



## 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 \$979,000 to \$1,618,000. This includes \$60,000 to \$100,000 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation if you acquire the rights for three franchises is \$1,054,000 to \$1,743,000. This includes \$135,000 to \$175,000 that must be paid to the franchisor or its affiliates. If we grant you development rights for more than three 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 20, 2023

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<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. **Unregistered Trademark**. The primary trademark that you will use in your business is not federally registered. If the Franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the Franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
3. **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.

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®”. 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 scheduled to open in March 2023 in Brentwood, California. Our affiliate, Pause Studio City LLC will be opening a fifth Pause studio in Studio City, California in September 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.

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, is scheduled to open and operate a Pause studio in Brentwood, California located at 11611 San Vicente Blvd., Los Angeles, CA 90049 in March 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 is scheduled to open and operate a Pause studio in Studio City, California located at 12930 Ventura Blvd., Suite 124, Studio City, CA 91604 in September 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 agents for service of process are listed in Exhibit A.

### **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 a 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. 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. 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. From August 2002 to June 2018, John served as the Senior Vice President of Real Estate at Equinox Group in both New York, New York and Los Angeles, California.

### **Director of Operations: Alicia Rose Orleski**

Alicia Orleski has been our Director of Operations since July 2022. 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.

### **Senior Marketing Manager: Lauren Lehman**

Lauren Lehman has been our Senior Marketing Manager since February 2023. Prior to her position with us, Lauren was a Senior Marketing Manager for Wellbiz Brands, which operates five franchise brands, in Englewood, Colorado from November 2021 to January 2023. From October 2018 to November 2021, Lauren was a Regional Marketing Manager for Xpotential Fitness in Irvine, California. From January 2018 to October 2018, Lauren served as Franchise Marketing Manager for Club Pilates in Irvine, California.

## **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.

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 nine 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. 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)	The greater of (i) \$3,500 per month or (ii) 5% of Gross Revenue	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.



Fee	Amount	Due Date	Notes
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)	\$2,500 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.
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 attorney's 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.

Fee	Amount	Due Date	Notes
Liquidated Damages	Amount equal to the average Royalty Fees for the last 12 months (or shorter period, if you have been in operation less than 12 months), multiplied by: 36 or the number of months remaining in the term, whichever is less	On demand	We may require you to pay us this amount in the event you terminate the Franchise Agreement without cause or we terminate the Franchise Agreement for cause.
Manual Replacement (Note 13)	\$250	As incurred	Payable to us if you lose or destroy the Manual.
Maintenance and Refurbishing (Note 14)	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 15)	\$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.

Fee	Amount	Due Date	Notes
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.

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 5th 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. **Manual:** We shall charge you this fee for replacement of a lost or destroyed Manual.

Note 14. **Maintenance and Refurbishment:** 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 15. **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:

Fee	Amount	Due Date	Notes
Transfer Fee	\$50,000	At the time of transfer	The transfer fee and all other fees paid to us are non-refundable.

<b>Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Notes</b>
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
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)	\$40,000 - \$70,000	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



Type of Expenditure	Amount (Low-High Range)	Method of Payment	When Due	To Whom Payment is to Be Made
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
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 or Marketing Vendors
Audio Video/Information Technology/Security (Note 14)	\$9,500 - \$15,000	As incurred	Before opening	Vendors
Additional Funds (Note 15)	\$20,000 - \$70,000	As arranged	As incurred	Employees, Vendors, Suppliers
<b>Total Estimated Initial Investment (Note 16)</b>	<b>\$979,000 - \$1,618,000</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 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:** 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, and other factors. Our insurance requirements are included in Item 8 but you must also carry 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. **Licenses:** 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:** 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 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. Your grand opening marketing must include the promotional elements we require, and we must approve of your marketing campaign before it is conducted. At our request, you shall give us the money for your grand opening marketing and we will conduct grand opening marketing on your behalf.

**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**

Type of Expenditure	Amount (Low-High Range)	Method of Payment	When Due	To Whom Payment is to Be Made
Reduced Initial Franchise Fee Upon Signing FA and MUDA for Three Units	\$45,000	Lump sum	Upon signing your FA	Us
Development Fee for the Two Additional Units Upon Signing MUDA (Note 1)	\$90,000	Lump sum	Upon signing your MUDA	Us
Additional Funds (Note 2)	\$0 - \$50,000	As required	As incurred	Landlord, Vendors, Utility Providers
Total Remaining Initial Investment of Single Franchised Business	<b>\$919,000 - \$1,558,000</b>	<i>See Table Above</i>		
<b>Total Estimated Initial Investment (Note 3)</b>	<b>\$1,054,000 - \$1,743,000</b>			

Note 1. **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 2. **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 3. **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.

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).

## **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; 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;
- Employment Practices Liability insurance in the amount of at least \$500,000 for each claim;
- Professional liability coverage in the amount of \$1,000,000 and \$2,000,000 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, 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, 2022, we did not derived any revenue as a result of franchisee purchases. Neither Pause Supply nor Accelerator 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 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, 2022, 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.**

Franchisee Obligations	Section in Franchise Agreement	Section in MUDA	Disclosure Document Item
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
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	4, 5, 11, and 13	4	11
f. Fees	3, 4, 8, 10, 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

<b>Franchisee Obligations</b>	<b>Section in Franchise Agreement</b>	<b>Section in MUDA</b>	<b>Disclosure Document Item</b>
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
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).
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.

