCHISEE:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**SCHEDULE 6 TO THE FRANCHISE AGREEMENT  
HOLDERS OF LEGAL OR BENEFICIAL INTEREST  
IN FRANCHISEE; OPERATING PRINCIPAL**

**Operating Principal(s):**

Name: \_\_\_\_\_

Position/Title: \_\_\_\_\_

Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Percentage of ownership: \_\_\_\_%

Name: \_\_\_\_\_

Position/Title: \_\_\_\_\_

Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Percentage of ownership: \_\_\_\_%

**Other Holders of Legal or Beneficial Interest:**

Name: \_\_\_\_\_

Position/Title: \_\_\_\_\_

Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Percentage of ownership: \_\_\_\_%

Name: \_\_\_\_\_

Position/Title: \_\_\_\_\_

Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Percentage of ownership: \_\_\_\_%

Name: \_\_\_\_\_

Position/Title: \_\_\_\_\_

Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Percentage of ownership: \_\_\_\_%

Name: \_\_\_\_\_

Position/Title: \_\_\_\_\_

Home Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone No.: \_\_\_\_\_

E-mail address: \_\_\_\_\_

Percentage of ownership: \_\_\_\_%

**FRANCHISEE:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_





**SCHEDULE 7 TO THE FRANCHISE AGREEMENT  
STATE ADDENDA TO THE FRANCHISE AGREEMENT**

## CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

Section 16.2 is deleted and in its place are substituted the following:

**16.2.1 Termination by Us Without Right to Cure.** We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

(f) The franchisee, after curing any failure in accordance with Section 16.2.2 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

**16.2.2 Termination by Us with Opportunity to Cure.** We may terminate this Agreement, after sending you notice and a 60-day opportunity to cure, for any other breach of this Agreement.

**FRANCHISEE:**

**PAUSE FRANCHISOR INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



**ILLINOIS ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, 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.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**FRANCHISEE:**

**PAUSE FRANCHISOR INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**MARYLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. A 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.

3. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by a franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. 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.

**FRANCHISEE:**

**PAUSE FRANCHISOR INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 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 for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.
- NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

Also, a court will determine if a bond is required.

Any Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

**FRANCHISEE:**

**PAUSE FRANCHISOR INC.**



By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **NORTH DAKOTA ADDENDUM TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. You are not required to sign a general release upon renewal of the franchise agreement.
2. The franchise agreement is amended to also provide as follows:

“Covenants not to compete are generally considered unenforceable in the State of North Dakota.”

3. The provisions concerning choice of law, jurisdiction and venue, jury waiver, and waiver of exemplary or punitive damages are hereby deleted and in their place is substituted the following language:

“You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”

4. North Dakota law governs any cause of action arising out of the franchise agreement.

5. Any requirement in the Franchise Agreement that requires you to pay all costs and expenses incurred by us in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

6. Section 3.1.1 of the Franchise Agreement shall be amended to states that the Initial Franchise Fees owed by franchisees shall be deferred until Franchisor has satisfied its pre-opening obligations to franchisees and franchisee has commenced operations of its Franchised Business.

7. Section 17 of the Franchise Agreement is modified and deletes the obligation of franchisees to consent to termination or liquidated damages.

8. Section 23 of the Franchise Agreement is modified and amended to provide that all arbitration or mediation required under the Franchise Agreement shall be at a location agreeable to all parties and may not be remote from the franchisee’s Franchised Business.

9. Section 23 of the Franchise Agreement shall be modified to state that the statute of limitations under North Dakota law shall apply.



**FRANCHISEE:**

**PAUSE FRANCHISOR INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



**RHODE ISLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the franchise agreement contains any provisions that conflict with the Rhode Island Franchise Investment Act, the provisions of this Addendum shall prevail to the extent of such conflict.

2. Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Any provision in the franchise agreement requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

4. The Rhode Island Franchise Investment Act stipulates that you cannot release or waive any rights granted under this Act. Any provision of this franchise agreement, which constitutes a waiver of rights granted under the Act, is superseded.

5. You agree to bring any claim against us, including our present and former employees and agents, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.

**FRANCHISEE:**

**PAUSE FRANCHISOR INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**SOUTH DAKOTA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- 1. The Franchise Agreement is clarified to also indicate that 50% of the initial franchise fee and 50% of royalties are deemed paid for the use of our Marks and 50% are deemed paid for our training, support, and franchise system.

**FRANCHISEE:**

**PAUSE FRANCHISOR INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## **WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

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.

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.

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.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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.

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.

A surety bond in the amount of \$100,000 has been obtained by the Franchisor. The Washington Securities Division has made the issuance of the Franchisor's permit contingent upon the Franchisor maintaining surety bond coverage acceptable to the Administrator until (a) all

Washington franchisees have (i) received all initial training that they are entitled to under the franchise agreement or offering circular, and (ii) are open for business; or (b) the Administrator issues written authorization to the contrary.

Section 3.3.1 of the Franchise Agreement shall be amended to state the following: “*Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of your Franchised Business. 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 within 30 days, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.”

The Release Agreement in Schedule 8 does not apply to claims arising under the Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.222(2).

The undersigned does hereby acknowledge receipt of this addendum.

**FRANCHISEE:**

**PAUSE FRANCHISOR INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**WISCONSIN ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.
  
2. The Franchise Agreement is amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

**FRANCHISEE:**

**PAUSE FRANCHISOR INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE 8 TO THE FRANCHISE AGREEMENT  
GENERAL RELEASE**

THIS GENERAL RELEASE is made and given on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by \_\_\_\_\_, (“**RELEASOR**”) an individual/corporation/ limited liability company/partnership with a principal address of \_\_\_\_\_, in consideration of:

\_\_\_\_\_ the execution by Pause Franchisor Inc., a Delaware corporation (“**RELEASEE**”), of a successor Franchise Agreement or other renewal documents renewing the franchise (the “**Franchise**”) granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the “**Franchise Agreement**”) between RELEASOR and RELEASEE; or

\_\_\_\_\_ RELEASEE’S consent to RELEASOR’S assignment of its rights and duties under the Franchise Agreement; or

\_\_\_\_\_ RELEASEE’S consent to RELEASOR’S assumption of rights and duties under the Franchise Agreement;

and other good and valuable consideration, the adequacy of which is hereby acknowledged, and accordingly RELEASOR hereby releases and discharges RELEASEE, RELEASEE’s officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and RELEASEE’s successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR’s heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances. This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE.

RELEASOR represents and warrants to the RELEASEE, and agrees, that it may later learn of new or different facts, but that still, it is RELEASOR’s intention to fully, finally, and forever release all of the claims that are released above. This includes the RELEASOR’s 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 which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor”).

This General Release does not apply to claims arising under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220(2).

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

Signed: \_\_\_\_\_

RELEASOR NAME: \_\_\_\_\_  
(type/print name)

By: \_\_\_\_\_

Title: \_\_\_\_\_  
(or, if an individual)



**SCHEDULE 9 TO THE FRANCHISE AGREEMENT  
SBA ADDENDUM**



### ADDENDUM TO FRANCHISE<sup>1</sup> AGREEMENT

THIS ADDENDUM (“Addendum”) is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“Franchisor”), located at \_\_\_\_\_, and \_\_\_\_\_ (“Franchisee”), located at \_\_\_\_\_.

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_, (such Agreement, together with any amendments, the “Franchise Agreement”). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

#### CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor’s consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

#### FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional

<sup>1</sup> While relationships established under license, jobber, dealer and similar agreements are not generally described as “franchise” relationships, if such relationships meet the Federal Trade Commission’s (FTC’s) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

renewals) for fair market value.

**COVENANTS**

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee’s real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

**EMPLOYMENT**

- Franchisor will not directly control (hire, fire or schedule) Franchisee’s employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 -3733.

**Authorized Representative of FRANCHISOR:**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Authorized Representative of FRANCHISEE:**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Note to Parties:** This Addendum only addresses “affiliation” between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements

Effective Date: January 1, 2018

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**SCHEDULE 10 TO THE FRANCHISE AGREEMENT  
SAMPLE MANAGEMENT SERVICES AGREEMENT**

## MANAGEMENT SERVICES AND LICENSING AGREEMENT

This Management Services and Licensing Agreement (the “**Agreement**”) is made, entered into, and effective as of \_\_\_\_\_ (the “**Effective Date**”) by and among [PAUSE FRANCHISEE], a [state formed and type of entity] (“**Manager**”), \_\_\_\_\_, an individual (“**Physician Shareholder**”), and [name of new PC], a [State] professional medical corporation (“**PC**”). Each of Manager, Physician Shareholder, and PC may each also be referred to individually as a “**Party**” and collectively as the “**Parties**.”

### RECITALS

A. PC is a [State] professional medical corporation owned by Physician Shareholder, a [State] licensed physician, and PC is authorized under the laws of the State of [State] to provide professional medical services and employ [State] licensed healthcare practitioners (including physicians, physician assistants, nurse practitioners/advanced practice registered nurses, registered nurses, licensed vocational nurses, and other allied healthcare professionals) (collectively, “**Healthcare Professionals**”);

B. PC operates a medical wellness practice (the “**Practice**”), and PC’s Healthcare Professionals provide medical wellness services, including specifically intravenous nutrient and hydration therapy services and vitamin shot services (collectively, the “**Medical Services**”);

C. Manager owns and operates a franchised wellness center under the name “Pause” pursuant to a franchise agreement (the “**Franchise Agreement**”) with Pause Franchisor Inc. (“**Franchisor**”) located at [address of the franchise location] (the “**Pause Facility**”) and provides business management and administrative services to medical wellness practices;

D. Manager is a licensee pursuant to the terms and conditions of the Franchise Agreement of valuable intellectual property and trademarks owned by Franchisor and its parent and affiliates (“**Pause IP**”) described on **Exhibit A** hereto that will be useful to PC in the development of its Practice at the Pause Facility, and Manager is willing to sub-license the Pause IP to PC on the terms set forth herein.

E. PC desires to focus its energies, expertise, and time on the delivery of quality Medical Services to patients and is in need of a space to provide the Medical Services as well as administrative, technological, managerial, human resources, financial, intellectual property, and management and business related services to run its Practice, and Manager would like to offer PC the ability to provide the Medical Services at the Pause Facility and to provide management and administrative support services to PC as more fully detailed herein.

**NOW, THEREFORE**, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Parties, the Parties agree as follows:

### TERMS OF AGREEMENT

#### 1. ENGAGEMENT AND RELATIONSHIP OF THE PARTIES

1.1 **Engagement of Manager.** PC hereby engages Manager to provide management and administrative services for the Practice on the terms and conditions described herein, and Manager accepts such engagement. Manager shall have the exclusive right to provide, or arrange for the provision of, the business, management, administrative and staffing services for PC, as described in Section 2 (the “**Management Services**”). Manager may contract with third parties for the provision of services needed to perform its obligations under this Agreement.

1.2 **Agency.** PC hereby appoints Manager as PC’s true and lawful agent throughout the Term of this Agreement to carry out and provide its Management Services, and Manager hereby accepts such appointment.

1.3 **Sole Authority to Practice Medicine.** Notwithstanding any other provision of this Agreement, PC shall have exclusive authority and control over the healthcare aspects of PC and its Practice to the extent they constitute the practice of medicine or any other licensed healthcare profession, including, without limitation, all diagnosis, treatment, and ethical determinations with respect to patients which are required by law to be decided by a licensed healthcare professional. Any delegation of authority by PC to Manager that would require or permit Manager to engage in the practice of a licensed profession shall be prohibited and deemed ineffective, and PC shall have the sole authority with respect to such matters. Manager shall not be required or permitted to engage in, and PC shall not request Manager to engage in, activities that constitute the practice of medicine, nursing, or another similar profession in the State of [State]. Manager shall not direct, control, attempt to control, influence, restrict or interfere with PC’s or any of PC’s Healthcare Professionals’ exercise of independent clinical, medical, or professional judgment in providing healthcare or medical related services. For the avoidance of doubt, this means that Manager and Manager’s non-licensed personnel cannot determine whether an individual is a suitable candidate for an IV therapy treatment or vitamin shot and cannot administer any IV therapy treatment or vitamin shot even if a licensed medical professional is present.

1.4 **Compliance with Corporate Practice of Medicine.** The Parties have made all reasonable efforts to ensure that this Agreement complies with the corporate practice of medicine prohibitions in the State of [State]. The Parties understand and acknowledge that such laws may change, be amended, have guidance, or have a different interpretation and the Parties intend to comply with such laws in the event of such occurrences. Under this Agreement, PC and its Healthcare Professionals shall have the exclusive authority and control over the medical aspects of PC’s practice to the extent they constitute the practice of medicine, while Manager shall have the particular authority to manage the business aspects of PC’s Practice as more fully described in Section 2 of this Agreement. PC shall have final say over (1) hiring and firing of Healthcare Professionals, (2) choice of modalities and medical services offered through the Practice, (3) pricing (subject to day-to-day operational delegations to Manager hereunder), (4) choice of medical equipment and medical supplies, and (5) content of any advertising subject to applicable [State] laws and regulations.

1.5 **Independent Contractor Relationship.** Nothing contained herein shall be construed as creating a partnership, trustee, fiduciary joint venture, or employment relationship between Manager and PC. In performing all services required hereunder, Manager shall be in the relation of an independent contractor to PC, providing the Management Services to the Practice operated by PC.

1.6 **No Patient Referrals.** Manager shall neither have nor exercise, any control or direction over the number, type, or recipient of patient or member referrals and nothing in this Agreement shall be construed as directing or influencing any such referrals. Nothing in this Agreement is to be construed to restrict the professional judgment of any physician or other Healthcare Professional to use any medical practice, facility, or pharmacy where necessary or desirable in order to provide proper and appropriate treatment or care to a patient. No part of this Agreement shall be construed to induce, encourage, solicit, or reimburse the referral of any patients or business. The Parties acknowledge that there is no requirement under this Agreement or any other agreement among the Parties to refer patients either to the other or to any of their respective affiliates. No payment made under this Agreement shall be in return for the referral of patients or business.

## 2. **MANAGEMENT SERVICES**

2.1 **General Responsibilities.** During the Term of this Agreement, Manager will be responsible for general management and administration of the day-to-day business operations of PC's Practice at the Pause Facility, excluding the provision of Medical Services. Manager shall not engage in any activity that involves the practice of medicine or that would cause Manager to be subject to licensure under [State] laws. Manager is authorized to perform the Management Services in compliance with all applicable law and in whatever reasonable manner it deems necessary to meet the day to day requirements of PC.

2.1.1 **Premises and Utilities.** Manager shall provide to PC use of space at the Pause Facility to perform the Medical Services and PC will pay Manager the rental fee set forth on Exhibit B for use of the space. Manager will acquire (by lease or purchase) and pay the rent or other applicable payments for the Pause Facility. Further, in addition to paying the rent and/or mortgage and property taxes for the Pause Facility, Manager shall arrange and pay for the provision of all reasonably necessary and appropriate utilities, building services and supplies for the Pause Facility, including but not limited to all telephone, internet, electric, water, gas, heat, air conditioning, janitorial and maintenance services, waste disposal services, and property insurance for the Pause Facility, as applicable. PC shall be a 'mere license holder' with respect to the Pause Facility during the Term of this Agreement and shall not be a tenant or subtenant of Manager and/or Manager's landlord.

2.1.2 **Licenses and Permits.** Manager shall apply, in the name of and for the account of PC, for all licenses and permits which Manager determines are required in connection with the operation of PC's Practice at the Pause Facility including any necessary and appropriate business licenses or business tax certificates or registrations.

2.1.3 **Operational Management.** Manager shall provide operational services for PC's Practice at the Pause Facility, including administrative support, secretarial, reception, patient scheduling and coordination, phone support, reminding patients of appointment times, and all other services relating to the day-to-day operations.

2.1.4 **Manager (Non-Clinical) Staff/Personnel.** Manager shall employ or contract with and provide all necessary non-clinical personnel it reasonably needs to provide the Management Services hereunder such as clerical, reception and administrative staff at the Pause

Facility. Such personnel shall be under the direction, supervision, and control of Manager, and shall be employees of Manager. Manager shall be responsible for setting and paying all compensation, benefits, taxes, and contributions of all Manager personnel. However, PC shall have the right and obligation to direct and supervise such Manager personnel with respect to clinical matters (if any).

2.1.5 **Clinical Staff (Healthcare Professionals)**. PC will, at all times, be the sole employer, contractor, and supervisor of all Healthcare Professionals, and such Healthcare Professionals shall function in their professional capacity only on behalf of PC. PC will be responsible for selection, hiring, employing, or contracting, training, supervising, evaluating the clinical performance of, and terminating the employment or engagement of, all Healthcare Professionals and for ensuring adequate clinical staffing for the provision of Medical Services at the Pause Facility. PC will also be responsible for paying all compensation, benefits, taxes, and contributions with respect to the Healthcare Professionals (which Manager will pay on behalf of PC from the PC bank account); provided, however, that Manager shall assist PC to develop and implement guidelines and procedures for the recruitment, selection, hiring, firing, compensation, terms, conditions, obligations and privileges of employment or engagement of the Healthcare Professionals. Manager will also assist PC in recruiting new employees and will carry out such administrative functions as may be appropriate for such recruitment, including advertising for and identifying potential candidates, assisting PC in examining and investigating the credentials of such potential candidates, and arranging interviews with such potential candidates. PC will make the ultimate decision as to whether to employ or retain a specific candidate.

2.1.6 **Payroll Services**. Manager, in the performance of its responsibilities hereunder, shall be responsible for setting up payroll to compensate PC's Healthcare Professionals from the PC's bank account. Manager expressly acknowledges its responsibility and liability to provide for the payment and withholding of appropriate amounts for income tax, social security, unemployment insurance, state disability insurance taxes, and any authorized payroll deductions from the paychecks of PC personnel in accordance with state law. Manager agrees to comply with all applicable federal, state and local laws in the administration of its human resources functions including employment laws. Manager further agrees to indemnify and defend PC as well as the Physician Shareholder from any and all losses, costs, damages, claims, expenses, attorneys' fees, or other liability whatsoever, arising out of or connected with Manager's provision of human resources and payroll functions including (i) any allegations made by any entity on account of an alleged failure by Manager or PC to satisfy any withholding or other obligation from any employee's compensation, (ii) any allegations made relating to provision of benefits or insurance (including, but not limited to, unemployment insurance, workers' compensation insurance, and disability insurance), and (iii) Manager's failure to comply with any and all applicable federal, state and local employment or employment related laws, orders, rules, regulations and orders (including, but not limited to, any misclassification claims).

2.1.7 **Non-Clinical Training**. Manager shall provide reasonable training to PC's personnel in all aspects of the operations material to the role of such personnel, including but not limited to administrative, financial, and equipment maintenance matters.

2.1.8 **Insurance**. Manager shall assist PC in PC's purchase of necessary insurance coverage as set forth in Section 7 using funds from the PC bank account.



2.1.9 **Information Technology and Electronic Medical Records.** Manager will provide or arrange for information management and technology services for PC's Practice, including technology for patient scheduling and the storage and maintenance of files and records relating to the operation of the Practice including an electronic medical records system (EMR) for maintaining the medical records for the Practice. Manager shall preserve the confidentiality of medical records of PC's patients and use the information in such records only for the limited purposes necessary to perform the Management Services set forth in this Agreement.

2.1.10 **Supplies.** Manager shall assist PC with materials management, including purchase and stocking of office and IV therapy and vitamin shot supplies and maintenance of ordering all medical supplies which PC may reasonably require for proper and efficient operation of the Practice; provided, however, that with respect to supplies that must be purchased by a duly licensed physician, Manager shall purchase and hold such supplies as an agent of PC. Payment for all medical supplies shall be made from the PC bank account or may be made from the Manager's account and reimbursed by PC. Manager shall consult with PC as to all medical supplies and abide by PC's specifications.

2.1.11 **Equipment.** Manager shall provide and maintain in good repair such equipment to the extent permitted by law (collectively, "**Equipment**") as necessary for the operation of the Practice and provision of the Medical Services, and as approved by PC. All Equipment shall remain in the name of Manager, and PC shall not have or claim any ownership interest in Equipment.

2.1.12 **Financial Management, Records and Accounting.** Manager shall establish and administer accounting procedures and controls and systems for the development, preparation, and keeping of records and books of accounting related to the business and financial affairs of PC's Practice at the Pause Facility. Manager shall maintain financial records on behalf of PC in accordance with generally applicable accounting standards and cause annual financial statements to be prepared for PC and provide the data necessary to prepare and file tax returns and make any other necessary governmental filings, paying on behalf of PC, its monthly obligations.

2.1.13 **Tax Matters.** Manager shall oversee the preparation of the annual report and tax information returns required to be filed by PC. All of PC's tax obligations shall be paid by Manager out of PC's funds managed by Manager. PC shall give to personnel of Manager (or its designated affiliate) all appropriate authority necessary for them to act as PC's attorney-in-fact under a power of attorney, for such purposes and to the extent permitted by law. PC shall also make such reserves and set asides for taxes as directed by Manager throughout the year.

2.1.14 **Reports and Information.** Manager shall furnish PC in a timely fashion, quarterly or more frequently, with operating reports and other business reports as reasonably requested by PC, including without limitation (i) copies of bank statements and checks relating to PC's bank account and (ii) financial statements.

2.1.15 **Budgets.** Manager shall prepare for review and approval by PC all capital and annual operating budgets as needed, and such approval shall not be unreasonably withheld.

2.1.16 **Expenditures.** Manager shall manage all cash receipts and disbursements of PC's Practice, including the payment on behalf of PC for any of the items set forth in this Section 2, such as taxes, assessments, licensing fees, and other fees of any nature whatsoever in connection with the operations of the Practice as the same become due and payable, unless payment thereof is being contested in good faith by PC.

2.1.17 **Billing and Collection.** On behalf of and for the account of PC, Manager shall establish and maintain credit and billing and collection policies and procedures and shall exercise reasonable efforts to bill and collect in a timely manner all professional and other fees for all billable Medical Services provided by PC.

2.1.18 **Marketing, Advertising, and Public Relations Programs.** Manager shall propose and, with PC's approval, implement marketing and advertising programs for PC to effectively notify the community of the services offered by PC at the Pause Facility. Manager shall advise and assist PC in implementing such marketing and advertising programs, including, but not limited to, analyzing the effectiveness of such programs, preparing marketing, and advertising materials, negotiating marketing and advertising contracts on PC's behalf, and obtaining services necessary to produce and present such marketing and advertising programs. PC's Medical Services will also be added to the Pause website. The Parties expressly acknowledge and agree that PC shall exercise control over all policies and decisions relating to every element of advertising for PC's Medical Services. Manager and PC agree that all marketing and advertising programs shall be conducted in compliance with all applicable standards of ethics, laws, and regulations.

2.1.19 **All Other Matters Reasonably Needed for Operations.** Manager shall perform all tasks required for the good governance and operation of the Practice in its discretion.

## 2.2 **Bank Account and Billing and Collections.**

2.2.1 The Parties shall cooperate in opening a checking account in the name of PC (the "**PC Account**") at a financial institution mutually acceptable to the Parties whose deposits are insured by the Federal Deposit Insurance Corporation. The PC Account shall be for the deposit of all collections for the Medical Services of PC and its Healthcare Professionals and the disbursement of PC Expenses (as defined herein) on behalf of the Practice and other purposes as set forth herein. Except as provided herein, PC shall not maintain any bank account for cash deposits related to the Practice that is not the PC Account. Manager shall be a signatory to the PC Account as necessary to carry out its duties and obligations under this Agreement.

2.2.2 Manager shall, on behalf of PC, bill and collect for all Medical Services rendered by PC and its Healthcare Professionals hereunder as agent for PC. All of the payments with respect to such services shall be made by cash or by check, electronic funds transfer, or credit card payable to PC and shall be deposited into the PC Account.

2.2.3 Manager shall sign checks, drafts, bank notes or other instruments on behalf of PC, and make withdrawals from the PC Account for payments specified in this Agreement.

2.2.4 All payments for Medical Services provided by PC shall be the property of PC, subject to Manager's right to payment for its services hereunder. PC expressly authorizes Manager to make payment to itself from the PC Account of any amount due to it by the PC under this Agreement, including the Management Fee or repayment of any expenses, advances, loans, accrued interest or other amounts or obligations due to Manager under this Agreement.

2.2.5 Manager shall not commingle PC's revenues with other funds, except as provided for herein, but Manager shall separately and accurately account for the receipt, use, disposition of, and interest gained on the PC's revenues.

### **3. POWER OF ATTORNEY.**

3.1 **Power of Attorney.** In connection with billing, collection, banking, and related services incident to or under the Management Services to be provided hereunder, PC, in accordance with applicable law, hereby grants to Manager an exclusive special power of attorney and appoints Manager as PC's exclusive true and lawful agent and attorney-in-fact, and Manager hereby accepts such special power of attorney and appointment (the "**Power of Attorney**"), for the following purposes:

3.1.1 To submit bills in PC's name and on PC's behalf payment from its patients for all Medical Services provided to patients.

3.1.2 To establish the PC Account in PC's name, to act as a signatory on the PC Account, and to deposit into and disburse funds from the PC Account to pay PC Expenses.

3.1.3 To collect and deposit all amounts received, including all cash received and accounts receivable into the PC Account, which shall be and at all times remain in PC's name through accrual on PC's accounting records.

3.1.4 To make demand with respect to, settle, and compromise such claims and to coordinate with collections agencies in the name of PC or Manager, and to commence any suit, action or proceeding to collect any such claims.

3.1.5 To take possession of and endorse in the name of PC on any note, check, money order, or any other instrument received.

3.1.6 To effectuate the payment of PC Expenses, including to the Manager for the Management Fee as it becomes due.

3.1.7 To sign checks, drafts, bank notes or other instruments on behalf of PC and to make withdrawals from the PC Account for other payments specified in this Agreement and as determined appropriate by the Manager.

3.2 **Documentation to Bank.** Upon request of Manager, PC shall execute and deliver to the financial institution wherein the PC Account is maintained, such additional documents or instruments as may be necessary to evidence or effect the Power of Attorney. PC will not take any action that interferes with the transfer of funds to or from PC Account, nor will PC or its agents

remove, withdraw, or authorize the removal or withdrawal of any funds from the PC Account for any purpose.

3.3 **Expiration of Power of Attorney.** The Power of Attorney shall expire on the earlier of the date that (i) this Agreement is terminated or (ii) as otherwise determined by Manager.

#### **4. LICENSING OF INTELLECTUAL PROPERTY AND TRADEMARKS**

##### **4.1 Ownership of Intellectual Property and Trademarks and Grant of Revocable License.**

4.1.1 PC and Physician Shareholder understand and acknowledge that all intellectual property, including as set forth on Exhibit A, licensed by Manager to PC under this Agreement (the "**Pause IP**") is owned by Franchisor, its parent Pause Holdings, Inc. ("**Parent**"), and their affiliates. Manager does not own the Pause IP but only has a limited license to use the Pause IP and the right to sublicense the Pause IP to PC pursuant to the Franchise Agreement between Manager and Franchisor. Franchisor, Parent and their affiliates own the rights to the Pause name and all Pause registered trademarks and any logos related thereto (the "**Pause Marks**"). For purposes of clarification, the Pause Marks are included as part of the Pause IP.

4.1.2 During the Term, Manager grants to PC a revocable, nontransferable, non-exclusive right and sublicense (the "**License**"), without the right to grant sublicenses to: (a) utilize the Pause Marks solely in association with PC's Practice managed by Manager, (b) install, execute and/or use software or other technology developed, owned or leased by Manager, including without limitation the Telehealth Platform, electronic health record ("**EMR**") software, patient engagement software, and other tools Manager makes available to PC to improve PC's business operations; and (c) utilize any other Pause IP necessary to operate PC's Practice, including without limitation all proprietary software or technology.

4.1.3 PC hereby agrees that it shall make no use of the Pause IP except as it is specifically authorized by Manager to do so by this Agreement, and that all restrictions that are imposed upon PC with respect to use of the Pause IP shall be fully enforceable by Manager against PC. PC hereby acknowledges and agrees that, except as set forth herein, PC has no rights, title or interest in or to the Pause IP and that all use of the Pause IP by PC shall inure to the benefit of Franchisor, Parent and their affiliates. PC will not acquire or claim any title or ownership to the Pause IP by virtue of the License, or through PC's use of the Pause IP. PC and Physician Shareholder agree to execute such documents and take all such further acts as may be requested by Manager or Franchisor to assure the continued ownership or licensing of Franchisor, Parent and their affiliates' rights in the Pause IP. In granting the License: (a) Manager is not permitted to grant a license to any other parties; and (b) no restriction will be placed on Franchisor, Parent or affiliates' retained right to make, use, and to permit other entities under a written agreement to make, use, and employ the Pause IP for any reason, subject to the terms of the Franchise Agreement.

4.1.4 The License and the Pause IP shall be used by PC only with respect to the business managed by Manager. PC shall not exploit the License or the Pause IP for any other purposes. The License shall immediately terminate upon the termination of this Agreement and

immediately upon such termination, PC shall cease having any right to use the Pause IP. After the termination, PC shall not be permitted to use, reproduce, display or otherwise exploit the names Pause, Pause Wellness, or any other names used as part of the Pause IP, or any similar sounding names on any of its promotional materials, including any websites, mobile applications, brochures or biographies or similar materials. Manager shall have the right to terminate the License at any time upon providing prior written notice to PC.

4.1.5 All ideas, concepts, techniques or materials concerning the Practice developed, in whole or in part, using Pause IP or other Confidential Information related to Pause IP, whether or not protectable intellectual property and whether created by or for PC or Physician Shareholder or their owners or employees, shall be promptly disclosed to Manager and shall be deemed the sole and exclusive property of Franchisor, Parent and their affiliates and their works made-for-hire, and no compensation shall be due to PC or Physician Shareholder or the owners or employees of PC or Physician Shareholder. PC and Physician Shareholder hereby agree to assign to Franchisor, Parent and their affiliates all right, title and interest in any intellectual property so developed. Franchisor, Parent and their affiliates have the right to incorporate such items into the Pause IP. To the extent any item does not qualify as a “work made-for-hire,” PC or Physician Shareholder shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor, Parent and their affiliates and shall sign any assignment or other document as Manager requests to assist Franchisor, Parent and their affiliates in obtaining or preserving intellectual property rights in the item.

4.2 **License Fee.** For use of the License as set forth herein, PC shall pay to Manager a license fee as set forth on **Exhibit B**.

## **5. RESPONSIBILITIES OF PC AND PHYSICIAN SHAREHOLDER.**

5.1 **Provision of Medical Services and Healthcare Professionals.** PC shall operate the clinical aspects of the Practice and be responsible for all Medical Services provided by the Practice. PC shall ensure that all Healthcare Professionals responsible for patient care employed or contracted by PC are appropriately supervised with respect to the provision of Medical Services to patients in accordance with all applicable laws. PC shall be responsible for all Healthcare Professionals, to the extent required by applicable law, and provide the services of Physician Shareholder or another appropriately licensed physician as medical director for the PC’s Practice, as may be described in further detail in the Medical Director Agreement (the “**Medical Director Agreement**”), substantially in the form attached as Exhibit D. PC shall employ or contract with sufficient numbers of Healthcare Professionals to provide Medical Services at the Pause Facility during normal business hours. PC shall be responsible for training, professional direction, supervision and assignment of Healthcare Professionals to treat patients. In addition, each Healthcare Professional employed by or providing services on behalf of PC shall:

5.1.1 Maintain an unrestricted license to practice in the State of [State];

5.1.2 Perform services and otherwise operate in accordance with all laws and with prevailing and applicable standards of care;

5.1.3 Maintain his or her skills through continuing education and training;

5.1.4 Maintain eligibility for professional liability insurance for his or her specialty;

5.1.5 Comply with such other requirements for the orderly operation of the Practice (not including those relating to the practice of medicine) established from time to time by Manager;

5.1.6 Avoid all personal acts, habits, and usages that might injure in any way, directly or indirectly, his or her professional judgment or professional reputation;

5.1.7 Not be (and shall avoid being) suspended or excluded from any federal or state healthcare program.

5.2 **Authority Over Professional Services.** PC and its Healthcare Professionals shall retain the ultimate authority and responsibility for the provision of all professional medical services provided at the Pause Facility to the fullest extent required by any applicable law or licensing authority, regardless of who provides such services. PC shall cause its Healthcare Professionals to at all times perform their respective duties in accordance with the standards of professional practice applicable to such Healthcare Professional's training and specialization.

5.3 **Employment and Compensation.** PC shall collaborate with Manager in establishing the terms of employment of or contracting with the Healthcare Professionals, including the compensation and any benefits to be provided by or on behalf of PC to such Healthcare Professionals. Such employment or contracting may be "at-will" or set forth in a written agreement between such Healthcare Professionals and PC. In all cases, the financial terms of the employment or contracting arrangements shall be acceptable to Manager, and the compensation and benefits shall at all times be structured in a manner that complies with all applicable laws and regulations, as well as applicable terms of this Agreement.

5.4 **No Discrimination.** PC shall cause the Healthcare Professionals not to differentiate or discriminate in the treatment of patients or in the quality of services delivered to patients on the basis of race, nationality, gender, age, religion, sexual orientation, place of residence, health status or health care needs.

5.5 **Patient Records.** PC shall ensure that its Healthcare Professionals maintain patient records in accordance with all applicable laws, regulations and ethical principles concerning confidentiality of patient records and storage requirements. PC will grant Manager access to the information contained in patient records to the extent that access to such information is permitted by law and is required in connection with Manager's responsibilities hereunder subject to the provisions of this Agreement with respect to patient privacy and confidentiality.

5.6 **Exclusivity.** During the term of this Agreement, Manager shall serve as PC's sole and exclusive manager and provider of the Management Services, and PC shall not engage any other person or entity to furnish PC with any other services provided hereunder by Manager.

5.7 **PC Expenses.** PC shall be responsible for all expenses relating to its Practice at the Pause Facility ("**PC Expenses**"). Without limiting the generality of the foregoing, PC Expenses shall include the following:

5.7.1 The compensation payable for medical director services pursuant to the Medical Director Agreement;

5.7.2 The compensation payable to Healthcare Professionals, including any related benefits and payroll taxes;

5.7.3 Premiums for professional liability and other insurance of PC, in accordance with Section 7;

5.7.4 The cost of any advertising and marketing for the Practice;

5.7.5 The cost of all medical supplies used by the Practice; and

5.7.6 The cost of any other items required to be paid by PC as expressly provided in this Agreement.

## **6. MANAGER'S COMPENSATION AND FINANCIAL ARRANGEMENTS**

6.1 **Monthly Management Fees.** In consideration for the Management Services and License of Pause IP furnished by Manager to PC pursuant to this Agreement, PC shall pay to Manager on a monthly basis the fees and amounts described in **Exhibit B**, which shall be deemed part of this Agreement (collectively, "**Management Fees**"). Manager, in consultation with PC, may adjust the Management Fees hereunder based on fair market value of Manager's services, periodically, taking into account Manager's performance and any changes in the scope and costs of the services provided by Manager for PC.

6.2 **Payment of Fees to Manager.** The Management Fees set forth in Exhibit B are payable to Manager monthly by the fifth (5<sup>th</sup>) day of the following month ("**Fee Payment Date**") by check or electronic funds transfer by PC to Manager, upon transmission by Manager of an invoice with an accounting of the calculation of the Management Fees (the "**Fee Calculation**"). PC also grants Manager the right and authority, in Manager's sole discretion, to disburse amounts payable to Manager by PC from the PC Account on or after the Fee Payment Date, according to the Fee Calculation, in lieu of check or electronic funds transfer by PC without any notice to or further authorization from PC.

6.3 **No Referrals.** The Parties intend that the sole purpose of the Management Fee is to compensate Manager at fair market value for the provision of the Management Services and License of the Pause IP under this Agreement and are not intended to influence Manager with regard to any referrals of patients or other healthcare items or services to Practice. No amount paid hereunder is intended to be, nor shall be construed as, an inducement or payment for referral of or recommending referral of, patients or other healthcare items or services by Manager (or its employees and agents) to PC or by PC to Manager (or its employees and agents). As such, the parties acknowledge that the Management Fee paid to Manager hereunder would be the same whether or not any referrals were made.

6.4 **Fair Market Value.** The Parties hereto represent, covenant and agree that the Management Fee set forth in Exhibit B has been determined through good faith and arm's length bargaining to be consistent with fair market value and commercially reasonable for the

Management Services provided by Manager hereunder. If any court or administrative agency of competent jurisdiction determines that this Agreement violates any statutes or regulations, or that the Management Fee hereunder exceeds fair market value and/or is not commercially reasonable, the parties agree to take such actions as necessary to amend this Agreement to comply with the applicable statutes or regulations, as provided herein.

6.5 **Payment Processing Procedures.** On a monthly basis, Manager shall pay, from the funds deposited in the PC Account (the "**PC's Revenue**"), all of the current month's PC Expenses, as defined in Section 5.7 hereof, the current month's Management Fees (collectively, the "**PC's Monthly Obligations**").

6.6 **Waiver or Deferral of Management Fees.** In the event that the PC's Revenue is insufficient to pay fully the PC's Monthly Obligations, whether in whole or in part (a "**Shortfall**"), Manager may elect, in its sole and absolute discretion, to either: (i) defer and accrue any Shortfall, which Shortfall shall accrue interest at a rate per annum to be agreed upon by the parties; or (ii) waive the Shortfall and any accrued interest, in whole or in part. If Manager chooses to defer the Shortfall, PC shall pay Manager any Shortfall plus accrued interest in the next service month to the extent that no Shortfall would occur. Manager may only seek to collect any Shortfall, including any interest, directly from PC and not from the Physician Shareholder. In the event that the PC's Revenues exceed the monthly Management Fee after payment of the PC's Monthly Obligations, then Manager shall first use such amount to pay any previously unpaid deferred Management Fees.

6.7 **Deficient Funding; Advances.**

6.7.1 **Advances.** In the event that PC's Revenue is insufficient to pay PC's Monthly Obligations, subject to the terms and conditions of this Agreement, Manager may, following notice to PC, elect to make principal advances (each an "**Advance**") to PC under this Agreement. Manager will record in its books and records the amount of each Advance made by Manager to PC under this Agreement and all payments made by PC to Manager.

6.7.2 **Interest.** Each Advance will bear interest from the date of disbursement to the date of repayment at a rate equal to the prime rate reported by the Wall Street Journal under "Money Rates" on the last business day preceding the date on which an Advance was disbursed or on which an Outstanding Balance (as defined below) was due and payable (the "**Prime Rate**") not to exceed the maximum rate allowed by applicable law (calculated on the basis of three hundred sixty-five (365) days per year), compounding monthly.

6.8 **Security.** As security for any Shortfall or Advances as well as timely payment of the Management Fees and any other sums owed by PC to Manager, PC hereby grants Manager a continuing security interest in and to all of the Adjusted Gross Revenues, as such term is defined **Exhibit B**, in accounts receivable, cash and all funds in the PC Account and other bank accounts, whether now existing or hereafter acquired, pertaining to and generated by or in connection with the Medical Services rendered by the Practice, and PC shall execute, upon request by Manager, financing statements deemed necessary or desirable by Manager to perfect the aforesaid security interest.

7. **INSURANCE.**



7.1 **Professional Liability/Malpractice Insurance for PC.** Manager shall, on behalf of PC and at PC's expense, provide and maintain in full force and effect during the Term, professional liability coverage, including malpractice liability coverage in the amount of at least One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate to cover PC, Physician Shareholder with respect to PC, and all Healthcare Professionals providing services for the Practice. If such insurance is under a "claims-made" policy and such policy is cancelled or terminated as to any Healthcare Professional or to PC, PC shall purchase "tail" coverage for PC's or such Healthcare Professional's acts or occurrences occurring during the Term, as applicable, but as to which claims may be asserted after the cancellation, change or termination of the policy. The immediately preceding notwithstanding, if PC does not have sufficient funds or otherwise fails to purchase such "tail" coverage, Manager shall purchase same at Manager's expense.

7.2 **General Liability Insurance for PC.** Manager shall, on behalf of PC and at PC's expense, provide and maintain in full force and effect during the Term, comprehensive general liability insurance, including property insurance, in amounts that the Parties agree, from time to time, is adequate to cover the risks arising from the activities of PC and its Practice at the Pause Facility. The minimum liability limit for such insurance shall be One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate.

7.3 **Workers Compensation for PC.** Manager shall, on behalf of PC, and at PC's expense, provide and maintain in full force and effect during the Term, workers compensation insurance covering all employees of PC.

7.4 **General Liability and Worker's Compensation for Manager.** Manager shall, at its sole expense, obtain and maintain in full force and effect during the Term, comprehensive general liability insurance, including property insurance, in amounts that the Parties agree, from time to time, is adequate to cover the risks arising from the activities of Manager for PC and its Practice. Additionally, Manager shall, at its sole expense, obtain and maintain in full force and effect during the Term, workers compensation insurance covering all employees of Manager providing services for PC.

## **8. TERM AND TERMINATION**

8.1 **Term.** This Agreement shall commence as of the Effective Date and continue in full force and effect for a period of five (5) years (the "**Initial Term**"), unless terminated earlier as provided herein. Following the Initial Term, this Agreement shall automatically renew for additional one (1) year renewal terms (each "**Renewal Term**") unless either PC or Manager provides the other party with written notice of its desire not to renew, not less than ninety (90) days prior to the end of the Initial Term or the applicable Renewal Term. The Initial Term and any Renewal Term shall be referred to in this Agreement as the "**Term**".

8.2 **Termination by Mutual Agreement.** The Parties may terminate this Agreement by mutual written agreement at any time.

8.3 **Without Cause Termination.**

7.3.1 PC may terminate this Agreement for any reason by giving at ninety (90) days advance written notice of the intent to terminate the Agreement to Manager.

7.3.2 Manager may terminate this Agreement by giving at least ninety (90) days advance written notice of the intent to terminate the Agreement to PC.

8.4 **Termination for Breach.**

8.4.1 This Agreement may be terminated by either Manager or PC upon thirty (30) days' written notice to the other Party upon a material breach of this Agreement or any representation or warranty contained herein by the other Party, provided that such breach continues for a period of fifteen (15) days after written notice thereof has been given to the breaching Party.

8.5 **Automatic Termination Upon Termination of Pause Franchise Agreement.** The Parties agree that this Agreement shall terminate automatically upon the termination of the franchise agreement between Manager and Pause Franchisor Inc.

8.6 **Immediate Termination by PC.** PC may, at its option, terminate this Agreement upon PC's reasonable determination that any of the following events has occurred:

8.6.1 A receiver has been appointed for Manager's assets or the assignment by Manager for the benefit of its creditors, or any relief taken or suffered by Manager under any bankruptcy or insolvency act. Such termination shall be effective immediately upon notice by PC to Manager;

8.6.2 The conviction of a shareholder or officer of Manager of any crime punishable as a felony under federal or state law; or

8.6.3 Misconduct by Manager or any Manager personnel. For purposes of this Section 8.5.3, the term "misconduct" shall include, but not be limited to, one or more acts of moral turpitude that becomes widely known such that PC or Manager is likely to be subject to public ridicule or debasement that causes material damage to the reputation or business prospects of PC or Manager.

8.7 **Immediate Termination by Manager.** Manager may, at its option, terminate this Agreement upon Manager's reasonable determination that any of the following events has occurred:

8.7.1 Death or disability or other interference with Physician Shareholder's ability to practice medicine including loss of license as a physician in [State].

8.7.2 PC fails to remove from the Practice any Healthcare Professional who ceases to be a licensed physician or practitioner in [State], as applicable.

8.7.3 The conviction of PC, Physician Shareholder or any Healthcare Professional of any crime punishable as a felony under federal or state law, and with respect to such Healthcare Professional, PC fails to promptly remove such Healthcare Professional from the Practice.

8.7.4 The attempted assignment or other unauthorized delegation of any of PC's rights or obligations under this Agreement.

8.7.5 PC ceases to be a professional medical corporation in good standing under the laws of the State of [State].

8.7.6 Change in control of PC or the transfer of all or substantially all of the assets of PC.

8.7.7 Misconduct by PC, Physician Shareholder or any Healthcare Professional. For purposes of this Section 8.7.7, the term "misconduct" shall include, but not be limited to, one or more acts of moral turpitude that becomes widely known such that PC or Manager is likely to be subject to public ridicule or debasement that causes material damage to the reputation or business prospects of PC or Manager.

8.7.8 The appointment of a receiver of PC's assets, or the assignment by PC for the benefit of its creditors, or any other relief taken or suffered by PC under any bankruptcy or insolvency action.

8.8 **Lawful Effect.** If this Agreement or any of its terms and conditions should be deemed unlawful or otherwise prohibited by any law or regulation, and the Parties are not reasonably able to modify this Agreement to avoid such violation, then either Party may terminate this Agreement upon ninety (90) days' prior written notice.

8.9 **Change in Law.** If a Party receives notification (the "**Notification**") of: (i) an opinion (the "**Opinion**") of nationally recognized health care counsel selected by Manager that it is more likely than not that applicable legislation, regulations, rules or procedures (collectively referred to herein as a "**Law**") in effect or to become effective as of a date certain, or (ii) an actual or threatened decision, finding or action by any governmental or private agency or court or payer (collectively referred to herein as an "**Action**"), which Law or Action, if or when implemented, would have the effect of subjecting either party to civil or criminal prosecution under state and/or federal laws, or to another material adverse proceeding or impact on the basis of their participation herein, then the Party receiving the Notification shall provide the Notification to the other Party. The Parties shall attempt in good faith to amend this Agreement to the minimum extent necessary in order to comply with such Law or to avoid the Action, as applicable, and shall utilize mutually agreed upon joint legal counsel to the extent practicable. If, within fifteen (15) days of providing written notice of the Notification to the other Party, the Parties hereto acting in good faith are unable to mutually agree upon and make amendments or alterations to this Agreement to meet the requirements in question, or alternatively, the parties mutually determine in good faith that compliance with such requirements is impossible, unfeasible or unacceptable, then this Agreement shall be terminated without penalty, charge or continuing liability upon the earlier of the following: (i) the date thirty (30) days subsequent to the date upon which any party gives written notice to the other party, or (ii) the effective date upon which the Law or Action prohibits the relationship of the parties pursuant to this Agreement.

8.10 **Effect of Termination.**

8.10.1 Termination of this Agreement shall not discharge any Party from any obligation that arose and remains to be performed upon the date of termination including, but not limited to, the obligation to pay Management Fees to Manager in accordance with this Agreement. All outstanding Management Fees and other amounts owing by PC to Manager, including all accounts receivable, loans, advances and accrued interest thereon, will immediately become due and payable to Manager by PC upon any expiration or termination of this Agreement. The Parties will continue to perform any obligations accrued prior to such expiration or termination, including payment by PC of the Management Fees accrued or arising prior to the termination of this Agreement, and repayment of all outstanding loans and advances and related interest, premiums and penalties, and any obligations, promises or covenants set forth in this Agreement that are expressly made to extend beyond the Term hereof, including indemnification, which provisions will survive the expiration or termination of this Agreement for any reason.

8.10.2 Upon any expiration or termination of this Agreement, PC will immediately vacate, surrender and deliver the Pause Facility, together with all improvements, Manager-owned Equipment and other assets and property therein provided or made available by Manager, in the same order and condition as when received, ordinary wear and tear excepted. Without limiting the generality of the foregoing, PC will immediately surrender to Manager (or Franchisor, if requested by Franchisor) any property or proprietary information of Manager or Franchisor, Parent or affiliates in the possession of PC at the time of termination and Manager will immediately surrender to PC all books, records and electronic files pertaining to PC that are not the property or proprietary information of Manager and/or Franchisor, Parent or their affiliates.

8.10.3 PC and Manager will fully cooperate with each other to ensure continuation of care for PC's patients.

## **9. RECORDS AND RECORD KEEPING**

### **9.1 Medical/Patient Records and Compliance.**

9.1.1 All patient medical records, pertaining to PC' active and/or inactive patients, shall at all times be owned and remain the property of PC and shall be maintained by, and under the control of, PC and/or Healthcare Professionals as required by applicable law. PC appoints Manager to be responsible for the confidentiality, privacy, maintenance, storage, retention, and custody of all medical/patient records of PC. To the extent permitted by applicable law, Manager shall be permitted to retain true and complete copies of such records for archival purposes, at its expense.