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.

### **Lease Review and Franchisor Lease Rider**

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 Rider 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 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 and 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 must submit to us proof of these expenditures within 120 days after your Franchised Business first opens for business. We may require that you pay up to \$40,000 to us if we elect to conduct the grand opening marketing campaign for you in our sole discretion. If we elect to conduct your grand opening marketing, the total amount you are required to spend shall not exceed \$40,000. 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 the greater of (i) \$3,500 or (ii) 5% of Gross Revenue 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.

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 shall 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, 2022, 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 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.
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 (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 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.

### **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
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. 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:

<b>MARK</b>	<b>REG. NUMBER</b>	<b>REG. DATE</b>	<b>INTERNATIONAL CLASS OF GOODS/SERVICES</b>
PAUSE	5134375	January 31, 2017	44
PAUSE	6916238	December 6, 2022	44

	6939492	January 3, 2023	44
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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
	97095648	October 27, 2021	35
PAUSE	97095643	October 27, 2021	35
PAUSE	97069906	October 12, 2021	3, 4, 5, 9, 10, 11
	97069917	October 12, 2021	3, 4, 5, 9, 10, 11
PAUSE	97813886	February 27, 2023	41, 43

We do not have a federal registration for these principal trademarks 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.

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.

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 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 is attached to the Franchise Agreement in Schedule 10. 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 two terms of five years each. 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 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.
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 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

		<p>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 Agreement allows us to terminate the MUDA.</p>
<p>i. Franchisee’s Obligations on Termination/Non-Renewal</p>	<p>FA: Section 17.1 MUDA: Section 10</p>	<p>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</p>

		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 7.1.2	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.
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 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.
n. Franchisor's Right of First Refusal to Acquire Franchisee's Franchised Business	FA: Section 19 MUDA: Not applicable	We may match an offer for your Franchised Business or an ownership interest you propose to sell.
o. Franchisor's Option to Purchase Franchisee's Franchised Business	FA: Section 17.4 MUDA: Section 11	Except as described in (n) above, we do not have the right to purchase your Franchised 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: Section 7.4 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 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	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

Terminated or Expires		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: Not applicable	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 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.
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.

Presented below are the historic gross revenue figures for the three affiliate-owned locations (each, a “**Location**”). The reporting period for the first Location in Venice (the “**Venice Location**”) which opened in 2016 is January 1, 2020 through December 31, 2022. The reporting period for the second Location in West Hollywood (“**West Hollywood Location**”) which opened in April 2021 is April 2021 through December 31, 2022. The reporting period of the third Location in South Bay (the “**South Bay Location**”) which opened on June 1, 2022 and the reporting period is June 1, 2022 through December 31, 2022. The reporting periods for each Location is based on the amount of time each Location has been open. 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. Based upon applicable local laws, these Locations contract with a P.C. and, thus, 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.

Written substantiation for the financial performance representation will be made available to prospective franchisees on reasonable request.

**Affiliate-Owned Locations**

**Location #1 (Venice)<sup>1,7,8</sup>**  
**January 2020 through December 2022**

	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Gross Revenue Total<sup>2</sup></b>	\$817,413	\$1,459,759	\$1,975,984
<b>Cost of Goods Sold<sup>3</sup></b>	\$84,200	\$159,628	\$198,002
<b>Gross Profit<sup>4</sup></b>	\$733,214	\$1,300,131	\$1,777,982
<b>Gross Profit Margin</b>	90%	89%	90%
<b>Total Unit Expenses<sup>5</sup></b>	\$487,241	\$773,266	\$943,990
<b>Unit EBITDA</b>	\$245,973	\$526,865	\$883,991
<b>Unit EBITDA Margin</b>	30%	36%	42%
<b>Imputed Royalty Fees<sup>6</sup></b>	\$57,219	\$102,183	\$138,319
<b>Unit Net Income<sup>7</sup></b>	\$188,754	\$424,682	\$745,672

**Location #2 (West Hollywood)<sup>1,7,8</sup>**  
**April 2021 to December 2022**

	<b>2021</b>	<b>2022</b>
<b>Gross Revenue Total<sup>2</sup></b>	\$1,015,099	\$1,790,128
<b>Cost of Goods Sold<sup>3</sup></b>	\$162,194	\$254,855
<b>Gross Profit<sup>4</sup></b>	\$852,905	\$1,535,273
<b>Gross Profit Margin</b>	84%	86%
<b>Total Unit Expenses<sup>5</sup></b>	\$653,584	\$1,049,998
<b>Unit EBITDA</b>	\$199,322	\$485,275
<b>Unit EBITDA Margin</b>	20%	27%
<b>Imputed Royalty Fees<sup>6</sup></b>	\$71,057	\$125,309
<b>Unit Net Income<sup>7</sup></b>	\$128,265	\$359,966

**Location #3 (South Bay)<sup>1, 7, 8</sup>**  
**June 2022 to December 2022**

	<b>June to December 2022</b>
<b>Gross Revenue Total<sup>2</sup></b>	\$733,572
<b>Cost of Goods Sold<sup>3</sup></b>	\$92,804
<b>Gross Profit<sup>4</sup></b>	\$640,768
<b>Gross Profit Margin</b>	87%
<b>Total Unit Expenses<sup>5</sup></b>	\$539,013
<b>Unit EBITDA</b>	\$101,755
<b>Unit EBITDA Margin</b>	14%
<b>Imputed Royalty Fees<sup>6</sup></b>	\$51,350
<b>Unit Net Income<sup>7</sup></b>	\$50,405

**Notes:**

**1. Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.**

2. "Gross Revenue" represents the actual gross revenue, less refunds, from the sale of the Services and Products.