9.1.2 Manager shall comply with, and assist PC in ensuring that the provision of professional services at the Pause Facility is done in compliance with all applicable laws and regulations, including but not limited to those respecting the confidentiality of the patient and business records, and Manager and PC and their respective employees and agents shall comply with all applicable federal, state and local laws and regulations relating to the maintenance and use of such patient records and other information, including without limitation, state privacy laws, and, to the extent applicable, the federal Health Insurance Portability and Accountability Act of 1996 as amended, and all rules and regulations promulgated thereunder, including without limitation, the requirements under 45 CFR §§ 160, 162 and 164 relating to medical records privacy, security

and electronic transaction standards (“**HIPAA**”). Each Party agrees that it shall implement all necessary policies, procedures, and training to comply with HIPAA and other laws, rules and regulations pertaining to the use, maintenance, and disclosure of all patient-related information. To the extent that HIPAA applies to the transactions contemplated by this Agreement, as a healthcare provider, PC acknowledges that it is a “Covered Entity” under HIPAA and Manager acknowledges that it may be considered a “Business Associate” under HIPAA. If Manager is a Business Associate, Manager shall be responsible to comply with the HIPAA Security and Privacy regulations pursuant to Subtitle D of the Health Information Technology for Economic and Clinical Health Act (“**HITECH**”). Manager and PC agree to comply with all applicable provisions of HIPAA and HITECH, and are entering into a Business Associate Addendum of even date hereof and attached hereto as **Exhibit C**. This Section 9.1 shall survive termination or expiration of this Agreement. Subject to compliance with HIPAA and other applicable laws, and the Business Associate Addendum entered into between PC and Manager, PC will provide Manager access to such patient records on a confidential basis for purposes of providing Management Services or the resolution of a dispute or investigation or legal proceeding or action.

9.2 **Business Records.** At all times during and after the Term, all business records and information, including but not limited to, all books of account and general administrative records and all information generated under or contained in the management information system pertaining to the business and activities of Manager, shall be and remain the sole property of Manager, and Manager shall retain possession of all such business records.

9.3 **Access to Information.** Each Party hereby authorizes and grants the other Parties full and complete access to all information, instruments, and documents which may be reasonably requested by the other Party to perform its obligations hereunder. Each Party shall disclose and make available to representatives of the other Parties for review and photocopying all relevant books, agreements, papers, and records of such Party. After termination of this Agreement, each Party will have reasonable access during normal business hours to the business records of the other Parties as determined by such Party accessing records to be necessary to carry out its affairs or for the defense of any legal or administrative action or claim relating to such records.

## 10. **CONFIDENTIALITY AND NONDISCLOSURE**

10.1 **Confidential Information.** The Parties covenant and agree that they will keep the terms of this Agreement completely confidential and will not hereafter disclose such information concerning this Agreement to any person other than (i) their attorneys, accountants, financial advisors, lenders, or prospective purchasers, (ii) as needed to enforce the terms of this Agreement, or (iii) as required by law. Further, each Party hereby agrees that it and its officers, owners, directors, employees, agents, and advisors (collectively, “**Representatives**”) will use the Confidential Information (as defined below) of the other Party and of the Franchisor, Parent and their affiliates in good faith solely in connection with this Agreement and for no other purpose, that the Confidential Information will be kept confidential, and that the Party and its Representatives will not disclose any of the Confidential Information in any manner whatsoever or use it for any purpose except as necessary to perform its obligations hereunder; provided, however that (i) either Party and its Representatives may make any disclosure of such information to which the disclosing Party gives its prior written consent, (ii) any of such information may be disclosed to the other Party’s Representatives who need to know such information in connection

with this Agreement, who agree to keep such information confidential and who agree to be bound by the terms hereof to the same extent as if they were Parties hereto, and (iii) either Party and its Representatives may make any disclosure that, in the opinion of its legal counsel, is required by law or governmental process. In any event, each Party agrees to undertake reasonable precautions to safeguard and protect the confidentiality of the Confidential Information of the other Party.

10.2 As used in this Agreement, “**Confidential Information**” shall be defined as oral, written and/or recorded information concerning a Party’s business (and the business of the Franchisor, Parent and affiliates), including all notes, manuals including operating manuals, handbooks, analyses, summaries, compilations, studies, sheets, explanation of tests, legal advisory, technical data, marketing information, medical technology, technical specifications, banking, financing methodologies, investors, introductions to persons, business plans, marketing plans, supplier information, ideas, vendors, development strategies, intellectual property, know-how, proprietary property, written deliverables, business usage or requirements, customer lists, employee and consultant lists, system integrators, financial and operational information, accounting, pricing information, equipment used, reimbursement information, trade secrets, or other documents or records prepared by the non-disclosing Party of such information which contain, reflect, or are based on such information, but does not include information which (i) is or becomes generally available to the public other than as a result of a disclosure directly or indirectly by the applicable Party or any of its Representatives, (ii) was independently acquired or developed by the non-disclosing Party or its Representatives without breach of this Agreement, or (iii) becomes available to the non-disclosing Party or any of its Representatives on a non-confidential basis from a person (other than the disclosing Party or any of its Representatives) who, to the non-disclosing Party’s knowledge, is not and was not bound by a confidentiality agreement with the disclosing Party, or is not and was not otherwise prohibited from transmitting the information to the non-disclosing Party or its Representatives.

10.3 If either Party or any of its Representatives are required by applicable law or regulation or by legal process to make any disclosure otherwise prohibited hereunder, each Party agrees to provide the other with prompt notice of such requirement prior to disclosure so that the other Party may seek a protective order or other appropriate remedy. If a protective order or other remedy is not obtained, the Party subject to legal disclosure agrees to furnish only that portion of the Confidential Information which its counsel advises it that it is legally compelled to disclose and to use its reasonable efforts, at the request and cost of the other Party, to obtain confidential treatment for the Confidential Information disclosed. If at any time either Party so requests for any reason, the other Party will promptly deliver to the requesting Party or, as elected by the other Party, destroy all Confidential Information delivered to it or its Representatives by or on behalf of the requesting Party. Notwithstanding the return or destruction of the Confidential Information, each Party and its Representatives will continue to be bound by the obligations of confidentiality and other obligations hereunder. All Confidential Information is provided “as is,” without warranty of any kind, and the non-disclosing Party shall not be liable for any damages whatsoever relating to recipient’s use of such Confidential Information. This Section 10 shall survive termination, transfer, or expiration of this Agreement. If requested by Franchisor, PC and Physician Shareholder shall sign a Confidentiality Agreement to protect the Pause IP. The obligations described herein shall be in addition to and not in lieu of any such Confidentiality Agreement. The PC shall confirm that its Representatives shall be subject to the same obligation of confidentiality.

## 11. **INDEMNIFICATION.**

1.1 **No Assumption of Liabilities.** No party assumes any debt, obligation or liability of the other party as such may now or hereafter exist. The parties acknowledge and agree that (i) PC is not assuming any responsibility, obligation or liability with respect to the business operations or any non-medical services at the Pause Facility, or any other responsibility, obligation or liability of Manager as a result of this Agreement; and (ii) Manager is not assuming any responsibility, obligation or liability with respect to the provision of professional medical services provided at the Pause Facility.

1.2 **Indemnification by Manager.** Notwithstanding any other provision of this Agreement to the contrary, as between Manager and PC, Manager assumes the risk of all damage, loss, cost and expense associated in any way with Manager's failure to comply with any of its obligations under this Agreement. Manager agrees to indemnify, defend and hold harmless PC and its shareholder (Physician Shareholder), officers, directors, employees and agents (collectively the "**PC Indemnified Parties**") from and against any and all liabilities, damages, costs, losses, expenses, fines, penalties and attorneys' fees (collectively referred to as "**Losses**") that may accrue to or be sustained by the PC Indemnified Parties on account of any claim, demand, charge, suit, action, investigation or proceeding made or brought against the PC Indemnified Parties by any person or entity related to or arising from: (i) the provision of all management and administrative services at the Pause Facility, including services provided by Manager's employees; (ii) Manager's negligence or willful misconduct; or (iii) Manager's failure to comply with any of its obligations under this Agreement. The foregoing indemnifications shall survive the termination of this Agreement.

11.1 **Indemnification by PC.** Notwithstanding any other provision of this Agreement, as between Manager and PC, PC agrees to indemnify, defend and hold harmless Manager and its shareholders/members/managers, officers, directors, employees and agents (collectively, the "**Manager Indemnified Parties**") from and against any and all Losses that may accrue to or be sustained by the Manager Indemnified Parties on account of any claim, demand, charge, suit or action made or brought against the Manager Indemnified Parties by any person or entity arising out of or resulting from: (i) the medical services provided by PC and its Healthcare Professionals at the Pause Facility; (ii) PC's negligence or willful misconduct; or (iii) PC's failure to comply with any of its obligations under this Agreement. The foregoing indemnifications shall survive the termination of this Agreement.

11.2 **Effect of Insurance.** The Parties agree that no indemnification hereunder shall be in lieu of or to the detriment to any policy of insurance or recovery thereunder that responds to any damage or loss for which indemnification is sought; all recoveries for indemnification shall be non-duplicative of recoveries received under any policy of insurance, and shall be paid only to the extent that such insurance recoveries do not compensate the injured Party for the full amount of loss otherwise payable under the indemnification clause.

11.3 **Third Party Claim.** If a third party makes a claim (a "**Third Party Claim**") against any person which may give rise to a claim of indemnity under this Agreement in favor of such person (the "**Indemnified Party**"), the Indemnified Party shall, within ten (10) days of receiving notice of the Third Party Claim, give written notice to the Party from which indemnity

may be claimed (the “**Indemnifying Party**”) and immediately afford the Indemnifying Party’s counsel the opportunity to join and participate in discussing, defending or compromising such Third Party Claim. Within thirty (30) days of receipt of such notice of claim, by written notice in form acceptable to the Indemnified Party, the Indemnifying Party may elect at its own expense to undertake the defense of such Third Party Claim in the name of the Indemnified Party. If the Indemnifying Party undertakes the defense of any Third Party Claim, the Indemnified Party will have the right to participate fully in the defense at its own expense and no settlement of any Third Party Claim against the Indemnifying Party will be entered into without the approval of the Indemnified Party, which approval shall not be unreasonably withheld. This Section will survive termination of this Agreement.

11.4 **Cooperation in Defense Proceedings.** During the term of this Agreement and for a period thereafter, certain risk management issues, legal issues, claims or actions may arise that involve or could potentially involve the Parties and their respective employees and agents. The Parties recognize the importance of cooperating with each other in good faith when such issue, claims or actions arise, to the extent such cooperation does not violate any applicable laws, cause the breach of any duties created by any policies of insurance or programs of self-insurance, or otherwise compromise the confidentiality of communications or information regarding issues, claims or actions. As such, the Parties shall cooperate in good faith, using their best efforts, to address such risk management and claims handling issues in a manner that strongly encourages full cooperation between the Parties.

11.5 For the avoidance of doubt, Physician Shareholder shall not be personally liable for any Practice debts, liabilities or obligations. Without limiting the foregoing, and to the extent permitted by law, Manager shall indemnify, defend and hold harmless the Physician Shareholder from and against any and all third party liability, loss, claim, lawsuit, injury, cost, damage, penalty, fine, tax, duty, or any other expense whatsoever (including reasonable attorneys' fees and court costs) in which Physician Shareholder may be involved or threatened to be involved as a party, witness, or otherwise, arising out of, incident to or in any manner occasioned by or related to the performance or nonperformance of any duty or responsibility under this Agreement by any party to this Agreement or for any reason, or any act that is taken because Physician Shareholder is the owner, officer, director, consultant, contractor, or representative of Practice, provided, however, that Manager shall have no obligation to indemnify, defend and hold harmless, and shall have the right to pursue claims against, Physician Shareholder for malicious acts or omissions, fraud, or gross negligence by Physician Shareholder.

## 12. **DISPUTE RESOLUTION.**

12.1 **Dispute Resolution.** In the event that any disagreement, dispute, or claim arises among the Parties hereto with respect to the enforcement or interpretation of this Agreement or any specific terms and provisions hereof or with respect to whether an alleged breach or default hereof has or has not occurred (collectively, a “**Dispute**”), such Dispute shall be settled in accordance with the following procedures:

12.1.1 **Meet and Confer.** In the event of a Dispute among the Parties hereto, a Party may give written notice to all other Parties setting forth the nature of such Dispute (the “**Dispute Notice**”). The Parties shall meet and confer to discuss the Dispute in good faith within



ten (10) days following the other Parties' receipt of the Dispute Notice in an attempt to resolve the Dispute. All representatives shall meet at such date(s) and time(s) as are mutually convenient to the representatives of each participant within the "Meet and Confer Period" (as defined herein below).

12.1.2 **Mediation.** If the Parties are unable to resolve the Dispute within thirty (30) days following the date of receipt of the Dispute Notice by the other Parties (the "**Meet and Confer Period**"), then the Parties shall attempt in good faith to settle the Dispute through nonbinding mediation under the Rules of Practice and Procedures (the "**Rules**") of JAMS, Inc. ("**JAMS**") or such other neutral service as the Parties may agree. A single disinterested third party mediator located in [\_\_\_\_\_] County, [State] shall be selected by JAMS in accordance with its then current Rules. The parties to the Dispute shall share the expenses of the mediator and the other costs of mediation on a pro rata basis.

12.1.3 **Arbitration.** Any Dispute which cannot be resolved by the Parties within sixty (60) days following the end of the Meet and Confer Period shall be resolved by final and binding arbitration (the "**Arbitration**"). The Arbitration shall be initiated and administered by and in accordance with the then current Rules of JAMS. The Arbitration shall be held before a single disinterested third-party arbitrator selected in accordance with the then current Rules of JAMS, in Los Angeles County, unless the parties mutually agree to have such proceeding in some other locale; the exact time and location shall be decided by the arbitrator in accordance with the then current Rules of JAMS. The arbitrator shall apply [State] substantive law, or federal substantive law where state law is preempted. The arbitrator selected shall have the power to enforce the rights, remedies, duties, liabilities, and obligations of discovery by the imposition of the same terms, conditions, and penalties as can be imposed in like circumstances in a civil action by a court of competent jurisdiction of the State of [State]. The arbitrator shall have the power to grant all legal and equitable remedies provided by [State] law and award compensatory damages provided by [State] law, except that punitive damages shall not be awarded. The arbitrator shall prepare in writing and provide to the Parties an award including factual findings and the legal reasons on which the award is based. The arbitration award may be enforced through an action thereon brought in the Superior Court for the State of [State] in \_\_\_\_\_ County. The prevailing Party in any Arbitration hereunder shall be awarded reasonable attorneys' fees, expert and non-expert witness costs and any other expenses incurred directly or indirectly with said Arbitration, including without limitation the fees and expenses of the arbitrator.

12.1.4 **THIS ELECTION OF AN ALTERNATIVE DISPUTE PROCESS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER [STATE] LAW. BY SIGNING BELOW, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER [STATE] LAW.**

### 13. **GENERAL**

13.1 **Governing Law.** This Agreement shall be construed and governed in accordance with the laws of the State of [State], without reference to conflict of law principles.

13.2 **Attorneys' Fees.** In the event that either party to this Agreement shall bring any action at law or in equity to enforce any term, covenant, or condition of this Agreement, the prevailing party in such action shall be entitled to recover all costs and expenses, including reasonable attorneys' fees and costs and the costs of any dispute resolution proceedings (including without limitation those incurred in or relating to any and all trial and appellate proceedings), incurred by such party in connection with such action. This section will survive termination of this Agreement for any reason.

13.3 **Entire Agreement; Amendment.** This Agreement, including all exhibits and attachments constitutes the entire agreement among the Parties related to the subject matter hereof and supersedes all prior agreements, understandings, and letters of intent relating to the subject matter hereof. This Agreement may be amended or supplemented only by a writing executed by all Parties.

13.4 **Assignment.** Neither Party may assign this Agreement or any of its respective rights or obligations hereunder without the other Party's prior written consent; provided, however, that either Party may assign this Agreement to the surviving party in a merger of that Party into another entity or in an acquisition of all or substantially all its assets. No assignment becomes effective unless and until the assignee agrees in writing to be bound by this Agreement, including all schedules and exhibits attached hereto and included herein, without modification, and all the assigning Party's obligations under this Agreement. The provisions of this Agreement will be binding upon and will inure to the benefit of the Parties' successors and permitted assigns, respectively, but this provision will not constitute a consent by either Party to assignment by the other Party otherwise prohibited.

13.5 **Notices.** Any notice, request, demand or other instruction or document to be given hereunder by a Party hereto shall be in writing and shall be deemed to have been given: (i) when received if given in person; (ii) on the date of proof of receipt if sent by facsimile or other wire transmission or by overnight courier; (iii) five days after being deposited in the U.S. mail, certified mail, return receipt requested, postage prepaid to the respective address of each party provided in the signature line; or (iv) if by email, on the day sent if during regular business hours or the following business day if sent after regular business hours.

If to Manager: [MANAGER NAME]  
Attn: \_\_\_\_\_  
Address  
Address cont'd  
Email

With a copy to: MANAGER'S ATTORNEY  
Law firm and attorney name  
Address  
Email

If to Physician Shareholder: [name]  
[address]

If to PC: \_\_\_\_\_ PC c/o [Manager]  
Address  
Attn:

13.6 **Waiver**. Waiver of any agreement or obligation set forth in this Agreement by any Party shall not prevent that Party from later insisting upon full performance of such agreement or obligation and no course of dealing, partial exercise or any delay or failure on the part of any Party hereto in exercising any right, power, privilege, or remedy under this Agreement or any related agreement or instrument shall impair or restrict any such right, power, privilege or remedy or be construed as a waiver therefor. No waiver shall be valid against any Party unless made in writing and signed by the Party against whom enforcement of such waiver is sought.

13.7 **Binding Effect**. Subject to the provisions set forth in this Agreement, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and upon their respective successors and assigns.

13.8 **No Third Party Beneficiary**. None of the provisions herein contained are intended by the parties, nor shall they be deemed, to confer any benefit on any person not a party to this Agreement.

13.9 **Waiver of Rule of Construction**. Each Party has had the opportunity to consult with its own legal counsel in connection with the review, drafting, and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting party shall not apply.

13.10 **Severability**. If anyone or more of the provisions of this Agreement is adjudged to any extent invalid, unenforceable, or contrary to law by a court of competent jurisdiction, each and all of the remaining provisions of this Agreement will not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

13.11 **Counterparts**. This Agreement may be executed in counterparts by digital signature and delivered by electronic mediums including email and facsimile, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

13.12 **Duty to Cooperate**. The Parties acknowledge that the Parties' cooperation is critical to the ability of Manager and PC to successfully and efficiently perform their respective duties hereunder. Accordingly, each Party agrees to cooperate fully with the other in formulating and implementing goals and objectives which are in PC's best interests.

*[Signature page follows]*



**IN WITNESS WHEREOF**, the Parties agree to the foregoing terms of the Management Services and Licensing Agreement through the execution below by their respective, duly authorized representatives as of the Effective Date.

**“MANAGER”**

[MANAGER NAME]

By: \_\_\_\_\_  
Name:  
Title:

**“PHYSICIAN SHAREHOLDER”**

By: \_\_\_\_\_  
, an individual

**“PC”**

\_\_\_\_\_ PC

By: \_\_\_\_\_  
Name:  
Title:

## **EXHIBIT A**

### **PAUSE INTELLECTUAL PROPERTY**

Pause's IP sublicensed hereunder to PC, which Manager has sublicensed from Pause Franchisor Inc. pursuant to Manager's franchise agreement with Pause Franchisor Inc., includes, without limitation\*:

1. The names and trade names: "PAUSE", "PAUSE WELLNESS," or any derivative thereof as well as all logos, trade dress, signage and related promotional depictions, and artwork of the name and logos related thereto;
2. Phone numbers associated with the Management Services provided to the Practice.
3. Trade secrets related to the sales, marketing and operations of a full-service mental and physical recovery studio
4. IV Drip Formulation Names: Invigorate, Turbo, Defense, Pause, Balance, Radiate,
5. Vitamin Shot Formulation Names: Detox, Boost, Elevate, Trim, D-Fend, Energize, Rejuvenate

**\* Items may be added or deleted from this list during the term of the MSA at Franchisor's request."**

## EXHIBIT B

### MANAGEMENT FEES

As compensation for its Management Services and the License of the Pause IP hereunder, Manager shall receive the following fees (the “Fees” or “Management Fees”), which include reimbursement to the Manager of certain of its out-of-pocket costs. **For the avoidance of doubt, the Management Fees will only be paid to Manager after payment in full of all PC Expenses (as defined in Section 5.7), and if PC does not have sufficient funds to pay all PC Expenses in full and the Management Fees, the Management Fee (or portion thereof) shall be deferred.** Any deferred Management Fee shall be paid during the following month or months to the extent funds are available after payment of all PC Expenses due and payable during such month or any prior month.

A. The Rent and Utilities Fee (i.e., the fee for the use of the Pause Facility) shall be \_\_\_% of the monthly rent for the Pause Facility because the portion of the Pause Facility used for the Practice is approximately \_\_\_% of the total square footage of the Premises.

C. The License Fee (i.e., the fee for the License of the Pause IP) is included as part of the Management and Administrative Services Fee.

D. The Billing and Collection Services Fee is included as part of the Management and Administrative Services Fee.

E. The Medical Records Fee (i.e., the fee for P.C.’s electronic medical records system) is \$\_\_\_\_ dollars per month.

F. The Management and Administrative Services Fee shall be \$\_\_\_\_\_.00 per month.

In addition to its Fees, if any amount remains in the PC Account following payment of all of the Manager’s Fees, the Manager shall be entitled to receive reimbursement from PC, within thirty (30) days of written invoice to PC, of any additional out-of-pocket expenses incurred by Manager in connection with operating the Practice, including, but not limited to, advertising and marketing expenses incurred by Manager to market the Practice and the amounts paid by the Manager to maintain and improve the portion of the Pause Facility used for the Practice.

1. Manager shall calculate the Management Fee on a monthly basis, and PC shall pay the Management Fee on a monthly basis on a date designated by Manager, pursuant to Section 6 of this Agreement. As set forth in Section 6.2, PC also grants Manager the right and authority, in Manager's sole discretion, to disburse amounts payable to Manager by PC from the PC Account on or after the Fee Payment Date in lieu of check or electronic funds transfer by PC without any notice to or further authorization from PC.

2. **Periodic Review**. Manager shall review, periodically, and have the right to propose an adjustment to the Management Fee if necessary to ensure that Manager is being paid its costs plus a reasonable profit, and to ensure that PC fulfills its obligation to pay the full amount of any deferred Management Fee; provided, however, that no such adjustment shall be effective prior to

the first calendar quarter after the Effective Date. Manager shall conduct its initial review prior to the first calendar quarter after the Effective Date, and shall thereafter conduct reviews on a semi-annual basis. If Manager proposes a change in the amount of the Management Fee, Manager shall notify PC at least thirty (30) days in advance of the date on which the revised Management Fee is to be effective and shall provide to PC a written statement of the basis for the change. If PC agrees to the modification, PC shall pay the revised Management Fee beginning on the effective date of such change. If PC does not agree to pay, or fails to pay when due, the revised Management Fee, Manager may terminate this Agreement immediately by written notice to PC.



## EXHIBIT C

### **BUSINESS ASSOCIATE ADDENDUM**

To the extent that HIPAA applies to the transactions contemplated by this Agreement, as a healthcare provider, PC acknowledges that it is a “Covered Entity”, and Manager acknowledges that it is a “Business Associate” as such terms are used in this Business Associate Addendum.

**1. Definitions.** Unless otherwise provided in this Addendum, capitalized terms have the same meaning as set forth at 45 CFR Parts 160 and 164. The term “Agreement” refers to the agreement to which this Business Associate Addendum is attached.

**2. Applicability.** This Addendum shall be applicable to Protected Health Information (i) received by Business Associate from Covered Entity pursuant to the Agreement or (ii) created or received by Business Associate on behalf of Covered Entity pursuant to the Agreement.

**3. Scope of Use of Protected Health Information.** Business Associate shall not use or disclose Protected Health Information for any purpose other than:

3.1 As permitted or required by the Agreement.

3.2 As permitted by this Business Associate Addendum; and

3.3 As otherwise required by State and Federal Law.

**4. Permitted Administrative Uses and Disclosures by Business Associate.**

4.1 Business Associate may use Protected Health Information for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate.

4.2 Business Associate may disclose Protected Health Information for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate if either:

(A) such disclosure is required by State and Federal Law; or

(B) (i) Business Associate obtains reasonable assurances from the person to whom such information is disclosed that such information will be held confidentially and used or further disclosed only as Required by State and Federal Law or for the purpose for which it was disclosed to such person; and (ii) such person agrees that it shall notify Business Associate of any instance of which such person becomes aware that the confidentiality of such information has been breached.

4.3 Business Associate may provide data aggregation services relating to Covered Entity's Health Care Operations.

**5. Covered Entity's Obligations.**

5.1 Covered Entity shall notify Business Associate of any limitations in Covered Entity's notice of privacy practices required by 45 CFR § 164.520 to the extent that such limitation(s) may affect Business Associate's use or disclosure of Protected Health Information.

5.2 Covered Entity shall notify Business Associate of any changes in, or revocation of, permission by an individual to use or disclose Protected Health Information to the extent that such changes may affect Business Associate's use or disclosure of Protected Health Information.

5.3 Covered Entity shall notify Business Associate of any restrictions on the use of Protected Health Information to which Covered Entity has agreed in accordance with 45 CFR § 164.522 to the extent that such restrictions may affect Business Associate's use or disclosure of Protected Health Information.

5.4 Covered Entity shall not request Business Associate to use or disclose Protected Health Information in any manner that would not be permissible if such use or disclosure were made by Covered Entity.

**6. Safeguards for the Protection of Protected Health Information.** Business Associate shall use appropriate safeguards to prevent use or disclosure of Protected Health Information other than as provided by the Agreement and this Business Associate Addendum.

**7. Reporting of Unauthorized Uses or Disclosures.** Business Associate shall report to Covered Entity any use or disclosure of Protected Health Information by Business Associate or its subcontractors of which Business Associate becomes aware that is not provided for or permitted in the Agreement.

**8. Use of Subcontractors.** Business Associate shall ensure that any agents, including a subcontractor, to whom Business Associate provides Protected Health Information received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity, agrees to the same restrictions and conditions that apply to Business Associate with respect to such information.

**9. Authorized Access to Protected Health Information.** To the extent that Business Associate maintains Protected Health Information in a Designated Record Set, at the request of Covered Entity, Business Associate shall provide Covered Entity access to such Protected Health Information in a Designated Record Set in the time and manner reasonably designated by Covered Entity in order for Covered Entity to meet the requirements imposed on Covered Entity by 45 CFR § 164.524.

**10. Amendment of Protected Health Information.** To the extent that Business Associate maintains Protected Health Information in a Designated Record Set, Business Associate shall make any amendment(s) to Protected Health Information in a Designated Record Set that Covered Entity directs or agrees to pursuant to 45 CFR § 164.526, and in the time and manner reasonably designated by Covered Entity.

**11. Accounting of Disclosures of Protected Health Information.** Business Associate shall make available to Covered Entity the information required in order for Covered Entity to provide an accounting of disclosures in accordance with 45 CFR § 164.528.

**12. Right to Audit.** Business Associate shall make its internal practices, books, and records relating to the use and disclosure of Protected Health Information received from, or created or received by Business Associate on behalf of, Covered Entity available to the Secretary of Health and Human Services for purposes of determining Covered Entity's compliance with 45 CFR Part 164, Subpart "E."

**13. Future Confidentiality of Protected Health Information.** At termination of the Agreement, Business Associate shall, if feasible, return or destroy all Protected Health Information received from, or created or received by Business Associate on behalf of, Covered Entity that Business Associate maintains at such time in any form and shall retain no copies of such Protected Health Information or, if such return or destruction is infeasible, Business Associate shall extend the protection of this Business Associate Addendum to such Protected Health Information and shall limit further uses and disclosures to those purposes that make the return or destruction of such Protected Health Information infeasible. If return or destruction of Protected Health Information is infeasible and Business Associate retains possession of such information, the provisions of this Section 13 shall survive the expiration or termination of this Business Associate Addendum.

**14. Security of Electronic Protected Health Information.** Business Associate shall:

14.1 Implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the Electronic Protected Health Information that Business Associate creates, receives, maintains, or transmits on behalf of Covered Entity as required by Subpart C of Part 164 of Title 45 of the Code of Federal Regulations.

14.2 Ensure that any agent, including a subcontractor, to whom the Business Associate provides such Electronic Protected Health Information agrees to implement reasonable and appropriate safeguards to protect such information.

14.3 Report to Covered Entity any Security Incident of which Business Associate becomes aware.

14.4 Authorize termination of the Agreement by Covered Entity if Covered Entity determines that Business Associate has violated a material term of this Business Associate Addendum; *provided, however*, that such termination shall be in accordance with the provisions

of the Agreement relating to termination, including but not limited to any provisions which afford Business Associate the right to cure any defaults or breaches of contract.

**15. Termination of Agreement in Event of Breach.** In the event that Business Associate violates any material term of this Business Associate Addendum, Covered Entity may terminate the Agreement by providing written notice of such termination to Business Associate. Such termination shall be in accordance with the provisions of the Agreement relating to termination, including but not limited to any provisions which afford Business Associate the right to cure any defaults or breaches of contract.

**16. Term.** This Business Associate Addendum shall be effective upon the effective date of the Agreement and shall expire simultaneously with the expiration of the Agreement or, if the Agreement is terminated for any reason prior to its scheduled expiration, this Business Associate Addendum shall be automatically terminated (without the need for any action by either Business Associate or Covered Entity) simultaneously with the termination of the Agreement.

**17. Amendments.** The parties shall negotiate in good faith any amendments to this Business Associate Addendum or a replacement of this Addendum to the extent necessary in order to maintain compliance with State and Federal Law.

**18. Effect on the Agreement.** Except as may be modified herein, all terms of all of the Agreement shall remain in full force and effect.

## **EXHIBIT D**

### **MEDICAL DIRECTOR AGREEMENT**

This Medical Director Agreement (the “**Agreement**”) is entered into and effective on and as of \_\_\_\_\_ (the “**Effective Date**”) by and between Dr. \_\_\_\_\_, an individual residing in the State of [state] (“**Physician**”) and \_\_\_\_\_ PC, a [state] professional medical corporation (“**PC**”). [entity name and type] (“**Manager**”) is a party as the management services provider of PC. Individually each party is referred to herein as a “**Party**” and collectively, the “**Parties**”.

### **RECITALS**

**WHEREAS**, \_\_\_\_\_ PC is a \_\_\_\_\_ professional medical corporation (“**PC**”) owned by Physician, providing medical wellness services, including specifically intravenous nutrient and hydration therapy services and vitamin shots (collectively, the “**Medical Services**”);

**WHEREAS**, Manager and PC entered into that certain Management Services and Licensing Agreement of even date herewith (the “**MSA**”) for Manager to provide management and administrative services to the PC, which includes payment of all professionals and all practice expenses on PC’s behalf from the PC bank account, as well of use of space at the facility located at \_\_\_\_\_ (the “**Pause Facility**”);

**WHEREAS**, PC wishes to receive certain consulting, supervisory and administrative services of Physician with respect to providing a medical director and operating the business aspects of a medical practice; and

**WHEREAS**, Physician is willing to provide the medical director and consulting services on the terms and conditions set forth herein;

**NOW, THEREFORE**, for and in consideration of the mutual promises, covenants and agreements herein set forth, the Parties agree, as follows:

#### **1. Medical Director Services.**

1.1. PC hereby appoints Physician as Medical Director of the PC’s practice at the Pause Facility and Physician accepts such appointment. As Medical Director, Physician will provide the following services:

- 1.1.1. Provide oversight and supervision of clinical personnel in the performance of the Medical Services for patients of PC’s practice at the Pause Facility.
- 1.1.2. Quality Assurance and Improvement: Implement a quality assurance program to monitor the quality of care provided, including periodic review of patient care outcomes and satisfaction.
- 1.1.3. Regularly assess and report on the effectiveness of the medical services provided,

proposing quality improvement initiatives as necessary.

- 1.1.4. Education and Training: Provide or facilitate ongoing education and training for all clinical personnel to ensure they are up-to-date with the latest clinical practices, technologies, and regulatory requirements.
- 1.1.5. Risk Management: Develop and implement a risk management plan to identify, assess, and mitigate potential risks to patient safety and compliance.
- 1.1.6. Conduct regular audits of clinical practices and patient records to ensure adherence to established policies and procedures.
- 1.1.7. Emergency Preparedness: Develop and maintain an emergency preparedness plan for the facility, including protocols for handling medical emergencies, natural disasters, and other unforeseen events.
- 1.1.8. Ethical Guidelines: Establish and enforce ethical guidelines for clinical practice at the facility, addressing issues such as patient confidentiality, informed consent, and conflict of interest.
- 1.1.9. Technology and Innovation: Advise on the integration of medical technology and innovation into clinical practice, including telehealth services, electronic health records (EHR) systems, and diagnostic tools.
- 1.1.10. Financial Oversight: Provide input on the financial implications of clinical decisions, including cost-benefit analyses of new services and efficiency improvements.
- 1.1.11. Assist PC in the establishment of standards, policies, and guidelines to ensure compliance with applicable regulations and standards of care with respect to the Medical Services performed at the Pause Facility, and at least annually, review and make recommendations, as necessary, to revise the policies and procedures;
- 1.1.12. Develop and revise, as necessary, standardized procedures for use by the nurse practitioners, registered nurses, physician assistants and other mid-level providers (“**Allied Staff**”) as necessary in connection with the services performed at the Pause Facility.
- 1.1.13. Advise the PC with respect to the selection, retention and termination of all clinical personnel who may be required for the proper operation of PC's practice at the Pause Facility and approving hiring and firing of licensed professionals;
- 1.1.14. Advise PC with respect to new services to be offered at the Pause Facility.
- 1.1.15. Provide guidance in the implementation of protocols for the Medical Services at the Pause Facility;
- 1.1.16. Provide guidance with respect to selection and purchasing of medical supplies for

the Medical Services at the Pause Facility;

1.1.17. Perform other duties reasonably requested by PC designed to accomplish any of the goals and/or meet the objectives of the services set forth in this Agreement.

1.1.18. Assist in the design and development of patient information forms, medical record forms, and consent forms for use by the PC at the Pause Facility.

1.1.19. Give such technical advice and assistance as may be requested by PC to facilitate the selection, purchase, and installation of equipment and supplies for the Pause Facility.

## 2. **Compensation.**

2.1. **Compensation.** As compensation to Physician for providing the Medical Director services under this Agreement, PC, with Manager's assistance, shall compensate Physician from the PC's bank account as follows:

2.1.1. Each month Physician shall be paid \$2,000. Compensation shall be paid by the fifteenth (15<sup>th</sup>) day of the following month.

2.1.2. The compensation specified in this Agreement is consistent with what the Parties reasonably believe to be fair market value for the services provided hereunder.

2.1.3. **Taxes and Withholding.** Physician, as an independent contractor, shall be responsible for the payment of all applicable federal, state and local income taxes, gross receipt taxes, FICA, unemployment and disability benefits, and workers' compensation obligations, if any, pertaining to any income resulting from providing the aforementioned services of the physicians provided. In no event shall the Manager or PC be responsible for the payment or the withholding of any such taxes or payments.

## 3. **Term and Termination.**

3.1. This Agreement shall be effective as of the Effective Date, and shall continue thereafter as long as the MSA remains in effect and shall terminate automatically upon the termination of the MSA (the "**Term**").

## 4. **Dispute Resolution.**

4.1. **Dispute Resolution.** In the event that any disagreement, dispute, or claim arises among the Parties hereto with respect to the enforcement or interpretation of this Agreement or any specific terms and provisions hereof or with respect to whether an alleged breach or default hereof has or has not occurred (collectively, a "**Dispute**"), such Dispute shall be settled in accordance with the following procedures:

4.1.1. **Meet and Confer.** In the event of a Dispute among the Parties hereto, a Party may give written notice to all other Parties setting forth the nature of such Dispute (the

**“Dispute Notice”**). The Parties shall meet and confer to discuss the Dispute in good faith within ten (10) days following the other Parties’ receipt of the Dispute Notice in an attempt to resolve the Dispute. All representatives shall meet at such date(s) and time(s) as are mutually convenient to the representatives of each participant within the “Meet and Confer Period” (as defined herein below).

4.1.2. **Mediation**. If the Parties are unable to resolve the Dispute within thirty (30) days following the date of receipt of the Dispute Notice by the other Parties (the **“Meet and Confer Period”**), then the Parties shall attempt in good faith to settle the Dispute through nonbinding mediation under the Rules of Practice and Procedures (the **“Rules”**) of JAMS, Inc. (**“JAMS”**) or such other neutral service as the Parties may agree. A single disinterested third party mediator located in [county, State] shall be selected by JAMS in accordance with its then current Rules. The parties to the Dispute shall share the expenses of the mediator and the other costs of mediation on a pro rata basis.

4.1.3. **Arbitration**. Any Dispute which cannot be resolved by the Parties within sixty (60) days following the end of the Meet and Confer Period shall be resolved by final and binding arbitration (the **“Arbitration”**). The Arbitration shall be initiated and administered by and in accordance with the then current Rules of JAMS. The Arbitration shall be held before a single disinterested third-party arbitrator selected in accordance with the then current Rules of JAMS, in [county, State], unless the parties mutually agree to have such proceeding in some other locale; the exact time and location shall be decided by the arbitrator in accordance with the then current Rules of JAMS. The arbitrator shall apply [State] substantive law, or federal substantive law where state law is preempted. The arbitrator selected shall have the power to enforce the rights, remedies, duties, liabilities, and obligations of discovery by the imposition of the same terms, conditions, and penalties as can be imposed in like circumstances in a civil action by a court of competent jurisdiction of the State of [State]. The arbitrator shall have the power to grant all legal and equitable remedies provided by [State] law and award compensatory damages provided by [State] law, except that punitive damages shall not be awarded. The arbitrator shall prepare in writing and provide to the Parties an award including factual findings and the legal reasons on which the award is based. The arbitration award may be enforced through an action thereon brought in the [courts of county, state]. The prevailing Party in any Arbitration hereunder shall be awarded reasonable attorneys’ fees, expert and non-expert witness costs and any other expenses incurred directly or indirectly with said Arbitration, including without limitation the fees and expenses of the arbitrator.

4.1.4. **THIS ELECTION OF AN ALTERNATIVE DISPUTE PROCESS IS AN AFFIRMATIVE WAIVER OF THE PARTIES’ RIGHTS TO A JURY TRIAL UNDER [STATE] LAW. BY SIGNING BELOW, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER [STATE] LAW.**

4.2. This Section 4 shall survive the expiration or sooner termination of this Agreement.



## 5. Ownership of Intellectual Property; Confidential Information

- 5.1. Manager, PC and Physician understand and acknowledge that: (a) Manager owns and operates a franchised wellness center under the name “Pause” pursuant to a franchise agreement (the “**Franchise Agreement**”) with Pause Franchisor Inc. (“**Franchisor**”) at the Pause Facility, and Manager provides business management and administrative services to the Pause Facility; (b) Franchisor has granted Manager a revocable non-exclusive limited license to use certain intellectual property of the Pause system, including the intellectual property set forth Exhibit A, which has been sublicensed by Manager to PC under this MSA (the “**Pause IP**”); (c) the Pause IP is owned solely by Franchisor, its parent Pause Holdings, Inc. (“**Parent**”) and their affiliates.
- 5.2. Physician hereby agrees that it shall make no use of the Pause IP except as it is specifically authorized by Manager to do so by this Agreement or the MSA, and that all restrictions that are imposed upon Physician with respect to use of the Pause IP shall be fully enforceable by Manager against Physician. Physician hereby acknowledges and agrees that, except as set forth herein, Physician has no rights, title or interest in or to the Pause IP and that all use of the Pause IP by Physician shall inure to the benefit of Franchisor, Parent and their affiliates. Physician will not acquire or claim any title or ownership to the Pause IP by virtue of this Agreement or the MSA, or through Physician’s use of the Pause IP. Physician agrees to execute such documents and take all such further acts as may be requested by Manager or Franchisor to assure the continued ownership or licensing of Franchisor, Parent and their affiliates’ rights in the Pause IP.
- 5.3. Physician may only use the Pause IP with respect to the business managed by Manager at the Pause Facility. Physician shall not exploit the Pause IP for any other purposes. This Agreement shall immediately terminate upon the termination of the MSA, and immediately upon such termination, Physician shall cease having any right to use the Pause IP. After the termination or expiration of this Agreement, Physician shall not be permitted to use, reproduce, display or otherwise exploit the names Pause, Pause Wellness, or any other names used as part of the Pause IP, or any similar sounding names on any of its promotional materials, including any websites, mobile applications, brochures or biographies or similar materials.
- 5.4. All ideas, concepts, techniques or materials concerning the Physician’s practice or developed, in whole or in part, using Pause IP or other Confidential Information (as defined below) related to Pause IP, whether or not protectable intellectual property and whether created by or for Physician or its employees, shall be promptly disclosed to Manager and shall be deemed the sole and exclusive property of Franchisor, Parent and their affiliates and their works made-for-hire, and no compensation shall be due to Physician or employees of Physician. Physician hereby agrees to assign to Franchisor, Parent and their affiliates all right, title and interest in any intellectual property so developed. Franchisor, Parent and their affiliates have the right to incorporate such items into the Pause IP. To the extent any item does not qualify as a “work made-for-hire,” Physician shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor, Parent and their affiliates and shall sign any

assignment or other document as Manager requests to assist Franchisor, Parent and their affiliates in obtaining or preserving intellectual property rights in the item.

- 5.5. The Parties covenant and agree that they will keep the terms of this Agreement completely confidential and will not hereafter disclose such information concerning this Agreement to any person other than (i) their attorneys, accountants, financial advisors, lenders, or prospective purchasers, (ii) as needed to enforce the terms of this Agreement, or (iii) as required by law. Further, each Party hereby agrees that it and its officers, owners, directors, employees, agents, and advisors (collectively, “**Representatives**”) will use the Confidential Information (as defined below) of the other Party and of the Franchisor, Parent and their affiliates in good faith solely in connection with this Agreement and for no other purpose, that the Confidential Information will be kept confidential, and that the Party and its Representatives will not disclose any of the Confidential Information in any manner whatsoever or use it for any purpose except as necessary to perform its obligations hereunder; provided, however that (i) either Party and its Representatives may make any disclosure of such information to which the disclosing Party gives its prior written consent, (ii) any of such information may be disclosed to the other Party’s Representatives who need to know such information in connection with this Agreement, who agree to keep such information confidential and who agree to be bound by the terms hereof to the same extent as if they were Parties hereto, and (iii) either Party and its Representatives may make any disclosure that, in the opinion of its legal counsel, is required by law or governmental process. In any event, each Party agrees to undertake reasonable precautions to safeguard and protect the confidentiality of the Confidential Information of the other Party.
- 5.6. As used in this Agreement, “**Confidential Information**” shall be defined as oral, written and/or recorded information concerning a Party’s business (and the business of the Franchisor, Parent and affiliates), including all notes, manuals including operating manuals, handbooks, analyses, summaries, compilations, studies, sheets, explanation of tests, legal advisory, technical data, marketing information, medical technology, technical specifications, banking, financing methodologies, investors, introductions to persons, business plans, marketing plans, supplier information, ideas, vendors, development strategies, intellectual property, know-how, proprietary property, written deliverables, business usage or requirements, customer lists, employee and consultant lists, system integrators, financial and operational information, accounting, pricing information, equipment used, reimbursement information, trade secrets, or other documents or records prepared by the non-disclosing Party of such information which contain, reflect, or are based on such information, but does not include information which (i) is or becomes generally available to the public other than as a result of a disclosure directly or indirectly by the applicable Party or any of its Representatives, (ii) was independently acquired or developed by the non-disclosing Party or its Representatives without breach of this Agreement, or (iii) becomes available to the non-disclosing Party or any of its Representatives on a non-confidential basis from a person (other than the disclosing Party or any of its Representatives) who, to the non-disclosing Party’s knowledge, is not and was not bound by a confidentiality agreement with the disclosing Party, or is not and was not otherwise prohibited from transmitting the information to the non-disclosing Party or

its Representatives.

5.7. If either Party or any of its Representatives are required by applicable law or regulation or by legal process to make any disclosure otherwise prohibited hereunder, each Party agrees to provide the other with prompt notice of such requirement prior to disclosure so that the other Party may seek a protective order or other appropriate remedy. If a protective order or other remedy is not obtained, the Party subject to legal disclosure agrees to furnish only that portion of the Confidential Information which its counsel advises it that it is legally compelled to disclose and to use its reasonable efforts, at the request and cost of the other Party, to obtain confidential treatment for the Confidential Information disclosed. If at any time either Party so requests for any reason, the other Party will promptly deliver to the requesting Party or, as elected by the other Party, destroy all Confidential Information delivered to it or its Representatives by or on behalf of the requesting Party. Notwithstanding the return or destruction of the Confidential Information, each Party and its Representatives will continue to be bound by the obligations of confidentiality and other obligations hereunder. All Confidential Information is provided "as is," without warranty of any kind, and the non-disclosing Party shall not be liable for any damages whatsoever relating to recipient's use of such Confidential Information. This Section 5 shall survive termination, transfer or expiration of this Agreement. If requested by Franchisor, Physician shall sign a Confidentiality Agreement to protect the Pause IP. The obligations described herein shall be in addition to and not in lieu of any such Confidentiality Agreement. Physician shall confirm that its Representatives shall be subject to the same obligation of confidentiality.

## 6. **Miscellaneous.**

6.1. Independent Contractor. In performing the services herein specified, **Physician is** acting as an independent contractor and shall not be considered an employee of PC or Manager. In no event shall this Agreement be construed as establishing a partnership or joint venture or similar relationship between the Parties, and nothing herein contained shall be construed to authorize either Party to act as agent for the other.

1.2. Governing Law. This Agreement is subject to and shall be governed solely by the laws of the State of [State].

6.2. Construction. The Parties agree that the terms and provisions of this Agreement represent their mutual agreement and that they are not to be construed more liberally in favor of, nor more strictly against, any Party hereto.

6.3. Waiver of Breach. Waiver of a breach of any provision of this Agreement shall not be deemed a waiver of any other breach of either the same or any different provision of this Agreement. No waiver shall be effective against either Party unless it is in writing, signed by that Party. No waiver of any breach of any term or covenant contained in this Agreement shall operate as a waiver of any subsequent breach thereof.

6.4. Notice. Whenever, under the terms of this Agreement, written notice is required or permitted to be given by any Party to any other Party, such notice shall be deemed to have been sufficiently given if personally delivered, delivered by reputable overnight

courier, deposited in the United States Mail, in a properly stamped envelope, certified or registered mail, return receipt requested, addressed to the Party to whom it is to be given, at the address hereinafter set forth. Either Party hereto may change its respective address by written notice in accordance with this paragraph. Such notice shall be deemed to have been received (a) when actually received, (b) on the delivery date indicated on the return receipt, or (c) within five (5) business days of being deposited with the United States Postal Service, whichever is earlier.

- 6.5. Waiver. No waiver by any party hereto, whether express or implied, of its rights under any provision of this Agreement shall constitute a waiver of such party's rights under such provision at any other time or a waiver of such party's rights under any other provision of this Agreement. No failure by any party to take any action against any breach or default by another party shall constitute a waiver of the former party's right to enforce any provision of this Agreement or to take action against such breach or default or any subsequent breach or default by the other party.
- 6.6. Entire Agreement. This Agreement constitutes the entire agreement between the Parties and supersedes all prior or contemporaneous discussions, representations, correspondence and agreements, whether oral or written, pertaining thereto. This Agreement may be amended or modified only by a writing duly executed by the Parties.
- 6.7. Amendments. This Agreement may not be amended except upon the mutual written consent of the Parties. The Parties agree to negotiate in good faith regarding amendments hereto that either Party, upon the advice of legal counsel, determines are necessary to comply with any applicable state or Federal requirements.
- 6.8. Severability. If any term or provision of this Agreement is held invalid or unenforceable to any extent, the remainder of this Agreement shall not be affected and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
- 6.9. Confidentiality. The Parties agree to keep this Agreement and its contents confidential and not to disclose this Agreement or its contents to any third party without the written consent of the other party, except (i) as required by law, or (ii) as necessary for disclosures to taxing authorities, immediate family members, board members, attorney(s), accountant(s), or other persons who are bound by professional or other obligations to maintain the confidentiality of such information. This provision shall survive and remain effective beyond the termination of this Agreement.
- 6.10. Section Headings, Construction. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms. The language used in the Agreement will be construed, in all cases, according to its fair meaning, and not for or against any Party hereto. The Parties acknowledge that each Party has reviewed this Agreement and that

rules of construction to the effect that any ambiguities are to be resolved against the drafting Party will not be available in the interpretation of this Agreement.

- 6.11. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original. Signatures sent by facsimile or other electronic transmission, including PDF or document management services (such as DocuSign, HelloSign, etc.), shall be deemed to be originals for all purposes of this Agreement.

*[signature page follows]*

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first set forth above.

**“PHYSICIAN”**

\_\_\_\_\_  
Name:

**“PC”**

**Name of PC**

By: \_\_\_\_\_  
Title: President

**“MANAGER”**

[Name of Manager]

By: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE 11 TO THE FRANCHISE AGREEMENT  
CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBER**

## **CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS**

THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS (this “**Assignment**”) is effective as of \_\_\_\_\_, 20\_\_, between Pause Franchisor Inc., a Delaware corporation, with its principal place of business at 13353 W. Washington Blvd., Los Angeles, CA 90066 (“**we**,” “**us**” or “**our**”) and \_\_\_\_\_, whose current place of business is \_\_\_\_\_ (“**you**” or “**your**”). You and we are sometimes referred to collectively as the “**parties**” or individually as a “**party**.”