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. "Gross Profit" means the Gross Revenue minus the total Cost of Goods Sold.

5. We have deducted from our Total Unit Expenses accounting and legal expenses that are not ordinary operating expenses franchisees will incur.

6. "Imputed Royalty Fee" include: Royalty Fees in the amount of royalty fees that would have been paid during time period based on the standard 7% royalty fee rate. All three Locations marketing and technology expenses are included in "total unit expenses" and exceed the required marketing and technology fees required for franchisees. These imputed fees are required by applicable franchise regulations, but it is not a statement that you or any franchisee is expected to achieve the same level of sales. The inclusion of these imputed fees in this Item 19 are intended only as a statement that if a Pause studio were to achieve the level of Gross Revenues that was achieved by each of our Locations, this is the amount of fees that would be owed to us. Because these fees are imputed, they are not included on the unaudited financial statements used to prepare this Item 19.

7. 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.

8. The Venice Location has three float tanks, four saunas, two cold plunge pools, one LED light bed and three IV drip chairs. The West Hollywood Location has three float tanks, four saunas, four cold plunge pools, one cryotherapy room and three IV drip chairs. The South Bay Location has three float tanks, four saunas, four cold plunge pools, one LED light bed, one cryotherapy room and three IV drip chairs.

9. The 2021 studio revenue mix range is 16% to 18% for float tanks; 40% to 42% for saunas and contrast therapy; 19% to 29% for IV drips and shots; 7% for cryotherapy; 4% for LED light therapy; 5% for gift cards and 8% on retail. The 2022 studio revenue mix average is 17% for float tanks; 41% for saunas and contrast therapy; 23% for IV drips and shots; 7% for cryotherapy; 4% for LED light therapy; 5% for gift cards and 8% on retail.

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 2020 TO 2022

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2020	0	0	0

	2021	0	0	0
	2022	0	0	0
Company-Owned*	2020	1	1	0
	2021	1	2	+1
	2022	2	3	+1
Total Outlets	<b>2020</b>	<b>1</b>	<b>1</b>	<b>0</b>
	<b>2021</b>	<b>1</b>	<b>2</b>	<b>+1</b>
	<b>2022</b>	<b>2</b>	<b>3</b>	<b>+1</b>

\*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 2020 TO 2022**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
California	2020	0
	2021	0
	2022	0
Total	<b>2020</b>	<b>0</b>
	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>

**TABLE 3**  
**STATUS OF FRANCHISED OUTLETS**  
**FOR YEARS 2020 TO 2022**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at the Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
California	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>Totals</b>	<b>2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TABLE 4**  
**STATUS OF COMPANY-OWNED OUTLETS**  
**FOR YEARS 2019 TO 2021**

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets sold to Franchisees	Column 8 Outlets at End of the year
California	2020	1	0	0	0	0	1
	2021	1	1	0	0	0	2
	2022	2	1	0	0	0	3
<b>Total</b>	<b>2020</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2021</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
	<b>2022</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

**TABLE 5**  
**PROJECTED OPENINGS AS OF DECEMBER 31, 2022**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>State</b>	<b>Franchise Agreements Signed But Outlets Not Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Next Fiscal Year</b>
Arkansas	0	1	0
California	1	1	2
Colorado	0	1	0
Florida	0	1	0
Georgia	0	1	0
Texas	2	1	0
<b>Total</b>	<b>3</b>	<b>6</b>	<b>2</b>

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, no current or former 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, 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 Rider
- 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  
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:

<b>STATE</b>	<b>STATE REGULATORY AGENCY</b>	<b>AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY</b>
California	Department of Financial Protection & Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013 (213) 576-7500 Toll Free: (866) 275-2677	Commissioner of the Department of Financial Protection & Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013 (213) 576-7500 Toll Free: (866) 275-2677
Connecticut	Banking Commissioner Department of Banking Securities and Business Investments Division 260 Constitution Plaza Hartford, CT 061031800 (860) 240-8299	
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586-2722

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
Illinois	Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
Indiana	Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360
Michigan	Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7567	Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7567
Minnesota	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600
New York	New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8222	Secretary of State 99 Washington Avenue Albany, New York 12231 (518) 473-2492

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
North Dakota	North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712	North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
Rhode Island	Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527	Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
South Dakota	Division of Insurance Securities Regulation 124 South Euclid Avenue, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	Division of Insurance Director of the Securities Regulation 124 South Euclid Avenue, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
Washington	Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760	Director of Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760

<b>STATE</b>	<b>STATE REGULATORY AGENCY</b>	<b>AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY</b>
Wisconsin	Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139	Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

**EXHIBIT B TO THE DISCLOSURE DOCUMENT**

**PAUSE FRANCHISOR INC.  
FRANCHISE AGREEMENT**

**PAUSE FRANCHISOR INC.  
FRANCHISE AGREEMENT**



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**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 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 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.