### **BACKGROUND INFORMATION:**

We have simultaneously entered into that certain franchise agreement dated \_\_\_\_\_ with you (the “**Franchise Agreement**”), pursuant to which you plan to own and operate a Pause studio (the “**Franchised Business**”). Pause studios use certain proprietary information, knowledge, procedures, formats, systems, forms, printed materials, applications, methods, specifications, standards and techniques authorized or developed by us (collectively the “**System**”). We identify various components of our System by certain trademarks, trade names, service marks, trade dress and other commercial symbols (collectively the “**Marks**”). In order to protect our interest in the System and the Marks, we will have the right to control the telephone numbers and listings if the Franchise Agreement is terminated.

### **OPERATIVE TERMS:**

You and we agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to the background information. Terms not otherwise defined in this Assignment will have the meanings as defined in the Franchise Agreement.
2. **Conditional Assignment:** You assign to us, all of your right, title and interest in and to those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the “**Numbers and Listings**”) associated with the Marks and used from time to time in connection with the operation of the Franchised Business. This Assignment is for collateral purposes only. We will have no liability or obligation of any kind arising from or in connection with this Assignment, unless we notify the telephone company, the provider of a voice over Internet phone, and/or the listing agencies with which you have placed telephone directory listings (collectively, the “**Telephone Company**”) to effectuate the assignment of the Numbers and Listings to us. Upon termination or expiration of the Franchise Agreement we will have the right and authority to ownership of the Numbers and Listings. In such event, you will have no further right, title or interest in the Numbers and Listings and will remain liable to the Telephone Company for all past due fees owing to the Telephone Company on or before the date on which the assignment is effective. As between us and you, upon termination or expiration of the Franchise Agreement, we will have the sole right to and interest in the Numbers and Listings.
3. **Power of Attorney:** You irrevocably appoint us as your true and lawful attorney-in-fact to: (a) direct the Telephone Company to effectuate the assignment of the Numbers



and Listings to us; and (b) sign on your behalf such documents and take such actions as may be necessary to effectuate the assignment. Notwithstanding anything else in the Assignment, however, you will immediately notify and instruct the Telephone Company to effectuate the assignment described in this Assignment to us when, and only when: (i) the Franchise Agreement is terminated or expires; and (ii) we instruct you to so notify the Telephone Company. If you fail to promptly direct the Telephone Company to effectuate the assignment of the Numbers and Listings to us, we will direct the Telephone Company to do so. The Telephone Company may accept our written direction, the Franchise Agreement or this Assignment as conclusive proof of our exclusive rights in and to the Numbers and Listings upon such termination or expiration. The assignment will become immediately and automatically effective upon Telephone Company's receipt of such notice from you or us. If the Telephone Company requires that you and/or we sign the Telephone Company's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, our signature on such forms or documentation on your behalf will effectuate your consent and agreement to the assignment. At any time, you and we will perform such acts and sign and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement. The power of attorney conferred upon us pursuant to the provisions set forth in this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without our consent.

4. **Indemnification**: You will indemnify and hold us and our affiliates, shareholders, directors, officers and representatives (collectively, the "**Indemnified Parties**") harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action in which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of any agreement or contract or the nonpayment of any debt you have with the Telephone Company.

5. **Binding Effect**: This Assignment is binding upon and inures to the benefit of the parties and their respective successors-in-interest, heirs, and successors and assigns.

6. **Assignment to Control**: This Assignment will govern and control over any conflicting provision in any agreement or contract which you may have with the Telephone Company.

7. **Attorney's Fees, Etc.**: In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment or the enforcement thereof, the prevailing party will be entitled to reimbursement of its attorneys' fees, costs and expenses from the non-prevailing party. The term "**attorneys' fees**" means any and all charges levied by an attorney for his or her services including time charges and other reasonable fees including paralegal fees and legal assistant fees and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings and/or in arbitration proceedings.

8. **Severability**: If any of the provisions of this Assignment or any section or subsection of this Assignment are held invalid for any reason, the remainder of this Assignment

or any such section or subsection will not be affected, and will remain in full force and effect in accordance with its terms.

9. **Governing Law and Forum**: This Assignment is governed by Delaware law. The parties will not institute any action against any of the other parties to this Assignment except in the state or federal courts of general jurisdiction in Los Angeles County, California, and they irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such court.

IN WITNESS WHEREOF the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

**PAUSE FRANCHISOR, INC.**

**FRANCHISEE:**

Signature: \_\_\_\_\_

Franchisee Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT**

**PAUSE FRANCHISOR INC.  
MULTI-UNIT DEVELOPMENT AGREEMENT**

**PAUSE FRANCHISOR INC.  
MULTI-UNIT DEVELOPMENT AGREEMENT**



## MULTI-UNIT DEVELOPMENT AGREEMENT

This Multi-Unit Development Agreement (“MUDA”) made and entered on \_\_\_\_\_ (the “**Effective Date**”) by and between:

- Pause Franchisor Inc., a Delaware corporation, having its principal place of business at 13353 W. Washington Blvd., Los Angeles, CA 90066 (“**Franchisor**,” “**we**,” “**us**,” or “**our**”); and
- \_\_\_\_\_, an individual/partnership/corporation/limited liability company established in the State of \_\_\_\_\_ and whose principal address is \_\_\_\_\_ (“**Developer**,” “**you**,” or “**your**”).

WHEREAS, we have developed certain business processes, technologies, trade secrets, contracts, client lists, knowledge, know-how, trade names, service marks, trademarks, logos, emblems, trade dress and other intellectual property; distinctive signage and decor; standards and specifications for services, products, supplies, appearance, operations and management control; training and assistance; purchasing programs; and advertising, marketing, promotional and sales programs which may be changed, discontinued, improved, modified and further developed by us from time to time (the “**System**”).

WHEREAS, by signing below, you understand and acknowledge that it is solely your responsibility to comply with all business, franchise and health laws applicable to your Pause businesses including the laws set forth in our Franchise Disclosure Document (“**Disclosure Document**”).

WHEREAS, by signing below, you understand and acknowledge that each location you open shall be subject to the then-current franchise agreement (the “**Franchise Agreement**”) which may have terms that are materially different than the franchise agreement you are signing in conjunction with this MUDA.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party stated herein, hereby agree as follows:

### 1. GRANT

1.1. We hereby grant to you, pursuant to the terms and conditions of this MUDA, certain development rights (“**Development Rights**”) to establish and operate \_\_\_\_ Pause studios (each a “**Unit**”) at specific locations to be designated in separate Franchise Agreements executed as provided in Section 3.1 hereof, and pursuant to the development schedule established in Attachment D of this MUDA (hereinafter “**Development Schedule**”). Each Pause franchised business developed hereunder shall be located in the area described in Attachment E of this MUDA (hereinafter “**Development Area**”).

1.2. This MUDA is not a franchise agreement and does not grant to you any right to use our trade names, trademarks, and logos as we may designate from time to time (collectively, the “**Marks**”). You shall have no right under this MUDA to sub-franchise, sub-license, or sell Pause franchised businesses to third parties.

## 2. DEVELOPMENT FEE

2.1. In consideration of the Development Rights granted herein, you must pay the full reduced “**Initial Franchise Fee**” for the first Unit plus an upfront, non-refundable fee referred herein as the “**Development Fee**” equal to the reduced initial franchise fees for the remaining Pause studios you purchase. For the development of two Pause studios, you will pay an Initial Franchise Fee of \$55,000 for the first Franchised Business plus a Development Fee in the amount of \$55,000 at the time you sign the MUDA. You will not pay an initial franchise fee for the second Pause studio at the time you sign the then-current franchise agreement, which may be materially different than the Franchise Agreement attached to this Disclosure Document. For the development of three to five Pause studios, you will pay an Initial Franchise Fee of \$45,000 for the first Franchised Business plus a Development Fee in the amount of \$45,000 multiplied by the number of Pause studios we grant to you at the time you sign the MUDA. For the development of six to nine Pause studios, you will pay an Initial Franchise Fee of \$40,000 for the first Franchised Business plus a Development Fee in the amount of \$40,000 multiplied by the number of Pause studios we grant to you at the time you sign the MUDA. For the development of ten or more Pause studios, you will pay an Initial Franchise Fee of \$35,000 for the first Franchised Business plus a Development Fee in the amount of \$35,000 multiplied by the number of Pause studios we grant to you at the time you sign the MUDA. You will not pay an initial franchise fee for each subsequent Pause studio you develop but you must execute our then-current form of the franchise agreement.

2.2. When you sign the then-current Franchise Agreement for each Unit to be developed under this MUDA, which may have materially different terms than the existing Franchise Agreement on the Effective Date of this MUDA, there will be no balance due to be paid to the Franchisor because you have paid the non-refundable Development Fee at the time you sign the MUDA. Each Franchise Agreement must be signed at least 12 months before the date each Unit is required to be developed under the Development Schedule.

2.3. You acknowledge and agree that the Development Fee shall be fully earned by us upon execution of this MUDA, is not refundable, and will not be credited against any other fees you may pay to us pursuant to this MUDA or any Franchise Agreement.

## 3. SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

3.1. You shall assume all responsibility and expense for locating potential sites for your Units and shall submit to us for our evaluation and approval, information and documentation we request, which shall include, at minimum, a description of the site, the terms of the lease or purchase, and such other information and materials as we may reasonably require. We will make reasonable efforts to notify you within 30 days after receipt of such information and materials from you to accept or decline the site in our sole discretion. We shall have no obligation to approve sites which do not meet our criteria for you to meet the Development Schedule.

3.2. Recognizing that time is of the essence, you agree to exercise the Development Rights granted hereunder in the manner specified herein, and in accordance with the Development Schedule. Your failure to adhere to the Development Schedule shall constitute a default under this MUDA as provided in Section 9.1. Under no circumstances may you or an affiliate (defined herein as a separate corporate entity commonly owned by you) open a Unit for business unless and until there is a fully executed Franchise Agreement in place for each such Unit, and we have been paid all amounts due and owing to us upon execution of such Franchise Agreement.

3.3. You shall exercise your Development Rights granted herein only by executing a Franchise Agreement for each Unit at a site approved by us in the Development Area as hereinafter provided within ten days after receipt of said Franchise Agreement from us for the approved site and return same to us for our execution. The Franchise Agreement for the first Unit shall be executed contemporaneously with this MUDA by you or your affiliate. In the event we do not receive the properly executed Franchise Agreement within ten days from delivery to you, our approval of the approved site may be voided, at our option. You may not exercise any Development Rights under this MUDA while you are in default of any other agreement with us, including any Franchise Agreement.

3.4. You acknowledge that neither our acceptance of the premises nor any information communicated to you regarding our standard site selection criteria, nor the specific location of your Unit will constitute a warranty or representation of any kind, express or implied, as to the suitability of the site for your Unit. Our acceptance of the proposed site merely signifies that we are willing to grant a franchise at the approved site.

3.5. You shall be required to execute each Franchise Agreement and own a minimum of 51% of the issued and outstanding stock or membership interests for each Unit to be opened pursuant to said Franchise Agreement. In no event shall you relinquish control over any entity operating each Unit.

#### 4. DEVELOPMENT RIGHTS AND OBLIGATIONS

4.1. Subject to the provisions of this MUDA, we grant to you the Development Rights, as described in Section 1.1. Notwithstanding any other provision of this MUDA, Development Rights under this MUDA may or may not, in our sole discretion, include the right to develop Pause franchises at “**Non-Traditional Sites**”. Non-Traditional Sites include without limitation military bases, hotels, college campuses, airports, train stations, travel plazas, casinos, and sports or entertainment venues or stadiums. If a Non-Traditional Site becomes available within the Development Area during the term of this MUDA, we may, in our sole discretion, offer you the opportunity to develop a Unit at the Non-Traditional Site. You will have 30 days after we notify you that the site is available to accept this right of first refusal. If you accept the development of the Non-Traditional Site, it will be included in your Development Schedule.

4.2. Provided you are in full compliance with all the terms and conditions of this MUDA, including, without limitation, your development obligations described in Section 3.2., and you are in full compliance with all of your obligations under all Franchise Agreements executed pursuant to this MUDA, then during the term of this MUDA, neither we nor any of our affiliates will develop or operate or grant franchises for the development or operation of Pause franchised

businesses within the Development Area, except the franchises that are granted to you pursuant to this MUDA and except as otherwise expressly provided in this MUDA. However, we have the right to terminate this exclusivity if you are not in full compliance with all of the terms and conditions of this MUDA and all of the Franchise Agreements signed under it.

4.3. Upon the termination or expiration of this MUDA, we and our affiliates shall have the right to develop and operate, and to grant to others development rights and franchises to develop and operate, Pause franchised businesses within the Development Area subject only to the territorial rights granted to you with respect to each Unit operated by you pursuant to the Franchise Agreements signed under this MUDA and subject, further, to the right of first refusal described in Section 6 below.

4.4. We and our affiliates retain all rights with respect to each Unit, the System, the Marks and the sale of any Pause branded goods and services, anywhere in the world, including, without limitation, the right:

4.4.1. to produce, offer and sell and to grant others the right to produce, offer and sell any of the products or services offered at Pause franchised businesses and any other goods or services displaying the Marks or other trade and service marks through alternative channels of distribution (including, but not limited to, the Internet, catalog sales, grocery stores, telemarketing or other marketing methods) both within and outside your Development Area, and under any terms and conditions we deem appropriate;

4.4.2. to operate and to grant others the right to operate Pause franchised businesses located outside the Development Area under any terms and conditions we deem appropriate and regardless of proximity to your Development Area and Units thereunder;

4.4.3. to operate and to grant others the right to operate Pause businesses at Non-Traditional Sites within and outside the Development Area under any terms and conditions we deem appropriate; and

4.4.4. the right to acquire and operate a business operating one or more competing businesses located or operating in your Development Area.

4.5. To maintain your rights under the MUDA, you must have open and maintain in operation the cumulative number of Pause franchises stated on the Development Schedule by the dates agreed upon. Failure to do so will be grounds for either a loss of territorial exclusivity or a termination of the MUDA.

## **5. RENEWAL**

This MUDA shall not be subject to renewal. However, if you wish to purchase a new Development Area and continue to develop Units, we will, in good faith, negotiate a new MUDA with you subject to availability in our discretion and on terms commensurate with our then-current MUDA and Development Fee schedules.

## **6. TERM AND RIGHT OF FIRST REFUSAL**





6.1. Unless sooner terminated in accordance with the terms of this MUDA, the term of this MUDA and all Development Rights granted hereunder shall expire on the date the last Unit is opened pursuant to the Development Schedule established in Attachment D.

6.2 If, at any time or from time to time following the opening for business of all the Units in accordance with the Development Schedule, we determine that it is desirable to operate one or more additional Units in the Development Area, and provided you have timely complied with the Development Schedule and are in compliance with all terms and conditions of all Franchise Agreements signed under the MUDA, you shall have a right of first refusal to obtain the Development Rights to such additional Units upon such reasonable terms and conditions as are determined by us including, but not limited to, the imposition of a new Development Fee and payment of the then-current Initial Franchise Fee for each Unit upon execution of the then-current Franchise Agreement. In such case, we shall advise you in writing of the terms and conditions for the acquisition of the Development Rights for such additional Unit(s). If you do not exercise this first right of refusal, in whole, we may, following the expiration of the 60-day period, grant the Development Rights to such additional Unit(s) to any other person or persons on the same terms and conditions or we may elect to develop and construct any such additional Unit(s).

## 7. YOUR OBLIGATIONS

7.1. You acknowledge and agree that:

7.1.1. Except as otherwise provided herein, this MUDA includes only the right to select sites for the establishment of Units and to submit the same to us for our approval in accordance with the terms of this MUDA. This MUDA does not include the grant of a license by us to you of any rights to use the Marks, the System, or to open or operate any Pause franchised businesses within the Development Area. You shall obtain the license to use such additional rights at each Unit upon the execution of each Franchise Agreement by both you and us and only in accordance with the terms of each Franchise Agreement.

7.1.2. The Development Rights granted hereunder are personal to you and cannot be sold, assigned, transferred or encumbered, in whole or in part, except as stated in Section 11 hereof.

7.1.3. Except as provided in Sections 6.1. and 6.2., the Development Rights granted hereunder are non-exclusive, and we retain the right, in our sole discretion:

7.1.3.1. to continue to construct and operate other Pause businesses and to use the System and the Marks at any location outside the Development Area, and to license others to do so.

7.1.3.2. to develop, use and franchise the rights to any trade names, trademarks, service marks, trade symbols, emblems, signs, slogans, insignia, or copyrights not designated by us as Marks for use with different franchise systems for the sale of the different products or services not in connection with the System at any location, on such terms and conditions as we may deem advisable and without granting you any rights therein.

7.1.3.3. to develop, merchandise, sell and license others to sell any of our products, proprietary or otherwise, presently existing or to be developed in the future, to the public through alternative channels of distribution outside or inside of the Development Area and to use the Marks in connection therewith.

7.1.4. You have sole responsibility for the performance of all obligations arising out of the operation of your development business pursuant to this MUDA, including, but not limited to, the payment when due of any and all taxes levied or assessed by reason of such operation.

7.1.5. In all public records, in your relationship with other persons, and in any documents, you shall indicate clearly the independent ownership of your development business and that the operations of said business are separate and distinct from the operation of a Unit.

7.1.6. You shall, at all times, preserve in confidence any and all materials and information furnished or disclosed to you by us, and you shall disclose such information or materials only to such of your employees or agents who must have access to it in connection with their employment. You shall not at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

7.1.7. You shall comply with all requirements of federal, state and local laws, rules and regulations.

7.1.8. You shall at no time have the right to sub-franchise any of your Development Rights hereunder.

7.1.9. In no event shall any Unit be opened for business unless and until a Franchise Agreement for such Unit has been fully executed and any additional initial fees due to us or our affiliates have been paid.

## **8. OUR SERVICES**

8.1. We will review the information regarding potential sites for your Units that you provide to us to determine whether the sites meet our then-current standards and criteria, and if the site meets our criteria, accept the site.

8.2. We will assist you in determining the layout and configuration of each Unit once the location has been approved. After you and we have determined the layout and configuration of each Unit, you must arrange for site plan and build-out plans and specifications to be prepared and submitted to us for our review.

8.3. We will review your site plan and final build-out plans and specifications for conformity to our standards and specifications.

8.4. We may provide other resources and assistance as may be developed and offered to our developers in our discretion and as we deem appropriate.

## 9. DEFAULT AND TERMINATION

9.1 The occurrence of any of the following events of default shall constitute good cause for us, at our option and without prejudice to any other rights or remedies provided for hereunder or by law or equity, to terminate this MUDA upon notice to you without opportunity to cure the default, except where prohibited by any applicable state or federal law, whereupon this MUDA shall be terminated in accordance with the provisions of any such law:

9.1.1. If you shall, in any respect, fail to meet the Development Schedule.

9.1.2. If you shall purport to affect any assignment other than in accordance with Section 11 hereof.

9.1.3. Except as provided in Section 11 hereof, if you attempt to sell, assign, transfer or encumber this MUDA prior to the time that at least 50% of the Units to be constructed and opened for business in accordance with the Development Schedule are, in fact, open or under construction.

9.1.4. If you make, or have made, any material misrepresentation to us in connection with obtaining this MUDA, any site approval hereunder, or any Franchise Agreement signed under this MUDA.

9.1.5. If you default in the performance of any obligation under any Franchise Agreement with us, provided such default results in the termination of the Franchise Agreement.

9.1.6. If you suffer a violation of any law, ordinance, rule or regulation of a governmental agency in connection with the operation of any Unit under this MUDA, and permit the same to go uncorrected after notification thereof, unless there is a bona fide dispute as to the violation or legality of such law, ordinance, rule or regulation, and you promptly resort to courts or forums of appropriate jurisdiction to contest such violation or legality.

9.1.7. If you or an owner of yours owning a 25% or more interest in you is convicted in a court of competent jurisdiction of an indictable offense punishable by a term of imprisonment in excess of one year.

9.1.8. If you, or any of your partners, if you are a partnership, or any of your officers, directors, shareholders, or members, if you are a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your business or assets is filed and consented to by you; 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; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment

remains unsatisfied or of record for 30 days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within 30 days; or if the real or personal property of the business shall be sold after levy thereupon by any sheriff, marshal, or constable.

9.1.9. If you, or any shareholder or principal, if you are corporate entity, or any of your affiliates cease to operate all of the Units developed pursuant to the terms of this MUDA.

9.2 Upon occurrence of any of the events stated in this Section 9.2, we may, without prejudice to any other rights or remedies contained in this MUDA or provided by law or equity, terminate this MUDA. Such termination shall be effective 30 days after written notice (or such other notice as may be required by applicable state law) is given by us to you of any of such events, if such defaults are not cured within such period:

9.2.1. If you shall use the System or Marks, or any other names, marks, systems, insignia, symbols or rights which are our property, except pursuant to, and in accordance with, a valid and effective Franchise Agreement.

9.2.2. If you, or persons controlling, controlled by or under common control with you, shall have any interest, direct or indirect, in the ownership or operation of any business engaged in the sale of products or services similar to those permitted to be sold by you within the Development Area or in any business which looks like, copies or imitates a Pause business or operates in a manner tending to have such effect other than pursuant to a valid and effective Franchise Agreement with us.

9.2.3. If you shall fail to remit to us any payments pursuant to Section 2 when same are due. Any amounts paid by you toward the Development Fee upon termination shall be non-refundable.

9.2.4. If you shall begin work upon any Unit at any site unless all the conditions stated in Section 3 hereof have been met.

9.2.5. If you fail to obtain our prior written approval or consent, including but not limited to site approval or site plan approval, as expressly required by this MUDA.

9.2.6. If you default in the performance of any other obligation under this MUDA.

9.2.7. If you open any Unit for business before a Franchise Agreement for such Unit has been fully executed by you and us and all initial fees due to us have been paid.

## **10. OBLIGATIONS FOLLOWING TERMINATION**

10.1. Upon termination of this MUDA becoming effective for any reason, or upon expiration of the term hereof, you agree as follows:

10.1.1. to cease immediately any attempts to select sites on which to establish Units.

10.1.2. to cease immediately to hold yourself out in any way as a Developer of ours or to do anything which would indicate a relationship between you and us.

10.1.3. to immediately and permanently cease to use the Marks and distinctive forms, slogans, signs, and symbols associated with the Developer program and the System.

10.1.4. to promptly pay all sums owing to us and our affiliates under this MUDA. In the event of termination for any default by you, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees and expenses, incurred by us or our affiliates as a result of the default.

10.1.5. You shall comply with the covenants contained in Section 12 of this MUDA.

10.2. No right or remedy herein conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted by law or in equity.

## **11. TRANSFER OF INTEREST**

11.1. This MUDA is personal to you, and you shall neither sell, assign, transfer nor encumber this MUDA, the Development Rights, or any other interest hereunder, nor suffer or permit any such assignment, transfer or encumbrance to occur directly, indirectly or contingently by agreement or by operation of law without our prior written consent. You understand that this MUDA may not be pledged, mortgaged, hypothecated, given as security for an obligation or in any manner encumbered. The assignment or transfer of any interest, except in accordance with this Section 11 shall constitute a material breach of this MUDA.

11.2. In the event that you are a corporation or desire to conduct business in a corporate capacity, said corporate entity or assignment to a corporate entity (which may include a corporation, limited liability company or partnership) must receive our prior written approval and you agree to comply with the provisions hereinafter specified, including without limitation, personal guarantees by the equity owners of all of the obligations of said corporate entity or assignee corporate entity to us and other parties designated by us. The corporate entity or assignee corporate entity shall not engage in any business activities other than those directly related to the operation of the Units pursuant to the terms and conditions of the Franchise Agreements with us, and all assets related to the operation of the Units shall be held by the corporate entity or assignee corporate entity. There shall be no transfer fee charged by us for a one-time assignment to a corporate entity.

11.3. If you are a corporation or if your rights hereunder are assigned to a corporate entity, you or those individuals disclosed on Attachment B attached hereto shall be the legal and beneficial owner of not less than 51% of the outstanding equity of said entity and shall act as such entity's principal officer. The assignment to a corporate entity will not relieve you of personal liability to us for performance of any of the obligations under this MUDA. Any subsequent transfer of voting rights of the equity of the entity or assignee entity, and any transfer or issuance of equity of the

entity or assignee entity shall be subject to our prior written approval. We agree that we will not unreasonably restrict the issuance or transfer of equity, provided that you comply with the provisions of this Section 11, and provided that in no event shall any equity of such corporate entity or assignee corporate entity be sold, transferred or assigned to a business competitor of ours. The articles of organization and governing documents (including by-laws, operating agreement or partnership agreement) of the entity or assignee entity shall reflect that the issuance and transfer of equity is restricted, and all certificates shall bear the following legend, which shall be printed legibly and conspicuously on each certificate:

**“The transfer of this certificate is subject to the terms and conditions of a Multi-Unit Development Agreement with Pause Franchisor Inc., dated \_\_\_\_\_. Reference is made to said Multi-Unit Development Agreement and related franchise agreements and to restrictive provisions of the governing documents of this entity.”**

11.4. The entity or assignee entity’s records shall indicate that a stop transfer order shall be in effect against the transfer of any equity, except for transfers permitted by this Section 11. In addition to the foregoing, the equity of such entity or assignee entity shall not be publicly sold or traded. You are strictly prohibited from offering your securities through a public offering or private placement.

11.5. In the event of your death, disability or permanent incapacity, we shall consent to the transfer of all of the interest of you to your spouse, heirs or relatives, by blood or marriage, or if this MUDA was originally executed by more than one party, then to the remaining party(ies) who originally executed this MUDA, whether such transfer is made by your Last Will and Testament or by operation of law, provided that the requirements of Section 11 hereof have been met. In the event that your heirs do not obtain our consent as prescribed herein, your personal representative shall have a reasonable time to dispose of your interest hereunder, which disposition shall be subject to all the terms and conditions for transfers under this MUDA.

11.6. You have represented to us that you are entering into this MUDA with the intention of complying with its terms and conditions and not for the purpose of resale of the Development Rights hereunder. Therefore, you agree that any attempt to assign this MUDA, prior to the time that at least 50% of the Units to be constructed hereunder are opened or under construction, except pursuant to Sections 11.2 and 11.3 hereof, shall be deemed to be an event of default.

11.7. Except as provided in Section 11.6, if you receive from an unaffiliated third party and desire to accept a bona fide written offer to purchase your business, Development Rights and interests, we shall have the option, exercisable within 30 days after receipt of written notice setting forth the name and address of the prospective purchaser, the price and terms of such offer, and a copy of such offer and the other information stated in this Section 11.7, to purchase such business, Development Rights and interests, including your right to develop sites within the Development Area, on the same terms and conditions as offered by said third party. In order that we may have information sufficient to enable us to determine whether to exercise this option, we may require you to deliver to us certified financial statements as of the end of your most recent fiscal year and

such other information about your business and operations as we may request. If we decline or do not accept the offer in writing within 30 days, you may, within 30 days from the expiration of the option period, sell, assign and transfer your business, Development Rights and interest to said third party, provided we have consented to such transfer as required by this Section 11. Any material change in the terms of the offer prior to closing of the sale to such third party shall constitute a new offer, subject to the same rights of first refusal by us or our nominee, as in the case of an initial offer. Our failure to exercise the option afforded by this Section 11.7 shall not constitute a waiver of any other provision of this MUDA, including all of the requirements of this Section 11.7 with respect to the proposed transfer.

11.8. You acknowledge and agree that the restrictions on transfer imposed herein are reasonable and are necessary to protect the Development Rights, the System and the Marks, as well as our reputation and image, and are for the protection of us, you and other multi-unit developers and franchisees. Any assignment or transfer permitted by this Section 11.7 shall not be effective until we receive a completely executed copy of all transfer documents, and we consent in writing thereto.

11.9. Except as provided in Section 11.6. hereof, we agree not to unreasonably withhold our consent to a sale, assignment or transfer by you hereunder. Consent to such transfer otherwise permitted or permissible as reasonable may be refused unless:

11.9.1. All of your obligations created by this MUDA, all other franchise documents, including all Franchise Agreements, and the relationship created hereunder are assumed by the transferee.

11.9.2. All ascertained or liquidated debts of you to us or our affiliates or are paid.

11.9.3. You are not in default hereunder.

11.9.4. We are reasonably satisfied that the transferee meets all of our requirements for new multi-unit developers, including but not limited to, good reputation and character, business acumen, operational ability, management skills, financial strength and other business considerations.

11.9.5. Transferee executes or, in appropriate circumstances, causes all necessary parties to execute, our standard form of MUDA, Franchise Agreements for all Units open or under construction hereunder, and such other then-current ancillary agreements being required by us of new multi-unit developers on the date of transfer.

11.9.6. You execute a general release, in a form satisfactory to us, of any and all known and unknown claims against us, our officers, directors, employees and principal stockholders of any and all claims and causes of action that you may have against us or any subsidiary or affiliated corporations in any way relating to this MUDA or the performance or non-performance thereof by us.

11.9.7. You or transferee pay to us a transfer fee in an amount of \$50,000 to cover our reasonable costs in effecting the transfer and in providing training and other initial assistance to transferee.

11.10. Upon the death or mental incapacity of any person with an interest of more than 50% in this MUDA or in you, the executor, administrator or personal representative of such person shall transfer his interest to a third party approved by us within 12 months. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions stated in Section 11.1 hereof, the personal representative of the deceased shall have a reasonable time, not to exceed 12 months from the date said personal representative is appointed, to dispose of the deceased's interest in you or in the Development Rights, which disposition shall be subject to all the terms and conditions for transfers contained in this MUDA. It is understood and agreed, however, that notwithstanding the foregoing, the Development Schedule shall be complied with as though no such death or mental incapacity had occurred. In the event the interest described above is not disposed of within such time, we shall have the right to terminate this MUDA, provided such termination had not previously occurred for failure to perform pursuant to the Development Schedule, upon 90 days' notice to your representative, or we shall have the right to re-purchase same at the same price being sought by your representative.

11.11. Our consent to a transfer of any interest in you or in the Development Rights pursuant to this Section shall not constitute a waiver of any claims we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this MUDA by the transferee.

11.12. We shall have the right to assign this MUDA and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (a) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations; and (b) the assignee shall expressly assume and agree to perform such obligations. You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of "Pause Franchisor Inc." as Franchisor. Nothing contained in this MUDA shall require us to remain in our current industry or to offer the same products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this MUDA.

## 12. COVENANTS

12.1. You covenant that during the term of this MUDA, except as otherwise approved in writing by us, you (or if Developer is a corporation or partnership, the Operating Principal) or



your manager shall devote full time, energy, and best efforts to the management and operation of the Developer's business governed by this MUDA.

12.2. You specifically acknowledge that, pursuant to this MUDA, you will receive confidential information, including without limitation, marketing methods and techniques of us and the System. You covenant that, during the term of this MUDA, you and persons controlling, controlled by or under common control with you shall not, either directly or indirectly, for yourself/himself, or through, on behalf of or in conjunction with any person, persons or legal entity:

12.2.1. Divert or attempt to divert any business or customer of any Pause franchised business operated under the System to any competitor or do any other act injurious or prejudicial to the goodwill associated with the System.

12.2.2. Employ or seek to employ any person who is at that time employed by us or any of our franchisees or developers, or directly or indirectly induce such person to leave their employ.

12.2.3. Own, maintain, operate, affiliate with, or have an interest in any business (whether directly operating such a business or as a franchisee, area representative, developer, or otherwise) that is competitive with a Pause franchised business.

12.3. You and your owners covenant that, except as otherwise approved in writing by us, you shall not, for a continuous uninterrupted period of two years from the date of: (a) a transfer permitted under Section 11; (b) expiration or termination of this MUDA (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 12.3, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any persons or entity, own, maintain, operate, engage in, develop or acquire any interest in any business that is competitive with a Unit and, and which business is, or is intended to be, located (a) within the Development Area; (b) within a 15 mile radius of the Development Area; or (c) within a 15 mile radius of any Pause franchise operating under the System at the time of transfer, expiration or termination.

12.4. Sections 12.2 and 12.3 above shall not apply to ownership by Developer of an interest in any business operated under the System under a franchise granted by us or of less than 5% beneficial interest in the outstanding equity securities of any publicly held entity.

12.5. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this MUDA. If all or any portion of a covenant is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 12.

12.6. You understand and acknowledge that we shall have the right, in our sole discretion, to reduce the scope of any covenant set forth in Sections 12.2 and 12.3 of this MUDA, or any portion thereof, without your consent, effective immediately upon receipt of written notice thereof; and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

12.7. You expressly agree that the existence of any claims you may have against us, whether or not arising from this MUDA, shall not constitute a defense to the enforcement by us of the covenants in this Section 12. You agree to pay all costs and expenses (including reasonable attorneys' fees and expenses) we incur in connection with the enforcement of this Section 12.

12.8. You shall require and obtain execution of covenants, in a form reasonably acceptable to us, of confidentiality and noncompetition similar to those set forth elsewhere in this MUDA (including covenants applicable upon the termination of a person's relationship with you) from any or all of the following persons: (a) all managers of Developer; (b) all officers, directors, and holders of a beneficial interest of 5% or more of the securities of Developer, and of any entity directly or indirectly controlling Developer, if Developer is an entity; and (c) the general partners and any limited partners if Developer is a partnership. The covenants required by this Section 12 shall be in a form specified by us, including, without limitation, specific identification of us as a third-party beneficiary of such covenants with the independent right to enforce them.

12.9. You and your 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 your owners certify, represent, and warrant that none of your respective property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of your owners are otherwise in violation of any of the Anti-Terrorism Laws. For the purposes of this Section 12.9, the following terms have the following meanings: (a) "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States ("**Executive Order 13224**"), the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control, and any other government agency with jurisdiction over the parties to this MUDA and/or their actions) addressing or in any way relating to terrorist acts and/or acts of war; (b) "**Owner**" means any person, partner, member, or shareholder who owns any direct or indirect interest in Developer. You and your owners certify that none of you, your respective employees, or anyone associated with any of them is listed in the Annex to Executive Order 13224 (the "**Annex**"). You agree not to knowingly hire any individual who is listed in the Annex (or, if he or she is already employed, retain the employment of that individual). You also agree not to knowingly: (a) establish a new relationship with a person as an employee, owner, banker, or otherwise who is listed in the Annex (whether or not we have consented to a Transfer involving such new owner); and (b) maintain a business relationship (whether with an employee, an owner, banker, or otherwise) with a person who is added to the Annex. You certify that you have no knowledge or information that, if

generally known, would result in you or your owners, your employees, or anyone else associated with you to be listed in the Annex to Executive Order 13224. You understand that you are solely responsible for ascertaining what actions you must take to comply with the Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities set forth in this MUDA also apply to your obligations under this Section 12.9. Any misrepresentation by you under this Section or any violation of the Anti-Terrorism Laws by you, your owners, your employees, and/or their respective affiliates shall constitute grounds for immediate termination of this MUDA and any other agreement you have entered into with us or one of our affiliates.

### **13. NOTICES**

Any and all notices required or permitted under this MUDA shall be in writing and shall be personally delivered, emailed to the most recently provided email address by the recipient, or mailed by priority mail, receipt acknowledged, to the respective parties at the addresses listed in the opening paragraph unless and until a different address has been designated by written notice to the other party. Any notice by priority mail shall be deemed to have been given at the date and time of mailing.

### **14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

14.1. It is understood and agreed by the parties hereto that this MUDA does not create a fiduciary relationship between them, and that nothing in this MUDA is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this MUDA is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

14.2. You shall hold yourself out to the public to be an independent contractor operating pursuant to this MUDA. You agree to take such actions as shall be necessary to that end.

14.3. You understand and agree that nothing in this MUDA 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 assume no liability for, nor shall be deemed liable by reason of, any act or omission of yours or any claim or judgment arising therefrom. You shall indemnify and hold us and our officers, directors, and employees harmless against any and all such claims arising directly or indirectly from, as a result of, or in connection with your activities hereunder, as well as the cost, including reasonable attorneys' fees, of defending against them, except that the foregoing shall not apply to infringement actions regarding the Marks which are caused solely by our actions or actions caused by the negligent acts of us or our agents.

### **15. APPROVALS**

15.1. Whenever this MUDA requires our prior approval or consent, you shall make a timely written request to us for such approval or consent, and, except as otherwise provided herein, any approval or consent granted shall be in writing.

15.2. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you or any third party to which we would not otherwise be subject, by providing any waiver, approval, advise, consent or services to you in connection with this MUDA, or by reason of any neglect, delay or denial of any request therefor.

## **16. NON-WAIVER**

No failure of ours to exercise any power reserved to us under this MUDA or to insist upon compliance by you with any obligation or condition in this MUDA, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our rights to demand exact compliance with the terms of this MUDA. Our waiver of any particular default shall not affect or impair our right with respect to any subsequent default of the same or of a different nature; nor shall any delay, forbearance or omission of ours to exercise any power or right arising out of any breach or default by you of any of the terms, provisions or covenants of this MUDA affect or impair our rights, nor shall such constitute a waiver by us of any rights hereunder or rights to declare any subsequent breach or default.

## **17. SEVERABILITY AND CONSTRUCTION**

17.1. Each covenant and provision of this MUDA shall be construed as independent of any other covenant or provision of this MUDA. The provisions of this MUDA shall be deemed severable.

17.2. If all or any portion of a covenant or provision of this MUDA is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a decision to which we are a party, you expressly agree to be bound by any lesser covenant or provision imposing the maximum duty permitted by law which is subsumed within the terms of such covenant or provision, as if that lesser covenant or provision were separately stated in and made a part of this MUDA.

17.3. Nothing in this MUDA shall confer upon any person or legal entity other than us or you, and such of our respective successors and assigns as may be contemplated by Section 11 hereof, any rights or remedies under or by reason of this MUDA.

17.4. All captions in this MUDA are intended solely for the convenience of the parties and none shall be deemed to affect the meaning or construction of any provision hereof.

17.5. All references herein to gender and number shall be construed to include such other gender and number as the context may require, and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by you shall be deemed jointly and severally undertaken by all those executing this MUDA on your behalf.

17.6. This MUDA may be executed in multiple copies, each of which shall be deemed an original.

## **18. ENTIRE AGREEMENT; APPLICABLE LAW**

18.1. This MUDA, the documents referred to herein and the Attachments attached hereto constitute the entire, full and complete agreement between us and you concerning the subject matter hereof and supersede any and all prior agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. No amendment, change or variance from this MUDA shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

18.2. This MUDA takes effect upon its acceptance and execution by us. Except to the extent this MUDA or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 and the sections following it) or other federal law, this MUDA and the relationship created hereby are governed by Delaware law, excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. References to any law or regulation also refer to any successor laws or regulations and any implementing regulations for any statute, as in effect at the relevant time. References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency.

18.3. Subject to the Arbitration provision below, you and we each consent and irrevocably submit to the exclusive jurisdiction and venue of the state and federal courts of competent jurisdiction for Los Angeles County, California, and waive any objection to the jurisdiction and venue of such courts. This exclusive choice of jurisdiction and venue provision does not restrict the ability of the parties to confirm or enforce judgments or awards in any appropriate jurisdiction.

18.4. Any email correspondence or other form of informal electronic communication shall not be deemed to modify this MUDA unless such communication is signed by both parties and specifically states that it is intended to modify this MUDA. The attachments are part of this MUDA, which, together with any amendments or addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this MUDA.

## **19. DISPUTE RESOLUTION**

19.1 WITH THE EXCEPTION OF ANY CONTROVERSY OR CLAIM RELATING TO (A) THE OWNERSHIP OR IMPROPER USE OF OUR PROPRIETARY MARKS OR CONFIDENTIAL INFORMATION, (B) EQUITABLE CLAIMS, AND (C) AMOUNTS DUE FROM YOU TO US, THE PARTIES AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE BETWEEN OR INVOLVING US OR ANY OF OUR AFFILIATES (AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES AND/OR EMPLOYEES) AND YOU (AND YOUR AGENTS, REPRESENTATIVES AND/OR EMPLOYEES, AS APPLICABLE) ARISING OUT OF OR RELATED TO: (A) THIS MUDA OR ANY OTHER AGREEMENT BETWEEN US AND YOU

OR OUR AND YOUR RESPECTIVE AFFILIATES; (B) OUR RELATIONSHIP WITH YOU; (C) THE VALIDITY OF THIS MUDA OR ANY OTHER AGREEMENT BETWEEN YOU AND US OR OUR AND YOUR RESPECTIVE AFFILIATES; OR (D) ANY SYSTEM STANDARD, TO NON-BINDING MEDIATION AT A PLACE THAT WE DESIGNATE WITHIN 25 MILES OF WHERE OUR PRINCIPAL OFFICES ARE LOCATED AT THE TIME THE DEMAND FOR MEDIATION IS FILED. (IF YOU AND WE CANNOT AGREE ON A LOCATION, THE MEDIATION WILL BE CONDUCTED AT OUR HEADQUARTERS). THE MEDIATION SHALL BE CONDUCTED BY EITHER A MUTUALLY AGREED-UPON MEDIATOR OR, FAILING SUCH AGREEMENT WITHIN A REASONABLE PERIOD OF TIME (NOT TO EXCEED 15 DAYS) AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION, BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH ITS COMMERCIAL MEDIATION PROCEDURES. ABSENT AGREEMENT TO THE CONTRARY, THE MEDIATOR SHALL BE EXPERIENCED IN THE MEDIATION OF FRANCHISE DISPUTES. YOU AND WE AGREE THAT ANY STATEMENTS MADE BY EITHER YOU OR US IN ANY SUCH MEDIATION PROCEEDING WILL NOT BE ADMISSIBLE IN ANY SUBSEQUENT ARBITRATION OR LEGAL PROCEEDING. EACH PARTY WILL BEAR ITS OWN COSTS AND EXPENSES OF CONDUCTING THE MEDIATION AND SHARE EQUALLY THE COSTS OF ANY THIRD PARTIES WHO ARE REQUIRED TO PARTICIPATE. NEVERTHELESS, BOTH YOU AND WE HAVE THE RIGHT IN A PROPER CASE TO OBTAIN TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION. HOWEVER, THE PARTIES MUST IMMEDIATELY AND CONTEMPORANEOUSLY SUBMIT THE DISPUTE FOR NON-BINDING MEDIATION. IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN 90 DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN, UNLESS SUCH TIME PERIOD IS EXTENDED BY THE WRITTEN AGREEMENT OF THE PARTIES, EITHER PARTY MAY BRING A LEGAL PROCEEDING UNDER THIS SECTION. THE MEDIATION PROVISIONS OF THIS MUDA ARE INTENDED TO BENEFIT AND BIND CERTAIN THIRD-PARTY NON-SIGNATORIES, AND ALL OF YOUR AND OUR OWNERS AND AFFILIATES.

19.2. WITH THE EXCEPTION OF ANY CONTROVERSY OR CLAIM RELATING TO (A) THE OWNERSHIP OR IMPROPER USE OF OUR PROPRIETARY MARKS OR CONFIDENTIAL INFORMATION, (B) EQUITABLE CLAIMS, AND (C) AMOUNTS DUE FROM YOU TO US, ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS MUDA, IF NOT RESOLVED BY THE NEGOTIATION AND MEDIATION PROCEDURES DESCRIBED ABOVE, MUST BE DETERMINED WITHIN 50 MILES OF WHERE OUR PRINCIPAL OFFICES ARE LOCATED AT THE TIME THE DEMAND FOR ARBITRATION IS FILED BY THE AMERICAN ARBITRATION ASSOCIATION (“AAA”) (IF YOU AND WE CANNOT AGREE ON A LOCATION, THE ARBITRATION WILL BE CONDUCTED AT OUR HEADQUARTERS). THIS ARBITRATION CLAUSE WILL NOT DEPRIVE US OF ANY RIGHT WE MAY OTHERWISE HAVE TO SEEK PROVISIONAL INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION. THE ARBITRATOR MUST HAVE SUBSTANTIAL EXPERIENCE IN FRANCHISE LAW AND WITH COMMERCIAL DISPUTES. THE PARTIES ASK THAT THE ARBITRATOR LIMIT DISCOVERY TO THE GREATEST EXTENT POSSIBLE CONSISTENT WITH BASIC FAIRNESS IN ORDER TO MINIMIZE THE TIME AND EXPENSE OF ARBITRATION. IF PROPER NOTICE OF ANY

HEARING HAS BEEN GIVEN, THE ARBITRATOR WILL HAVE FULL POWER TO PROCEED TO TAKE EVIDENCE OR TO PERFORM ANY OTHER ACTS NECESSARY TO ARBITRATE THE MATTER IN THE ABSENCE OF ANY PARTY WHO FAILS TO APPEAR. BOTH PARTIES WAIVE ANY RIGHTS THEY MAY HAVE TO DEMAND TRIAL BY JURY OR TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. THE ARBITRATOR WILL HAVE NO POWER TO: (A) STAY THE EFFECTIVENESS OF ANY PENDING TERMINATION OF FRANCHISE; (B) ASSESS PUNITIVE DAMAGES AGAINST EITHER PARTY; OR (C) MAKE ANY AWARD THAT MODIFIES OR SUSPENDS ANY LAWFUL PROVISION OF THIS MUDA. THE PARTY AGAINST WHOM THE ARBITRATOR RENDERS A DECISION MUST PAY ALL EXPENSES OF ARBITRATION. ANY COURT OF COMPETENT JURISDICTION MAY ENTER JUDGMENT UPON ANY AWARD.

19.3. As a mandatory condition precedent prior to your taking any legal or other action against us, whether for damages, injunctive, equitable or other relief (including, but not limited to, rescission), based upon any alleged act or omission of ours, you shall first give us 90 days prior written notice and opportunity to cure such alleged act or omission, or to resolve such matter.

19.4. Nothing in this MUDA shall bar our right to obtain specific performance of the provisions of this MUDA and injunctive relief against threatened conduct that will cause us loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and your sole remedy, in the event of the entry of such injunction, shall be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived).

19.5. No right or remedy conferred upon or reserved to us or you by this MUDA is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

19.6. YOU AND WE HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS MUDA, THE RELATIONSHIP CREATED BY THIS MUDA, OR ANY OTHER AGREEMENTS BETWEEN YOU AND US AND/OR YOUR AND OUR RESPECTIVE AFFILIATES.

19.7. EXCEPT FOR YOUR OBLIGATIONS TO US AND CLAIMS FOR UNAUTHORIZED USE OF THE MARKS OR CONFIDENTIAL INFORMATION, YOU WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO, OR CLAIM FOR, ANY CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES AGAINST US. YOU ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING THE CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND RECOVERY OF ANY ACTUAL DAMAGES YOU SUSTAIN.

19.8. ANY AND ALL CLAIMS ARISING OUT OF OR IN CONNECTION WITH THIS MUDA OR THE RELATIONSHIP BETWEEN YOU AND US MUST BE MADE BY WRITTEN NOTICE TO THE OTHER PARTY WITHIN ONE YEAR FROM THE

OCCURRENCE OF THE ACT OR EVENT GIVING RISE TO SUCH CLAIM OR ONE YEAR FROM THE DATE ON WHICH YOU OR WE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST, EXCEPT FOR CLAIMS FOR: (A) INDEMNIFICATION; OR (B) UNAUTHORIZED USE OF THE CONFIDENTIAL INFORMATION OR PROPRIETARY MARKS. HOWEVER, THIS PROVISION DOES NOT LIMIT OUR RIGHT TO TERMINATE THIS MUDA IN ANY WAY.

19.9. You shall pay to us all damages, costs and expenses (including without limitation reasonable attorneys' fees) that we incur subsequent to the termination or expiration of the license granted under this MUDA in: (a) obtaining injunctive or other relief for the enforcement of any provisions of this MUDA; (b) successfully defending a claim that we defrauded you into signing this MUDA, that the provisions of this MUDA are not fair, were not properly entered into, and/or that the terms of this MUDA do not govern the parties' relationship; and/or (c) enforcing any term in this MUDA.

## 20. TIMELY PERFORMANCE

You hereby acknowledge that your timely development of the Units in the Development Area in accordance with the Development Schedule is of material importance to us and you. You agree, as a condition of the continuance of the rights granted hereunder, to develop and open Pause studios within the Development Area in accordance with the Development Schedule, to operate such Unit pursuant to the terms of the Franchise Agreements and to maintain all such Units in operation continuously. We agree to diligently act upon any request of or approval from you and any material delay in your ability to meet the Development Schedule which is directly caused by our failure to act diligently upon a request for approval shall not constitute a default hereunder. Further, a failure or delay in performance by any party to this MUDA shall not be a default hereunder if such failure or delay arises out of or results from a "**Force Majeure**", which for purposes of this MUDA shall be defined as fire, flood, acts of God, global pandemic, government shutdown, earthquake or other natural disasters, or acts of a public enemy, war, act of terrorism, rebellion or sabotage. Force Majeure shall not include your lack of financing.

## 21. ACKNOWLEDGMENTS

21.1. You acknowledge and agree that we shall have the right to operate the System as we determine is appropriate, including but not limited to making decisions of whether to enter into an agreement of any sort with any party (such as a prospective franchisee), determining the terms of any agreement that we will enter into with any party (such as the provisions of a Franchise Agreement), determining whether and how to enforce its agreements (such as whether and when to bring actions to require payment in full by all parties, including franchisees), and all other matters whatsoever pertaining to the System. You understand that you shall not have any right whatsoever to enforce or to require us to do business with any particular party, enter into any particular agreement, or to enforce the terms of any particular Franchise Agreement.