- 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 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.

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 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. If any taxes, fees, or assessments are imposed on Royalty Fee payments, for example, by reason of us acting as a franchisor or licensing the Marks under this Agreement, you shall reimburse us the amount those taxes, fees, or assessments within 30 days after receipt of our invoice.
- 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 (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.

## **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 two additional successor terms of five 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 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) or a Medical Director Agreement 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.

### 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. This is a material term of the Agreement and shall constitute grounds for immediate termination.
- 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; (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.

## **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.
- 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 material 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 the greater of (i) \$3,000 or (ii) 5% of Gross Revenue 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.
- 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 on marketing activities and vendors that we specify or approve in connection with your grand opening. 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. We may require that you pay us this amount if we elect to conduct the grand opening marketing campaign for you in our sole discretion. 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 15th 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; (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.

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, \$2,500 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 material 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;
- 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.

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 material 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 Rider 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 if this Agreement is terminated by us for cause, we shall be entitled, as stipulated liquidated damages and not as a penalty and solely to compensate us for lost Royalty Fees for the period after termination of this Agreement, to a sum equal to the average Royalty Fees earned (even if not paid) per month over the 12 month period preceding the date of termination (or, if the Franchised was not open throughout such 12 month period, then the average Royalty Fees earned per month for the period in which your Franchised Business was open), multiplied by 36 or the number of months remaining in the then-current term of this Agreement, whichever is less ("**Liquidated Damages**"). In the event a default of this Agreement by you caused the Royalty Fees earned to substantially decline during the period to be used to calculate average Royalty Fees earned, then we may use any other reasonable time period or method to calculate Liquidated Damages;
- 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 material 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 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 our 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.

## 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 facsimile 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 Registered Mail, return receipt requested. 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:

Greenspoon Marder LLP  
Attn: Franchise Law Practice Group  
2255 Glades Road, Suite 400-E  
Boca Raton, FL 33431

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.

## **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 material breach.

### **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**

Both parties will execute multiple copies of this Agreement, 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.**

**FRANCHISEE:**

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

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

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

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

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

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

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

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”).

**WITNESSETH:**

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) 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 (e) 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) 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.

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 RIDER**

**FRANCHISOR'S RIDER TO LEASE**

THIS RIDER TO LEASE (“**Rider**”) is made as of \_\_\_\_\_, by and among \_\_\_\_\_ (“**Landlord**”), \_\_\_\_\_ (“**Tenant**”) and Pause Franchisor Inc., a Delaware corporation, with its principal offices at 13353 W. Washington Blvd., Los Angeles, CA 90066 (“**Franchisor**”).

This Rider supplements and forms a part of that certain lease between Landlord and Tenant, dated \_\_\_\_\_ (the “**Lease**”; any and all references to the Lease shall be deemed to include this Rider) for the leased premises located at \_\_\_\_\_ (the “**Leased Premises**”). This Rider is entered into in connection with Franchisor’s grant of a franchise to Tenant to operate a franchised business at the Leased Premises and is intended to provide Tenant the right to assign the Lease to Franchisor and to provide Franchisor the opportunity to preserve the Leased Premises as a wellness center operated under Franchisor’s brand in the event of any termination of the Lease or any franchise agreement between Franchisor and Tenant. Landlord agrees that Franchisor will have the right, but not the obligation, to assume the Lease on the terms, covenants and conditions hereinafter set forth. All capitalized terms used herein, but not defined herein, shall have the same meanings as set forth in the Lease.

**ARTICLE - I DEFAULT BY TENANT UNDER THE LEASE**

SECTION 1.01. Landlord will send Franchisor copies of all written notices of default that it gives to Tenant at the same time Landlord gives such written notices to Tenant.

SECTION 1.02. If Tenant fails to cure a Tenant default under the Lease after the giving of any required default notice and passage of any applicable cure period, then Landlord shall so notify Franchisor and Franchisor or any or to a parent, subsidiary or affiliate of Franchisor (a “**Franchisor Party**”) will have the right and the option (but not the obligation), by giving written notice to Landlord within five business days after receipt of Landlord’s notice that Tenant is in default under the Lease and has failed to cure the default within the applicable cure period set forth in the Lease, to (a) cure any such default on behalf of Tenant, or (b) request Landlord consent to the assumption of the Lease provided that Franchisor or such Franchisor Party cures all existing defaults of Tenant under the Lease and assumes in writing the obligations of Tenant under the Lease.

**ARTICLE - II TERMINATION OF TENANT’S FRANCHISE AGREEMENT**

In the event of the termination of Tenant’s franchise agreement for the Leased Premises as a result of Tenant’s breach thereof, Franchisor shall have the right to request Landlord consent to the assumption of the Lease by giving written notice to Landlord and Tenant of its election to so succeed to Tenant’s interest under the Lease, within five business days after the date of the

termination of such franchise agreement, provided that Franchisor cures all existing defaults of Tenant under the Lease and assumes in writing the obligations of Tenant under the Lease. A party, whether Franchisor or any Franchisor Party, that assumes the Lease pursuant to Section 1.02(b) above or this Article II is sometimes referred to herein as an “**Assuming Franchisor Party**”.