21.2. You acknowledge and agree that we have in the past, and may in the future, modify the offer of its licenses to other multi-unit developers in any manner and at any time, which offers



and agreements have or may have terms, conditions, and obligations that differ from the terms, conditions, and obligations in this MUDA.

21.3. You acknowledge that you received the Disclosure Document required by the Federal Trade Commission Franchise Rule at least 14 calendar days prior to the date on which this MUDA was executed or any consideration was paid to us.

21.4. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this MUDA; (b) exercising its rights under this MUDA; and/or (c) fulfilling its responsibilities under this MUDA.

## 22. EFFECTIVE DATE

22.1 This MUDA shall be effective as of the date it is executed by us.

**IN WITNESS WHEREOF**, the parties hereto have duly executed, sealed and delivered this Agreement on the day and year first above written.

**PAUSE FRANCHISOR INC.**

**DEVELOPER:**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**MULTI-UNIT DEVELOPMENT AGREEMENT**

**ATTACHMENT A**

**CERTIFICATION BY DEVELOPER**

The undersigned, \_\_\_\_\_, personally, (“**Developer**”) do/does hereby certify that they have conducted an independent investigation of the business contemplated by this Multi-Unit Development Agreement and the Pause Franchisor Inc. Franchise Agreement, and that the decision to execute the Multi-Unit Development Agreement was based entirely upon the independent investigation by the undersigned; and the undersigned further certifies that he has not relied upon, in any way, any claims regarding potential sales, income, or earnings to be derived from the business contemplated by the Franchise Agreement and Multi-Unit Development Agreement, and has not relied upon any claims regarding past or current sales, income or earnings of Franchisor-operated Units, except as may be included in the Pause Franchise Disclosure Document heretofore provided to Developer. The undersigned further certifies that he/she understands the risks involved in this investment and Pause Franchisor Inc. makes no representation or guaranty, explicit or implied, that the Developer will be successful or will recoup his/her investment.

Each of the undersigned owns a 5% or greater beneficial interest in Developer, each has read this Multi-Unit Development Agreement, and each agrees to be individually bound by all obligations of Developer hereunder.

IN WITNESS WHEREOF, this Certification has been signed the day and year below.

**DEVELOPER’S MEMBERS/STOCKHOLDERS:**

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Signature)

\_\_\_\_\_  
Personally and Individually (Signature)

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Date Signed

**MULTI-UNIT DEVELOPMENT AGREEMENT**

**ATTACHMENT B**

**GUARANTY**

In consideration of the execution by Pause Franchisor Inc. of the annexed Multi-Unit Development Agreement, and acknowledging that undersigned will benefit directly or indirectly from the execution thereof, the undersigned, \_\_\_\_\_, agree(s) to be jointly and severally bound by and agree to guaranty the performance of all of the terms and conditions of the Multi-Unit Development Agreement and any amendments thereto or renewals thereof, and do hereby execute this Multi-Unit Development Agreement for the purpose of binding and obligating themselves to the terms and conditions of the aforesaid Multi-Unit Development Agreement and any amendments thereto or renewals thereof.

The guarantors hereunder hereby waive notice of termination or default under the Multi-Unit Development Agreement.

Each of the undersigned owns a 5% or greater beneficial interest in Developer, each has read this Multi-Unit Development Agreement, and each agrees to be individually bound by all obligations of Developer hereunder.

IN WITNESS WHEREOF, this Guaranty has been signed the day and year below.

**GUARANTORS:**

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Signature)

\_\_\_\_\_  
Personally and Individually (Signature)

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Date Signed

HOME ADDRESS

HOME ADDRESS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_

PERCENTAGE OF OWNERSHIP  
IN FRANCHISEE: \_\_\_\_\_%

PERCENTAGE OF OWNERSHIP  
IN FRANCHISEE: \_\_\_\_\_%

# MULTI-UNIT DEVELOPMENT AGREEMENT

## ATTACHMENT C

### **TRANSFER OF A FRANCHISE TO A CORPORATION OR LIMITED LIABILITY COMPANY**

This Transfer Agreement shall amend that certain Multi-Unit Development Agreement between \_\_\_\_\_ (“**Developer**”) and Pause Franchisor Inc. (“**Franchisor**”).

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the Corporation set forth below, or Members of the issued and outstanding membership interests of the Limited Liability Company set forth below, and the Developer of the Units under a Multi-Unit Development Agreement executed on the date set forth below, between himself or herself and Franchisor, granting him/her a franchise to operate in the Development Area set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Developer constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Multi-Unit Development Agreement to the Corporation or Limited Liability Company in accordance with the provisions of Section 11 of the Multi-Unit Development Agreement, agree as follows:

1. The undersigned Developer shall remain personally liable in all respects under the Multi-Unit Development Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Multi-Unit Development Agreement including the restrictive covenants contained in Section 12 thereof, to the same extent as if each of them were the Developer set forth in the Multi-Unit Development Agreement and they jointly and severally personally guarantee all of the Developer’s obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisor and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend:

“The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Multi-Unit Development Agreement dated \_\_\_\_\_, 20\_\_ between and Pause Franchisor Inc.”

or

“The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Multi-Unit Development

Agreement dated \_\_\_\_\_, 20\_\_ between  
and Pause Franchisor Inc.”.

3. \_\_\_\_\_ or his/her designee shall devote his best efforts to the day-to-day operation and development of the Units.

4. \_\_\_\_\_ hereby agrees to become a party to and to be bound by all of the provisions of the Multi-Unit Development Agreement executed on the date set forth below between Developer and Franchisor, to the same extent as if it were named as the Developer therein.

Date of Multi-Unit Development Agreement: \_\_\_\_\_

Development Area for Units: \_\_\_\_\_

As to Paragraph 3:

As to Paragraph 4:

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

In consideration of the execution of the above Agreement, Pause Franchisor Inc. hereby consents to the above referred to assignment on \_\_\_\_\_.

**PAUSE FRANCHISOR INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**MULTI-UNIT DEVELOPMENT AGREEMENT**

**ATTACHMENT D**

**DEVELOPMENT SCHEDULE**

The Agreement authorizes and obliges Developer to establish and operate \_\_\_ Units pursuant to a then-current franchise agreement for each Unit. The following is Developer’s Development Schedule (the chart below may expand based on the number of Units purchased):

<b>Pause Unit #</b>	<b>Deadline for Opening</b>	<b>Total # of Units to be Open and Operating On Deadline</b>	<b>Amount Due</b>
			\$ _____
			\$ _____
			\$ _____
			\$ _____
			\$ _____
Total Development Fee:			
Initial Franchise Fee:			
Total Due at Signing:			

As set forth in the Development Agreement, this Development Schedule shall be deemed completed, and this MUDA shall expire, upon the opening of the final Unit being developed pursuant to this Agreement.

IN WITNESS WHEREOF the parties hereto, intending to be legally bound hereby have duly executed this Development Schedule.

**PAUSE FRANCHISOR INC.**

**DEVELOPER:**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



**MULTI-UNIT DEVELOPMENT AGREEMENT**

**ATTACHMENT E**

**DEVELOPMENT AREA**

The following describes the Development Area within which Developer may locate Units under the MUDA:

---

**Check if Map attached**

IN WITNESS WHEREOF the parties hereto, intending to be legally bound hereby have duly executed this Development Area.

**PAUSE FRANCHISOR INC.**

**DEVELOPER:**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**MULTI-UNIT DEVELOPMENT AGREEMENT**

**ATTACHMENT F**

**STATE ADDENDA TO THE MULTI-UNIT DEVELOPMENT AGREEMENT**



## ILLINOIS ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT

If any of the terms of the Multi-Unit Development Agreement are inconsistent with the terms below, the terms below control.

1. Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement. The “Illinois Act” means the Illinois Franchise Disclosure Act of 1987.
2. The Multi-Unit Development Agreement is governed by Illinois law.
3. In conformance with Section 4 of the Illinois Act, any provision in the Multi-Unit Development Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a Multi-Unit Development Agreement may provide for arbitration to take place outside of Illinois.
4. Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Act.
5. In conformance with Section 41 of the Illinois Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Act or any other law of Illinois is void.
6. This Addendum is effective as of the Effective Date.
7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**DEVELOPER:**

**PAUSE FRANCHISOR INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



## MARYLAND ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT

If any of the terms of the Multi-Unit Development Agreement are inconsistent with the terms below, the terms below control.

1. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Maryland Franchise Law” means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.
2. Notwithstanding any provision of the Agreement to the contrary, as a condition of the sale of a franchise, Franchisor shall not require a prospective franchisee to agree to a release, assignment, novation, waiver, or estoppel that would relieve Franchisor or any other person from liability under the Maryland Franchise Law.
3. Pursuant to COMAR 02-02-08-16L, 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. Any provision of the Agreement which provides for a period of limitations for causes of action shall not apply to causes of action under the Maryland Franchise Law, Business Regulation Article, §14-227, Annotated Code of Maryland. Franchisee must bring an action under such law within three years after the grant of the franchise.
5. Notwithstanding any provision of the Agreement to the contrary, Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.
6. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
7. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by a franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
8. 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. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the Multi-Unit Development Agreement opens.

**DEVELOPER:**

**PAUSE FRANCHISOR INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**NORTH DAKOTA ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT**

1. Section 2 of the MUDA shall be amended to state that the Initial Franchise Fees/Development Fees shall be deferred until Franchisor has satisfied its pre-opening obligation to area developer and area developer has commenced operations of its Franchised Business.
2. Section 10 of the MUDA is modified and deletes the obligation of developers to consent to termination or liquidated damages.
3. Section 12 of the MUDA is amended to also provide as follows: “Covenants not to compete are generally considered unenforceable in the State of North Dakota.”
4. All provisions in the MUDA concerning choice of law, jurisdiction and venue, jury waiver, and waiver of exemplary or punitive damages are hereby deleted and in their place is substituted the following language: “You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”
5. Section 19 of the MUDA is modified and amended to provide that all arbitration or mediation required under the Multi-Unit Development Agreement shall be at a location agreeable to all parties and may not be remote from the franchisee’s Franchised Business.
6. Section 19 of the MUDA shall be modified to state that the statute of limitations under North Dakota law shall apply.
7. Section 19 of the MUDA shall be modified to state that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorneys’ fees.
8. North Dakota law governs any cause of action under Multi-Unit Development Agreement.

**DEVELOPER:**

**PAUSE FRANCHISOR INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



## WASHINGTON ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

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.

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.

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.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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.

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.

A surety bond in the amount of \$100,000 has been obtained by the Franchisor. The Washington Securities Division has made the issuance of the Franchisor's permit contingent upon the Franchisor maintaining surety bond coverage acceptable to the Administrator until (a) all Washington franchisees have (i) received all initial training that they are entitled to under the

franchise agreement or offering circular, and (ii) are open for business; or (b) the Administrator issues written authorization to the contrary.

The undersigned does hereby acknowledge receipt of this addendum.

**DEVELOPER:**

**PAUSE FRANCHISOR INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT**

**PAUSE  
OPERATIONS MANUAL TABLE OF CONTENTS**



## PAUSE STUDIO FRANCHISE OPERATIONS MANUAL

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The Purpose of this Manual

The Importance of Confidentiality

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Submitting Suggestions to the Franchisor

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The Pause Difference (A-3)

Pause Studio Guiding Principles, Ethics Code, and Expectations (A-4)

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Responsibilities of the Pause Studio Franchisee (A-9)

Visits from the Corporate Office (A-11)

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- Staff Closing Procedure and Checklist

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**APPENDICES:**

- Appendix: Forms
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**EXHIBIT E TO THE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**



# **PAUSE FRANCHISOR INC.**

FINANCIAL REPORT  
AS OF DECEMBER 31, 2023

**PAUSE FRANCHISOR INC.**

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## Independent Auditor's Report

To the Shareholder  
Pause Franchisor Inc.  
Los Angeles, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying balance sheets of Pause Franchisor Inc. as of December 31, 2023, and 2022, and the related statements of operations, stockholder's equity, and cash flows for the year ended December 31, 2023, and the period from January 10, 2022 (Inception) through December 31, 2022, and the notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pause Franchisor Inc. as of December 31, 2023, and 2022, and the results of their operations and their cash flows for the year ended December 31, 2023, and the period from January 10, 2022 (Inception) through December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pause Franchisor Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pause Franchisor Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

2580 East Harmony Road, Ste. 301-10 • Ft. Collins, CO 80528  
Office: (303) 999-6485



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pause Franchisor Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about Pause Franchisor Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Reese CPA LLC*

Ft. Collins, Colorado  
April 16, 2024

**PAUSE FRANCHISOR INC.  
BALANCE SHEETS  
AS OF DECEMBER 31, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS:</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 18,740	\$ 408,038
Prepaid franchise development	96,705	58,612
Deferred contract commissions, current	202,360	36,725
<b>TOTAL CURRENT ASSETS</b>	<b>317,805</b>	<b>503,375</b>
<b>NON-CURRENT ASSETS</b>		
Deferred contract commissions	1,644,958	328,243
<b>TOTAL ASSETS</b>	<b>\$ 1,962,763</b>	<b>\$ 831,618</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 17,076	\$ 60,750
Non-refundable deferred franchise fees, current	258,000	43,500
<b>TOTAL CURRENT LIABILITIES</b>	<b>275,076</b>	<b>104,250</b>
<b>LONG-TERM LIABILITIES</b>		
Non-refundable deferred franchise fees	2,148,209	388,792
<b>TOTAL LIABILITIES</b>	<b>2,423,285</b>	<b>493,042</b>
<b>STOCKHOLDER'S EQUITY</b>		
Capital stock; par value \$.00001; 1,000,000 shares authorized, issued and outstanding	10	10
Additional paid-in capital	659,990	659,990
Retained earnings (deficit)	(546,344)	(321,424)
Due from Parent	(574,178)	
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>(460,522)</b>	<b>338,576</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)</b>	<b>\$ 1,962,763</b>	<b>\$ 831,618</b>

The accompanying notes are an integral part of these financial statements.

**PAUSE FRANCHISOR INC.**  
**STATEMENTS OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023 AND THE**  
**PERIOD FROM JANUARY 10, 2022 (INCEPTION) THROUGH DECEMBER 31, 2022**

	<b>2023</b>	<b>2022</b>
<b>REVENUES</b>		
Franchise fees	\$ 226,083	\$ 2,708
<b>OPERATING EXPENSES</b>		
Professional fees	92,538	138,459
Franchise related costs	174,750	92,628
General and administrative	162,911	89,518
Advertising and promotion	20,804	3,527
<b>TOTAL OPERATING EXPENSES</b>	<b>451,003</b>	<b>324,132</b>
<b>OPERATING (LOSS)</b>	(224,920)	(321,424)
<b>OTHER INCOME</b>	-	-
<b>NET (LOSS)</b>	<b>\$ (224,920)</b>	<b>\$ (321,424)</b>

The accompanying notes are an integral part of these financial statements.

**PAUSE FRANCHISOR INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2023 AND THE**  
**PERIOD FROM JANUARY 10, 2022 (INCEPTION) THROUGH DECEMBER 31, 2022**

	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Retained (Deficit)</b>	<b>Total Stockholder's Equity</b>
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>(Deficit)</u>	<u>Equity</u>
<b>BALANCE, JANUARY 10, 2022 (INCEPTION)</b>	-	\$ -	\$ -	\$ -	\$ -
Sale of common stock	1,000,000	10	659,990	-	660,000
Net (loss)	-	-	-	(321,424)	(321,424)
<b>BALANCE, DECEMBER 31, 2022</b>	<u>1,000,000</u>	<u>10</u>	<u>659,990</u>	<u>(321,424)</u>	<u>338,576</u>
Net (loss)	-	-	-	(224,920)	(224,920)
<b>BALANCE, DECEMBER 31, 2023</b>	<u><u>1,000,000</u></u>	<u><u>\$ 10</u></u>	<u><u>\$ 659,990</u></u>	<u><u>\$ (546,344)</u></u>	<u><u>\$ 113,656</u></u>

The accompanying notes are an integral part of these financial statements.

**PAUSE FRANCHISOR INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023 AND THE**  
**PERIOD FROM JANUARY 10, 2022 (INCEPTION) THROUGH DECEMBER 31, 2022**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss)	\$ (224,920)	\$ (321,424)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Recognition of deferred contract commissions	174,000	2,282
Recognition of non-refundable deferred franchise fees	(226,083)	(2,708)
Changes in assets and liabilities:		
Prepaid franchise development	(38,093)	(58,612)
Deferred contract commissions	(1,656,350)	(367,250)
Accounts payable	(43,674)	60,750
Non-refundable deferred franchise fees	2,200,000	435,000
Net cash provided by operating activities	184,880	(251,962)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	-	-
Net cash (used) in investing activities	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances to Parent	(574,178)	-
Sale of common stock	-	660,000
Net cash provided by financing activities	(574,178)	660,000
<b>NET INCREASE IN CASH</b>	(389,298)	408,038
<b>CASH, beginning of period</b>	408,038	-
<b>CASH, end of year</b>	\$ 18,740	\$ 408,038
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.



**PAUSE FRANCHISOR INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Pause Franchisor Inc. ("Company") was incorporated on January 10, 2022, in the State of Delaware. The Company grants franchises to qualified persons or business entities to develop and operate a wellness studio under the name "Pause®" featuring cryogenic therapy, flotation therapy, vitamin infusion therapy, cold plunge/contrast therapy, sauna therapy, LED red-light therapy and other related services and products.

Parent and Affiliates

The Company's parent is Pause Holdings, Inc. ("**Pause Holdings**"). Pause Holdings is a Delaware corporation formed on January 29, 2021

The Company's affiliates are as follows:

Pause Float Studio LLC, a California limited liability company formed on August 20, 2015, operates a Pause wellness studio.

Pause Clinic West Hollywood LLC, a California limited liability company formed on November 11, 2019, operates a Pause wellness studio.

Pause El Segundo LLC, a California limited liability company formed on May 5, 2021, operates a Pause wellness studio.

Pause Brentwood LLC, a California limited liability company formed on January 5, 2022, operates a Pause wellness studio.

Pause Studio City LLC, a California limited liability company formed on April 15, 2022, operates a Pause wellness studio.

Pause Supply Company Inc. ("**Pause Supply**"), a California corporation formed on January 7, 2022. Pause Supply is designated as an exclusive supplier for certain equipment and supplies used in the operation of Pause wellness studios.

Accelerator, Inc. ("**Accelerator**") is a California corporation formed on July 14, 2016. Accelerator is designated as an exclusive supplier for real estate brokerage services used in the location of the Accepted Location for your Pause wellness studio.

The Company's Parent and Affiliates have not offered franchises in this line or any other line of business.

**PAUSE FRANCHISOR INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Location Information*

The following table summarizes the number of locations open and operating as of December 31, 2022:

	2023	2022
Locations in operation, beginning	3	2
Locations opened	2	1
Locations terminated or closed	-	-
Locations in operation, ending	5	3
Franchised locations	-	-
Affiliate owned locations	5	3

A summary of significant accounting policies follows:

*Basis of Presentation*

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

*Use of Estimates*

Preparation of the Company's financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of December 31, 2023, and 2022.

**PAUSE FRANCHISOR INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Franchisee Receivables

The Company's franchisee receivables primarily result from initial franchise fees, royalty fees, brand development contributions and training fees charged to franchisees. Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. The Company reports these receivables at net realizable value.

Management determines the allowance for doubtful accounts based on historical losses, current expectations, and economic conditions. On a continuing basis, management analyzes delinquent accounts receivable and, once these accounts receivable are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. The Company did not have any accounts receivable or allowance for doubtful accounts as of December 31, 2023, and 2022, and did not charge-off any accounts receivable during for the period from January 10, 2022 (Inception) through December 31, 2022.

Property, Plant & Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally three to seven years). The Company had no property, plant & equipment as of December 31, 2023, and 2022.

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives (such as franchise development cost) no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with finite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable. The Company had no intangible assets as of December 31, 2023, and 2022.

Income Taxes

The Company will be taxed as a consolidated subsidiary of the Company Parent under the provisions of the Internal Revenue Code. Under those provisions, taxable income and losses of the Company are reported on the income tax returns of the Company's parent. Provisions for federal or state taxes may be allocated from the Parent based on an allocation method chosen by the Company's Parent. As of December 31, 2023, and 2022, the Parent has not allocated any tax provisions to the Company for the tax years ended December 31, 2023, and 2022.

The Company adopted ASC 740-10-25-6 "Accounting for Uncertainty in Income Taxes", that requires the Company to disclose uncertain tax positions. Under the standard an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold upon examination by taxing authorities. Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements or that would affect the Company's shareholder.

**PAUSE FRANCHISOR INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Contract Acquisition Costs*

Contract acquisition costs consist of commissions paid on the sale of a franchise by the Company. They are capitalized as an incremental cost of the franchise agreement and are recognized as an expense over the life of the franchise agreement under the guidance of ASC 340-40, “Other Assets and Deferred Costs - Contracts with Customers”.

*Revenue Recognition and Non-refundable deferred franchise sales*

The Company recognizes revenue under the guidance of ASC 606 “Contracts with Customers”. The Company’s revenue mainly consists of franchise fees, royalties and ancillary revenues as defined in the Company’s franchise contract.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee. The remainder of performance obligations represent a single performance obligation and are recognized over the term of the respective franchise agreement from the date the agreement is executed. Unearned initial fee revenues from franchisee acquisition and acceptance will be recorded as deferred revenue and recognized as revenue over the term of the contract which is currently 10 years.

When a franchisee purchases a franchise, the Company grants the franchisee the right to use the proprietary methods, techniques, trade dress, trademarks, and logos (“license”). The license is symbolic intellectual property. Revenues related to the license are continuing royalties are 7% of gross revenues. These revenues will be used to continue the development of the Company’s brand, the franchise system and provide on-going support for the Company’s franchisees. The royalties will be billed weekly and are recognized as revenue when earned.

*Advertising Fund Contribution*

The Company collects an advertising fund contribution of 1% of gross revenues. The contribution will be billed weekly and recognized as contributed when earned. The Company reserves the right to collect up to an additional 1% for regional and national advertising.

*Advertising Costs*

The Company expenses advertising costs as incurred. Advertising expense for year ended December 31, 2023, and the period from January 10, 2022 (Inception) through December 31, 2022, was \$20,804, and \$3,527.

*Fair Value of Financial Instruments*

The Company’s financial instruments consist of cash and cash equivalents and accounts payable. The carrying amounts approximate fair value due to their short maturities.

**PAUSE FRANCHISOR INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Recently Adopted Accounting Guidance*

The Company has adopted all recently issued Accounting Standards Updates (“ASU”). Management has not yet determined the effect the adoption of the other recently issued ASUs, including those not yet effective, could have on the financial position or results of operations of the Company.

**NOTE 2 – CONTRACTS WITH CUSTOMERS**

The Company has recorded a liability for unearned revenue and an asset for commissions paid on the unearned revenue associated with certain performance obligations in the Company’s franchise agreements. The account balances and activity for the years ended December 31, are as follows:

	2023	2022
<b>Deferred Contract Commissions:</b>		
Balance beginning of year	\$ 364,968	\$ -
Deferral of deferred contract commissions	1,656,350	367,250
Recognition of deferred contract commissions	(174,000)	(2,282)
Balance at end of year	\$ 1,847,318	\$ 364,968
<b>Deferred Non-refundable Franchise Fees:</b>		
Balance beginning of year	\$ 432,292	\$ -
Deferral of non-refundable franchise fees	2,200,000	435,000
Recognition of non-refundable franchise fees	(226,083)	(2,708)
Balance at end of year	\$ 2,406,209	\$ 432,292

*Estimated Recognition of Deferred Franchise Fees*

Estimated revenues and contract commission costs to be recognized in future periods related to non-refundable deferred franchise fees reported as of December 31, 2023, is as follows:

	Deferred Contract Commissions	Non-refundable Franchise Fees
Year ending December 31:		
2024	\$ 202,360	\$ 258,000
2025	202,360	258,000
2026	202,360	258,000
2027	202,360	258,000
2028	202,360	258,000
Thereafter	835,518	1,116,209
	\$ 1,847,318	\$ 2,406,209

**PAUSE FRANCHISOR INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – CONTRACTS WITH CUSTOMERS (CONTINUED)**

*Disaggregation of Revenues*

Disaggregated revenues based on the satisfaction of performance obligations in the Company’s contracts with franchisees for the year ended December 31, 2023, and the period from January 10, 2022 (Inception) through December 31, 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Performance obligations satisfied at a point in time	\$ -	\$ -
Performance obligations satisfied through the passage of time	<u>226,083</u>	<u>2,708</u>
Total revenues	<u>\$ 226,083</u>	<u>\$ 2,708</u>

**NOTE 3 – COMMITMENTS AND CONTINGENCIES**

*Litigation*

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

**NOTE 4 - SUBSEQUENT EVENTS**

*Date of Management’s Evaluation*

Management has evaluated subsequent events through April 16, 2024, the date on which the financial statements were available to be issued.