#### ARTICLE - III OBTAINING POSSESSION OF THE LEASED PREMISES

Landlord will, at no cost or expense to Landlord, cooperate and reasonably assist with any Assuming Franchisor Party in gaining possession of the Leased Premises if such Assuming Franchisor Party has delivered to Landlord a fully executed assumption of the Lease pursuant to Section 1.02(b) above or Article II above.

#### ARTICLE - IV ADDITIONAL PROVISIONS

SECTION 4.01. Tenant shall remain liable to Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to an Assuming Franchisor Party. Such Assuming Franchisor Party shall be entitled to recover from Tenant all amounts it pays to Landlord to cure Tenant’s defaults under the Lease, including interest and reasonable collection costs.

SECTION 4.02. After an Assuming Franchisor Party assumes Tenant’s interest in the Lease, unless otherwise agreed to in writing, such Assuming Franchisor Party will pay, perform and be bound by all of the duties and obligations of the Lease applicable to Tenant that accrue after such assumption, except that such Assuming Franchisor Party shall not be required to assume or be bound by the terms of any amendment to the Lease executed by Tenant without obtaining Franchisor’s prior written approval, which approval shall not be unreasonably withheld by Franchisor.

SECTION 4.03. After an Assuming Franchisor Party assumes Tenant’s interest in the Lease, Franchisor or such Franchisor Party will not be subject to any provision of the Lease that requires the Tenant to (a) continuously operate a business in the Leased Premises during the 15 days immediately following the date on which the Assuming Franchisor Party executes the assumption of the Lease if the Leased Premises is closed for remodeling or while Franchisor or the applicable Franchisor Party is seeking to obtain and train a new employees to operate a franchised business in the Leased Premises, or (b) make any payment to Landlord for any excess rent or other consideration that is greater than the rent and other charges payable under the Lease.

SECTION 4.04. After an Assuming Franchisor Party assumes Tenant’s interest in the Lease, such Assuming Franchisor Party may, with Landlord’s consent, which shall not be unreasonably withheld, conditioned or delayed, sublet or assign the Leased Premises to a franchisee of Franchisor who meets Franchisor’s financial qualifications and requirements (a “**Replacement Franchisee**”). It shall not be deemed “unreasonable” for Landlord to require any proposed assignee or additional guarantor of the Lease to have a net worth equal to or greater than that of Tenant or any current guarantor at the time the Lease was executed by Tenant and/or to have equivalent or greater business and operating expertise with regard to the Permitted Use and the

market in which the Leased Premises are located. In the event of such a sublease or assignment, Franchisor shall deliver to Landlord (a) a copy of such Replacement Franchisee's application for the franchise, including but not limited to personal and financial information that Landlord customarily requires from all of its tenants, (b) as applicable, a copy of the sublease or a copy of the assumption agreement pursuant to which such Replacement Franchisee assumes the Lease and agrees to observe the terms, conditions and agreements on the part of tenant to be performed under the Lease (a "**Replacement Franchisee Assumption Agreement**") and (c) a Rider To Lease in the same form as this Rider, to be executed among Landlord, Franchisor and the applicable Replacement Franchisee (a "**New Rider**").

SECTION 4.05. If the Lease is terminated and the Franchisor does not exercise its option to assume the Lease, Tenant agrees, upon receipt of written demand from Franchisor to promptly remove signs decor and other items which Franchisor reasonably requests to be removed as being distinctive and indicative of Franchisor's trademarks and trade dress. Franchisor may enter upon the Leased Premises without being guilty of trespass or tort to effect such de-identification if Tenant fails to do so within 10 days after receipt of written demand from Franchisor, provided, however, Franchisor shall promptly, at its sole cost and expense, repair, to Landlord's reasonable satisfaction, all damage caused to the Leased Premises and the Franchised Business in connection with such de-identification of the Leased Premises. Tenant shall pay Franchisor for its reasonable costs and expenses in effecting de-identification. Franchisor shall defend, indemnify and hold Landlord harmless from and against any claims arising from Franchisor's de-identification of the Leased Premises.

SECTION 4.06. BY EXECUTING THIS RIDER, FRANCHISOR DOES NOT HEREBY ASSUME ANY LIABILITY WITH RESPECT TO THE LEASED PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE, UNLESS AND UNTIL FRANCHISOR EXPRESSLY ASSUMES SUCH LIABILITY AND/OR OBLIGATION AS HEREIN ABOVE DESCRIBED.

SECTION 4.07. All notices hereunder shall be delivered by certified mail or nationally recognized overnight courier to the addresses described in the Lease or to such other addresses as any party hereto may, by written notice, instruct that notices be given. In the case of Franchisor, notices shall be sent to Pause Franchisor Inc., 13353 W. Washington Blvd., Los Angeles, CA 90066, until further notice.

SECTION 4.08. Landlord and Tenant agree that each of them shall provide written notice to Franchisor in the event of any change in their respective addresses. Franchisor shall provide written notice to Landlord and Tenant in the event of any change in Franchisor's address.



**LANDLORD:**

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

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

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

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

**TENANT:**

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

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

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

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

**FRANCHISOR:**

**PAUSE FRANCHISOR INC.**

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

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

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

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

**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: \_\_\_\_\_

Pause

**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: \_\_\_\_\_

Pause

**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.

**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.

**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**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal rights of your franchise. There may also be court decisions that may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights signed by the franchisee shall not include rights under the Washington Franchise Investment Protection Act 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 that unreasonably restrict or limit the statute of limitations period for claims under the Act, 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.