# **PAUSE FRANCHISOR INC.**

FINANCIAL REPORT  
AS OF DECEMBER 31, 2022

**PAUSE FRANCHISOR INC.**

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## Independent Auditor's Report

To the Shareholder  
Pause Franchisor Inc.  
Los Angeles, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying balance sheet of Pause Franchisor Inc. as of December 31, 2022, and the related statements of operations, stockholder's equity, and cash flows for the period from January 10, 2022 (Inception) through December 31, 2022, and the notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pause Franchisor Inc. as of December 31, 2022, and the results of their operations and their cash flows for the period from January 10, 2022 (Inception) through December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pause Franchisor Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pause Franchisor Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

2580 East Harmony Road, Ste. 301-10 • Ft. Collins, CO 80528  
Office: (303) 999-6485



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pause Franchisor Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pause Franchisor Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Reese CPA LLC*

Ft. Collins, Colorado  
April 14, 2023

**PAUSE FRANCHISOR INC.  
BALANCE SHEET  
AS OF DECEMBER 31, 2022**

	<b>2022</b>
<b>ASSETS:</b>	
<b>CURRENT ASSETS</b>	
Cash and equivalents	\$ 408,038
Prepaid franchise development	58,612
Deferred contract commissions, current	36,725
<b>TOTAL CURRENT ASSETS</b>	<b>503,375</b>
<b>NON-CURRENT ASSETS</b>	
Deferred contract commissions	328,243
<b>TOTAL ASSETS</b>	<b>\$ 831,618</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 60,750
Non-refundable deferred franchise fees, current	\$ 43,500
<b>TOTAL CURRENT LIABILITIES</b>	<b>104,250</b>
<b>LONG-TERM LIABILITIES</b>	
Non-refundable deferred franchise fees	388,792.00
<b>TOTAL LIABILITIES</b>	<b>493,042</b>
<b>STOCKHOLDER'S EQUITY</b>	
Capital stock; par value \$.00001; 1,000,000 shares authorized, issued and outstanding	10
Additional paid-in capital	659,990
Retained earnings (deficit)	(321,424)
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>338,576</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)</b>	<b>\$ 831,618</b>

The accompanying notes are an integral part of these financial statements.

**PAUSE FRANCHISOR INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE PERIOD FROM JANUARY 10, 2022 (INCEPTION) THROUGH DECEMBER 31, 2022**

	<b>2022</b>
<b>REVENUES</b>	
Franchise fees	\$ 2,708
<b>OPERATING EXPENSES</b>	
Professional fees	138,459
Franchise related costs	92,628
General and administrative	89,518
Advertising and promotion	3,527
<b>TOTAL OPERATING EXPENSES</b>	<b>324,132</b>
<b>OPERATING (LOSS)</b>	(321,424)
<b>OTHER INCOME</b>	-
<b>NET (LOSS)</b>	<b>\$ (321,424)</b>

The accompanying notes are an integral part of these financial statements.

**PAUSE FRANCHISOR INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE PERIOD FROM JANUARY 10, 2022 (INCEPTION) THROUGH DECEMBER 31, 2022**

	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Total Stockholder's Equity
	Shares	Amount			
<b>BALANCE, JANUARY 10, 2022 (INCEPTION)</b>	-	\$ -	\$ -	\$ -	\$ -
Sale of common stock	1,000,000	10	659,990	-	660,000
Net (loss)	-	-	-	(321,424)	(321,424)
<b>BALANCE, DECEMBER 31, 2022</b>	<u>1,000,000</u>	<u>\$ 10</u>	<u>\$ 659,990</u>	<u>\$ (321,424)</u>	<u>\$ 338,576</u>

The accompanying notes are an integral part of these financial statements.

**PAUSE FRANCHISOR INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM JANUARY 10, 2022 (INCEPTION) THROUGH DECEMBER 31, 2022**

	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net (loss)	\$ (321,424)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Recognition of deferred contract commissions	2,282
Recognition of non-refundable deferred franchise fees	(2,708)
Changes in assets and liabilities:	
Prepaid franchise development	(58,612)
Deferred contract commissions	(367,250)
Accounts payable	60,750
Non-refundable deferred franchise fees	435,000
Net cash provided by operating activities	(251,962)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net cash (used) in investing activities	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Sale of common stock	660,000
Net cash provided by financing activities	660,000
<b>NET INCREASE IN CASH</b>	408,038
<b>CASH, beginning of period</b>	-
<b>CASH, end of year</b>	\$ 408,038
<b>SUPPLEMENTAL DISCLOSURES</b>	
Cash paid for interest	\$ -
Cash paid for taxes	\$ -

The accompanying notes are an integral part of these financial statements.

**PAUSE FRANCHISOR INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Pause Franchisor Inc. ("Company") was incorporated on January 10, 2022, in the State of Delaware. The Company grants franchises to qualified persons or business entities to develop and operate a wellness studio under the name "Pause®" featuring cryogenic therapy, flotation therapy, vitamin infusion therapy, cold plunge/contrast therapy, sauna therapy, LED red-light therapy and other related services and products.

Parent and Affiliates

The Company's parent is Pause Holdings, Inc. ("**Pause Holdings**"). Pause Holdings is a Delaware corporation formed on January 29, 2021

The Company's affiliates are as follows:

Pause Float Studio LLC, a California limited liability company formed on August 20, 2015, operates a Pause wellness studio.

Pause Clinic West Hollywood LLC, a California limited liability company formed on November 11, 2019, operates a Pause wellness studio.

Pause El Segundo LLC, a California limited liability company formed on May 5, 2021, is scheduled to open, and operate a Pause wellness studio in April 2022.

Pause Brentwood LLC, a California limited liability company formed on January 5, 2022, is scheduled to open and operate a Pause wellness studio in September 2022.

Pause Supply Company Inc. ("**Pause Supply**"), a California corporation formed on January 7, 2022. Pause Supply is designated as an exclusive supplier for certain equipment and supplies used in the operation of Pause wellness studios.

Accelerator, Inc. ("**Accelerator**") is a California corporation formed on July 14, 2016. Accelerator is designated as an exclusive supplier for real estate brokerage services used in the location of the Accepted Location for your Pause wellness studio.

The Company's Parent and Affiliates have not offered franchises in this line or any other line of business.

**PAUSE FRANCHISOR INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Location Information

The following table summarizes the number of locations open and operating as of December 31, 2022:

	<u>2020</u>
Locations in operation, beginning	2
Locations opened	1
Locations terminated or closed	-
Locations in operation, ending	<u>3</u>
Franchised locations	-
Affiliate owned locations	3

A summary of significant accounting policies follows:

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

Preparation of the Company's financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of December 31, 2022.



**PAUSE FRANCHISOR INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Franchisee Receivables

The Company's franchisee receivables primarily result from initial franchise fees, royalty fees, brand development contributions and training fees charged to franchisees. Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. The Company reports these receivables at net realizable value.

Management determines the allowance for doubtful accounts based on historical losses, current expectations, and economic conditions. On a continuing basis, management analyzes delinquent accounts receivable and, once these accounts receivable are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. The Company did not have any accounts receivable or allowance for doubtful accounts as of December 31, 2022, and did not charge-off any accounts receivable during for the period from January 10, 2022 (Inception) through December 31, 2022.

Property, Plant & Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally three to seven years). The Company had no property, plant & equipment at December 31, 2022.

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives (such as franchise development cost) no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with finite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable. The Company had no intangible assets at December 31, 2022.

Income Taxes

The Company will be taxed as a consolidated subsidiary of the Company Parent under the provisions of the Internal Revenue Code. Under those provisions, taxable income and losses of the Company are reported on the income tax returns of the Company's parent. Provisions for federal or state taxes may be allocated from the Parent based on an allocation method chosen by the Company's Parent. As of December 31, 2022, the Parent and Company's tax year has not yet finished and there are no provisions for federal or state taxes in these financial statements.

The Company adopted ASC 740-10-25-6 "Accounting for Uncertainty in Income Taxes", that requires the Company to disclose uncertain tax positions. Under the standard an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold upon examination by taxing authorities. Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements or that would affect the Company's shareholder.

**PAUSE FRANCHISOR INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Contract Acquisition Costs*

Contract acquisition costs consist of commissions paid on the sale of a franchise by the Company. They are capitalized as an incremental cost of the franchise agreement and are recognized as an expense over the life of the franchise agreement under the guidance of ASC 340-40, “Other Assets and Deferred Costs - Contracts with Customers”.

*Revenue Recognition and Non-refundable deferred franchise sales*

The Company recognizes revenue under the guidance of ASC 606 “Contracts with Customers”. The Company’s revenue mainly consists of franchise fees, royalties and ancillary revenues as defined in the Company’s franchise contract.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee. The remainder of performance obligations represent a single performance obligation and are recognized over the term of the respective franchise agreement from the date the agreement is executed. Unearned initial fee revenues from franchisee acquisition and acceptance will be recorded as deferred revenue and recognized as revenue over the term of the contract which is currently 10 years.

When a franchisee purchases a franchise, the Company grants the franchisee the right to use the proprietary methods, techniques, trade dress, trademarks, and logos (“license”). The license is symbolic intellectual property. Revenues related to the license are continuing royalties are 7% of gross revenues. These revenues will be used to continue the development of the Company’s brand, the franchise system and provide on-going support for the Company’s franchisees. The royalties will be billed weekly and are recognized as revenue when earned.

*Advertising Fund Contribution*

The Company collects an advertising fund contribution of 1% of gross revenues. The contribution will be billed weekly and recognized as contributed when earned. The Company reserves the right to collect up to an additional 1% for regional and national advertising.

*Advertising Costs*

The Company expenses advertising costs as incurred. Advertising expense for the period from January 10, 2022 (Inception) through December 31, 2022, was \$3,527.

*Fair Value of Financial Instruments*

The Company’s financial instruments consist of cash and cash equivalents and accounts payable. The carrying amounts approximate fair value due to their short maturities.

**PAUSE FRANCHISOR INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Recently Adopted Accounting Guidance*

The Company has adopted all recently issued Accounting Standards Updates (“ASU”). Management has not yet determined the effect the adoption of the other recently issued ASUs, including those not yet effective, could have on the financial position or results of operations of the Company.

**NOTE 2 – CONTRACTS WITH CUSTOMERS**

The Company has recorded a liability for unearned revenue and an asset for commissions paid on the unearned revenue associated with certain performance obligations in the Company’s franchise agreements. The account balances and activity for the years ended December 31, are as follows:

	December 31, 2022
<b>Deferred Contract Commissions:</b>	
Balance beginning of year	\$ -
Deferral of deferred contract commissions	367,250
Recognition of deferred contract commissions	(2,282)
Balance at end of year	\$ 364,968
<b>Deferred Non-refundable Franchise Fees:</b>	
Balance beginning of year	\$ -
Deferral of non-refundable franchise fees	435,000
Recognition of non-refundable franchise fees	(2,708)
Balance at end of year	\$ 432,292

*Estimated Recognition of Deferred Franchise Fees*

Estimated revenues and contract commission costs to be recognized in future periods related to non-refundable deferred franchise fees reported as of December 31, 2022, is as follows:

	Deferred Contract Commissions	Non-refundable Franchise Fees
Year ending December 31:		
2023	\$ 36,725	\$ 43,500
2024	36,725	43,500
2025	36,725	43,500
2026	36,725	43,500
2027	36,725	43,500
Thereafter	181,343	214,792
	\$ 364,968	\$ 432,292

**PAUSE FRANCHISOR INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – CONTRACTS WITH CUSTOMERS (CONTINUED)**

*Disaggregation of Revenues*

Disaggregated revenues based on the satisfaction of performance obligations in the Company’s contracts with franchisees for the period from January 10, 2022 (Inception) through December 31, 2022 is as follows:

	2022
Performance obligations satisfied at a point in time	\$ -
Performance obligations satisfied through the passage of time	<u>2,708</u>
Total revenues	<u>\$ 2,708</u>

**NOTE 3 – COMMITMENTS AND CONTINGENCIES**

*Litigation*

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

**NOTE 4 - SUBSEQUENT EVENTS**

*Date of Management’s Evaluation*

Management has evaluated subsequent events through April 14, 2023, the date on which the financial statements were available to be issued.

**EXHIBIT F TO THE DISCLOSURE DOCUMENT**

**LIST OF CURRENT AND FORMER FRANCHISEES**

The following is a list of the names of all current franchisees and the address and telephone number of each of their outlets as of December 31, 2023:

(a) **Operational Franchisees.** The following are the names, addresses and telephone numbers of all Pause franchisees as of December 31, 2023 who are operational:

None.

(b) **Franchises Executed But Not Yet Operational.** The following are the names, addresses and telephone numbers of all Pause franchisees as of December 31, 2023 who are not yet operational but have signed a Franchise Agreement:

Franchisee	Phone Number	Address
Jacob Lively	903.278.5822	83 Falstone Dr, Little Rock, AR 72223
Trent Capital Management Inc. David Trent <sup>(1)</sup>	501.831.0991	8315 Cantrell Rd STE 240, Little Rock AR 72227
Super-Moen Inc. Jessica Super	424.227.0110	33291 Bremerton St, Dana Point, CA 92629
Blue Waive Capital LLC Ryan Schubert	307-344-1949	2108 N ST STE N, Sacramento, CA 95816
Dennis Wang	626.475.5288	3545 Birdsong Ave, Thousand Oaks, CA 91360
Brad Reese	720.814.5879	2124 Decatur St, Denver, CO 80211
Melissa Stewart	832.226.1643	586 Fairway Ln, Gunnison, CO 81230-4134
CAP Equity LLC Jasmyn Pizzimbono	917.324.4050	45 W Brother Dr, Greenwich, CT 06830
MLP PAUSE FTL LLC Tom Carvelli	908.489.4657	841 NE 18th Ave, Fort Lauderdale, FL 33304
Jonathan Culp	513.509.8478	438 Devils LN, Naples, FL 34103
Tait Enterprise, LLC Bob Tait	727.460.1934	2850 Riders Pass, Odessa FL, 33556
One Blu, LLC Daniel Wildermuth	678.378.8188	818 A1A N Ste 301, Ponte Vedra, Beach FL 32082
Grow DSP Services LLC Trevor Thomas	321.356.0329	10530 Down Lakeview, Cir Windermere, FL 34786
Brady Wellness Holdings BKD, LLC Ryan Brady	404.735.5505	4331 Harris Valley Rd NW, Atlanta, GA 30327
Pause Vitality Ventures I LLC Evan Benson	770.696.7690	1766 Edgeboro Dr. NW Kennesaw, GA 30152
Aptitude Fellowship Corp Josh Russell	405.706.1458	1039 Lakeshore Dr, Brooklyn, IA 52211

Franchisee	Phone Number	Address
Joe Garvey	917.828.1205	1041 Peace St, Pelham, NY 10803
Just Pause Holding Company, LLC Mike Bailey	615-604-1291	3201 Woodlawn Dr, Nashville, TN 37215
Erin Kobus	513.967.8584	1604 Balboa Pl, Celina TX, 75009

<sup>(1)</sup>This franchisee will open an outlet in Texas.

<sup>(2)</sup>This franchise agreement was mutually terminated before the outlet opened.

(c) **Former Franchisees.** The following are the names, last known home addresses and home telephone numbers of all franchisees that have been terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Pause Franchise Agreement during the most recently completed fiscal year (January 1, 2023 to December 31, 2023) or who have not communicated with us within ten weeks of the date of issuance of this Disclosure Document:

Franchisee	Phone Number	Address
Peter May & Valerie Barrios <sup>(2)</sup>	203.622.4040	1804 Polo Rd, Austin, TX 78703

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

### FRANCHISEE DISCLOSURE QUESTIONNAIRE

(This questionnaire is not to be used for any franchise sale in or to residents of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin)

As you know, Pause Franchisor Inc. and you are preparing to enter into a Franchise Agreement for the operation of a franchised business. In this Franchisee Disclosure Questionnaire, Pause Franchisor Inc. will be referred to as “we” or “us.” The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate, or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed Pause Franchisor Inc.’s Franchise Agreement and each exhibit, addendum, and schedule attached to it?  
Yes \_\_\_\_\_ No \_\_\_\_\_
2. Have you received and personally reviewed our Disclosure Document we provided to you?  
Yes \_\_\_\_\_ No \_\_\_\_\_
3. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms, and other economic and business factors?  
Yes \_\_\_\_\_ No \_\_\_\_\_
4. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits, or operating costs of a Pause business that we or our franchisees operate?  
Yes \_\_\_\_\_ No \_\_\_\_\_
5. Has any employee or other person speaking on our behalf made any statement or promise concerning a Pause business that is contrary to, or different from, the information contained in the Disclosure Document?  
Yes \_\_\_\_\_ No \_\_\_\_\_
6. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a franchised business?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support service, or assistance that we will furnish to you that is contrary to, or different from, the information contained in this Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

8. If you have answered “Yes” to any of questions 4 through 7, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered “No” to each of these questions, please leave the following lines blank.

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9. Do you understand that in all dealings with you, our officers, directors, employees, and agents act only in a representative capacity and not in an individual capacity and these dealings are solely between you and us?

Yes \_\_\_\_\_ No \_\_\_\_\_

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of a franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

This Franchisee Disclosure Questionnaire does not waive any liability the Franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

You understand that your answers are important to us and that we will rely on them.

By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions as if you were signing them under oath.

\_\_\_\_\_  
Name of Franchisee/Applicant

\_\_\_\_\_  
Name of Franchisee/Applicant





Date

Date

---

Signature

---

Signature

**EXHIBIT H TO THE DISCLOSURE DOCUMENT**  
**STATE ADDENDA TO THE DISCLOSURE DOCUMENT**

**CALIFORNIA ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT**

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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 14 DAYS PRIOR TO EXECUTION OF THE AGREEMENT.

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

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.

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60-day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

Item 19 of the Disclosure Document: 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 sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expense you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

The franchise agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

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 requires binding arbitration. The arbitration will occur at Los Angeles County, California, with the costs being borne according to the Rules for Commercial Arbitration of the American Arbitration Association. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA 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).

Our website is located at [www.pausestudio.com](http://www.pausestudio.com).

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](http://www.dfpi.ca.gov).

**HAWAII ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Hawaii Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR 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, OR SUBFRANCHISOR, 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, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS 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 THE FRANCHISEE.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, HI 96813

## **ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.w. is modified to provide that Illinois law applies.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
4. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.b. is modified to also provide, “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. Item 17.u. is modified to also provide, “A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

3. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

4. Exhibit G is modified to also provide, “All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by a franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. 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. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the Multi-Unit Development Agreement opens.

## MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Minnesota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 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 for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.
- NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.



## NEW YORK ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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 A 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 DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE SET 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 or pleaded nolo contendere to a misdemeanor charge or has been the subject of a 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 to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. 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.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**,” and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements—No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts—Any sale made must be in compliance with §683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. §680 *et. seq.*), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## **NORTH DAKOTA ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the North Dakota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

**Restrictive Covenants:** To the extent that covenants not to compete apply to periods after the term of the franchise agreement, they are generally unenforceable under North Dakota law.

**Applicable Laws:** North Dakota law will govern the franchise agreement.

**Waiver of Trial by Jury:** Any waiver of a trial by jury will not apply to North Dakota Franchises.

**Waiver of Exemplary & Punitive Damages:** Any waiver of punitive damages will not apply to North Dakota Franchisees.

**General Release:** Any requirement that the franchisee sign a general release upon renewal of the franchise agreement does not apply to franchise agreements covered under North Dakota law.

**Enforcement of Agreement:** Any requirement in the Franchise Agreement that requires the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Item 5 of the Disclosure Document shall be amended to state that the Initial Franchise Fee owed by franchisees shall be deferred until Franchisor has satisfied its pre-opening obligations to franchisees and franchisee has commenced operations of its Franchised Business.

Item 17(i) of the Disclosure Document is modified and deletes the obligation of franchisees to consent to termination or liquidated damages.

Item 17(r) of the Disclosure Document is amended to also provide as follows: “Covenants not to compete are generally considered unenforceable in the State of North Dakota.”

Item 17(u) of the Disclosure Document is amended to also provide as follows: “All arbitration or mediation required under the Franchise Agreement or Multi-Unit Development Agreement shall be at a location agreeable to all parties and may not be remote from the franchisee’s Franchised Business.

Item 17(v) of the Disclosure Document is amended to provide as follows: “You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of the Franchise Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”

Item 17(w) of the Disclosure Document is amended to provide: “North Dakota law governs any cause of action under the Franchise Agreement and Multi-Unit Development Agreement.”

**RHODE ISLAND ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Rhode Island Franchise Investment Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17.m. of the Disclosure Document is revised to provide:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits a franchisee to be restricted in choice of jurisdiction or venue. To the extent any such restriction is purported to be required by us, it is void with respect to all franchisees governed under the laws of Rhode Island.

Item 17.w. of the Disclosure Document is revised to provide:

Rhode Island law applies.

## **VIRGINIA ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document is amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

Pursuant 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 ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

## **WASHINGTON ADDENDUM TO THE DISCLOSURE DOCUMENT**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

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.

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.

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.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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.

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.

Item 21 of the Disclosure Document shall be amended to state that Franchisor has posted a surety bond with the State of Washington for \$100,000 as a financial assurance requirement.

Item 6 of the Disclosure Document shall be amended to remove the Section titled Taxes.

Risk Factor: **Use of Franchise Brokers.** The franchisor uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

## **WISCONSIN ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide,

If the franchise agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.



## EXHIBIT I TO THE DISCLOSURE DOCUMENT

### STATE EFFECTIVE DATES

The following states have franchise laws that 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 document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	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 TO THE DISCLOSURE DOCUMENT**

**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 Pause Franchisor Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Pause Franchisor Inc. 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit A. Our Agents for Service of Process are listed in Exhibit A.

Date of Issuance: April 26, 2024

The following is the name, principal business address, and telephone number of the franchise seller offering the franchise:

<b>Name</b>	<b>Principal Business Address</b>	<b>Telephone Number</b>
Jeff Ono, John Klein, Alicia Orleski and Lauren Lehman	13353 W. Washington Blvd., Los Angeles, CA 90066	(310) 367-0031

I have received a Disclosure Document dated April 26, 2024 including the following exhibits on the date listed below:

- A. LIST OF STATE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS
- B. FRANCHISE AGREEMENT  
Schedule 1-Franchise Fee, Accepted Location, Territory and Opening Date



- Schedule 2-Nondisclosure and Non-Competition
- Schedule 3-Unlimited Guaranty and Assumption of Obligations
- Schedule 4-Franchisor Lease Addendum
- Schedule 5-ACH Payment Agreement
- Schedule 6-Holders of Legal or Beneficial Interest; Operating Principal
- Schedule 7-State Addenda to the Franchise Agreement
- Schedule 8-General Release
- Schedule 9-SBA Addendum
- Schedule 10-Sample Management Services Agreement
- Schedule 11-Conditional Assignment of Telephone Number
- C. MULTI-UNIT DEVELOPMENT AGREEMENT
  - Attachment A-Certification by Developer
  - Attachment B-Guaranty
  - Attachment C-Transfer of a Franchise to a Corporation or LLC
  - Attachment D-Development Schedule
  - Attachment E-Development Area
  - Attachment F-State Addendum to Multi-Unit Development Agreement
- D. OPERATIONS MANUAL TABLE OF CONTENTS
- E. FINANCIAL STATEMENTS
- F. LIST OF CURRENT AND FORMER FRANCHISEES
- G. FRANCHISEE DISCLOSURE QUESTIONNAIRE
- H. STATE ADDENDA TO THE DISCLOSURE DOCUMENT
- I. STATE EFFECTIVE DATES
- J. RECEIPT

Please sign and print your name below, date, and return one copy of this receipt to Pause Franchisor Inc. and keep the other for your records.

\_\_\_\_\_  
Date of Receipt

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature  
(individually or as an officer, member, or partner of)

\_\_\_\_\_  
a [STATE of Incorporation]  
[Corporation/LLC/Partnership]

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Michigan requires that we give you this Disclosure Document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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\_\_\_\_\_  
Date of Receipt

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Print Name

\_\_\_\_\_  
Signature  
(individually or as an officer, member, or partner of)

\_\_\_\_\_  
a [STATE of Incorporation]  
[Corporation/LLC/Partnership]