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.

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 AGREEMENT**

THIS MANAGEMENT SERVICES AGREEMENT (the "**Agreement**") is made and entered into as of \_\_\_\_\_ (the "**Effective Date**"), by and among \_\_\_\_\_ ("**Manager**"), \_\_\_\_\_ (the "**Company**"), and the sole shareholder of the Company, \_\_\_\_\_ (the "**Medical Director**"). Manager, Company, and Medical Director are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**."

### **RECITALS**

- A. The Company is a professional medical corporation authorized under the laws of the State of \_\_\_\_\_ to employ healthcare practitioners (physicians, naturopathic doctors, nurse practitioners, registered nurses and others) who are licensed in the State of \_\_\_\_\_ (collectively, "**Healthcare Professionals**");
- B. The Company operates a healthcare practice (the "**Practice**") and provides professional healthcare services, including, among other things, intravenous nutrient and hydration therapy and naturopathic medicine services (the "**Healthcare Services**");
- C. Manager is a limited liability company that owns and operates a wellness studio under the name "Pause Wellness Studio" located at \_\_\_\_\_ (the "**Pause Facility**");
- D. Manager would like to offer the Company the ability to provide the Healthcare Services at the Pause Facility, and to provide various management and administrative support services to the Company at the Pause Facility as more fully detailed herein; and
- E. Company desires to contract with Manager (i) to obtain access for its Healthcare Professionals to use the Pause Facility to provide Healthcare Services, and (ii) to have Manager provide all of the non-clinical business, management, and administrative aspects of the operations of the Practice at the Pause Facility so that the Company and its Healthcare Professionals may focus on the rendering high quality professional services.

**NOW, THEREFORE**, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby conclusively acknowledged, the Parties hereto, intending to become legally bound, hereby agree as follows:

#### **1. RELATIONSHIP OF PARTIES.**

##### **1.1. Appointment of Manager and Exclusivity.**

- 1.1.1. As of the Effective Date and during the Term of the Agreement, the

Company hereby appoints and engages Manager as the sole and exclusive manager of the Practice at the Pause Facility, and Manager accepts such appointment and engagement, in accordance with the terms and conditions of this Agreement. Subject to the terms, conditions, authorizations, and limitations set forth in this Agreement, Manager shall have the exclusive authority and responsibility to manage the non-clinical operations of the Practice, to provide, directly and/or through employees, affiliates, or independent contractors, such services for the operation of the Practice at the Pause Facility as are described in this Agreement including, but not limited to, providing and managing the Pause Facility, equipment, supplies, non-professional staff, administration, billing, collections, books and records and other needs of the Practice, and to take all actions related thereto.

1.1.2. Additionally, the Parties agree that if Manager or one of its Affiliate Entities open any additional Pause Facilities at other locations, Manager or its Affiliate Entity, as applicable, Company and Medical Director will enter into a management services agreement with substantially the same terms as this Agreement with respect to such additional Pause Facility whereby the Company and its Healthcare Professionals will be permitted to use the applicable Pause Facility to provide Healthcare Services and the Manager or its Affiliate Entity will provide management and administrative services at such Pause Facility. Manager agrees that Company, Medical Director, and the Company's Healthcare Professionals will be the exclusive providers of Healthcare Services at all current and future Pause Facilities owned or operated by Manager or its current or future Affiliate Entities. For purposes of this Agreement, "**Affiliate Entities**" means a limited liability company, corporation, or other entity that, at any time during the Term, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Manager. The term "control" for purposes of this Agreement means direct or indirect ownership of more than 50%, and "controlled by" and "under common control with" have correlative meanings.

1.2. **Control by Company of Healthcare Services.** Manager's duties for the Company under this Agreement shall be purely non-clinical and administrative in nature. Company, the Medical Director, and the Healthcare Professionals shall be solely responsible for and shall have complete authority, supervision and control over the provision of Healthcare Services performed at the Pause Facility and for all decisions relating to the Healthcare Services. For the avoidance of doubt, Company shall have final say over (1) hiring, supervision, and firing of Healthcare Professionals, (2) choice of modalities and Healthcare Services offered; (3) banking and pricing (subject to day-to-day operational delegations to Manager hereunder), (4) choice of medical equipment and supplies, and (5) content of any advertising subject to applicable laws and regulations.

1.3. **Relationship Between Company and Manager.** Nothing contained herein shall be construed as creating a partnership, trustee, fiduciary, joint venture, or employment relationship between Manager and the Company. In performing all

services required hereunder, Manager shall be in the relation of an independent contractor to the Company, providing non-clinical services for the Company to operate its Practice at the Pause Facility. Since the Company's Healthcare Professionals are not employees of Manager, such Healthcare Professionals are not entitled to receive employee benefits from Manager, including, but not limited to, group insurance, a pension plan, workers' compensation benefits, and unemployment.

2. **RESPONSIBILITIES OF MANAGER.** During the Term of this Agreement, Manager, shall provide the services to the Company described herein below.

2.1. **Premises and Utilities.** Manager shall provide to Company use of the Pause Facility to perform the Healthcare Services. Manager will acquire (by lease or purchase) and pay the rent for the Pause Facility. Further, in addition to paying the rent of 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, medical and other waste disposal services, and insurance for the Pause Facility, as applicable.

2.2. **Equipment and Supplies.** The Company shall make decisions with respect to the selection of all medical equipment and supplies for the Healthcare Services provided by the Company at the Pause Facility. Manager will assist Company in selecting equipment (the "**Equipment**"), furniture, fixtures, and personal property for Company's provision of the Healthcare Services at the Pause Facility, all of which shall be contracted for in Company's name, to the extent required by law, and shall be at Company's sole cost and expense; each such selection will be made by Company in its discretion. Company shall be responsible for recommending, calibrating and/or otherwise maintaining any Equipment consistent with Company's responsibility as a medical licensee to the extent such activity is exclusively within Company's scope of authority under applicable law or regulation. To the extent Manager pays for maintenance costs directly, Company shall promptly reimburse Manager for such maintenance costs. Manager will assist Company in selecting operating supplies and materials ("**Supplies**") necessary for the Company's operation at the Practice Site, all of which shall be contracted for in Company's name and shall be at Company's sole cost and expense; each such selection will be made by Company in its discretion. A list of Equipment and Supplies provided is set forth in Schedule A. MANAGER MAKES NO WARRANTY, EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF FITNESS FOR PARTICULAR PURPOSE OR MERCHANTABILITY, WITH RESPECT TO ANY EQUIPMENT OR SUPPLIES PURCHASED FOR COMPANY HEREUNDER. Manager shall have no liability in the event of any loss, damage, theft or disappearance of the Equipment or Supplies, regardless of circumstances. Company will not: (1) effect any repairs or modifications to the Equipment; (2) remove or interfere with any certification markers affixed to the Equipment; (3) deface or add to the Equipment; (4) sublet



or allow the use of the Equipment by any third Party; (5) attempt to dispose of the Equipment or to grant any interest in the Equipment to any third Party or (6) use the Equipment for anything other than their intended purposes or remove any of the same from the Pause Facility except with the express written consent of Manager.

### 2.3. **Personnel.**

2.3.1. **Non-Clinical Staffing.** Manager will provide or arrange for clerical, reception, administrative and other non-medical personnel (other than Healthcare Professionals) (“**Non-Professional Personnel**”) at the Pause Facility that Manager determines to be necessary and appropriate for the efficient and proper operation of the Company’s Practice at the Pause Facility. Consistent with applicable laws, Manager shall make all hiring and termination decisions, establish and pay all wages, salaries and compensation, determine staffing levels, individual work hours, personnel policies and employee benefit programs for all of Manager’s Non-Professional Personnel. However, the Company shall have the right and obligation to direct and supervise such Non-Professional Personnel with respect to clinical matters (if any) including the training and supervision with respect to the operation of clinical Equipment. Manager will also be responsible for paying all compensation, benefits, taxes, and contributions with respect to all Non-Professional Personnel. Manager further agrees to indemnify the Company as well as the Medical Director and hold the Company as well the Medical Director harmless from any and all losses, costs, damages, claims, expenses, attorneys’ fees, or other liability whatsoever, arising out of or connected with (i) any allegations made by any entity on account of an alleged failure by Manager or the Company to satisfy any withholding or other obligation for any compensation due to all Non-Professional Personnel provided by Manager under this Agreement, (ii) any and all benefits or insurance (including, but not limited to, unemployment insurance, workers’ compensation insurance, and disability insurance) due to or for any Non-Professional Personnel provided by Manager under this Agreement, 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) for any and all Non-Professional Personnel provided by Manager under this Agreement.

2.3.2. **Medical Director.** During the Term, the Medical Director shall be the Medical Director of the Company, and as such, shall supervise the Healthcare Professionals to the extent required by applicable law, and shall provide patient consultations, evaluations, medication reviews, and other services to the Company as determined in the Medical Director’s sole professional judgment and as more fully set forth in a Medical Director Agreement entered into between Medical Director and Company. So that Manager may efficiently and properly provide Management Services under this Agreement with respect to the operation of the Practice at the Pause Facility, Medical Director

will provide Manager with at least thirty (30) days prior written notice if Medical Director is unable or unavailable to provide Medical Director services for the Practice as contemplated in this Section 2.3.2 due to vacation, attendance at continuing education events or other non-emergency reasons, and will provide written notice to Manager as soon as possible if Medical Director is or will not be so available due to sudden illness or other emergency reasons. The Parties agree that Medical Director shall not be prohibited from providing services to any other healthcare practices or operations.

2.3.3. **Professional Staffing (Clinical Personnel)**. The Company will, at all times, be the sole employer, contractor, and supervisor of all licensed professionals providing medical or other professional services for the Practice such as licensed nurse practitioners, registered nurses or naturopathic doctors who are required under applicable laws to be employed or contracted directly by a professional corporation (collectively, the “**Healthcare Professionals**”), and such Healthcare Professionals shall function in their professional capacity only on behalf of the Company. The Company 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 Healthcare Services at the Pause Facility. The Company will also be responsible for paying all compensation, benefits, taxes, and contributions with respect to the Healthcare Professionals and other clinical expenses associated with the Practice. Manager will assist Company in determining the need for and recruiting of potential Healthcare Professionals to provide Healthcare Services at the Pause Facility, including carrying out administrative functions such as advertising for and identifying potential candidates, and arranging and scheduling interviews. Manager shall assist Company in providing orientation to Healthcare Professionals with respect to the Practice’s business and administrative procedures and coordinating with the Company sufficient coverage for Healthcare Services at the Pause Facility. Manager shall also assist Company in recommending a compensation methodology for the Healthcare Professionals and preparing employment or independent contractor agreements between the Company and the same. Notwithstanding the foregoing or anything to the contrary in this Agreement, the selection of all Healthcare Professionals, their compensation, the terms of all such agreements, and the decision whether to enter into such agreements shall be solely determined by the Company.

2.3.4. **Payroll Services**. Manager will arrange for payroll, including the payment of all applicable federal, state, or local withholding or occupational taxes, social security taxes, unemployment compensation or workers’ compensation contributions, vacation pay, sick leave, or any other payments, and other human resources services for the employees of the Company on behalf of the Company. Company will provide Manager in a timely manner with all information and documentation necessary for Manager to provide or arrange for payroll services under this Agreement.

## **2.4. Intellectual Property and License.**

2.4.1. Solely in connection with the Company's provision of Healthcare Services at the Pause Facility, Manager grants Company a unique, nontransferable, nonexclusive, worldwide, and non-sublicensable right and license, during the Term of this Agreement, to access and use: (i) certain logos, trademarks, trade names, and service marks, including the service mark "Pause Studio", (ii) healthcare provider-facing software applications, (iii) patient-facing mobile applications, (iv) patient facing website, (v) the recommendation database online software and applications; (vi) marketing information and materials; and (vii) various systems, know-how, trade secrets, and other intellectual property, set forth on Schedule A (collectively, the "**Manager Intellectual Property**").

2.4.2. The Company and Medical Director acknowledge and agree that all proprietary rights, ownership, and goodwill in the Manager Intellectual Property will inure and belong to Manager, and that any such license to or use by or on behalf of the Company, Medical Director or their agents will not create any interest or right, express or implied, in the Manager Intellectual Property with respect to the Company or Medical Director except for such limited license or right to use. The Company and Medical Director covenant and agree that the Company/Medical Director will not assert any claim to any Manager Intellectual Property and will fully cooperate with Manager in protecting all of the rights and interests of Manager in and to the Manager Intellectual Property. The Company/Medical Director will not use any of the Manager Intellectual Property except in connection with the Practice at the Pause Facility during the Term hereof, nor in any manner that may contravene any applicable law or impair the validity or enforceability of any Manager Intellectual Property. Upon expiration or termination of this Agreement for any or no reason, the Company's and the Medical Director's license or right to use any of the Manager Intellectual Property shall automatically terminate without the requirement of separate notice to the Company and Medical Director, and within thirty (30) days of the effective date of such termination, Company and Medical Director shall cease and cause the Healthcare Professionals to cease, using the Manager Intellectual Property, including any use of any Manager Intellectual Property in Company's trade name.

2.4.3. Manager hereby represents and warrants that, to the best of its knowledge, it has all right, title, and interest in the Manager Intellectual Property, that no third party has any claim or right of interest therein, and Company's use of Manager Intellectual Property will not infringe in any way on any third party's proprietary rights.

2.4.4. In providing the Manager Intellectual Property, Manager is not engaged in rendering medical advice, diagnosis or other medical or professional or clinical services. The Manager Intellectual Property is made available for administrative and management purposes only and not as a substitute for

Company's analysis or judgment. Company must exercise professional judgment when using any information contained in the Manager Intellectual Property and take sole responsibility for its use, including but not limited to responsibility for compliance with licensing, scope of practice, and all other applicable laws.

2.5. **Management Services**. In addition to the services provided under Sections 2.1 through 2.4, during the Term, Manager will provide or arrange for the provision of the following non-clinical business, management, information technology and other administrative services for the operation of the Practice at the Pause Facility. In the absence of mutually agreed upon policies of the Company and Manager, Manager will exercise reasonable judgment in its management activities. Except as prohibited by the laws governing the practice of medicine, and subject to the limitations set forth elsewhere in this Agreement, without in any manner limiting the foregoing, Manager will, in accordance with the terms and conditions hereof, have the power and authority to take any and all actions reasonably necessary or advisable to conduct the non-clinical business affairs of the Practice, and shall specifically have the responsibility and commensurate authority for the following activities upon the Company's behalf (collectively, the "**Management Services**"):

2.5.1. **Day-to-Day Operations and Policies**. Manager will provide supervision of the general day-to-day business operations at the Pause Facility, including the acquisition and maintenance of basic office and medical supplies reasonably required for the operation of the Practice, consistent with guidelines to be determined by Manager, including all reasonable and necessary telephone answering service, reception, software, repair and maintenance services, and janitorial services, and, in consultation with Company, Manager shall assist with establishment and review of all protocols, policies and procedures for the operations of the Practice.

2.5.2. **Information Technology and Electronic Medical Records**. Manager will provide or arrange for information management and technology services for the 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 for maintaining the medical records for the Practice. Manager shall preserve the confidentiality of medical records of the Company'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.

2.5.3. **Human Resources**. Subject to Section 2.3, Manager will provide the administration of all human resource functions associated with the Practice at Pause Facility, including but not limited to assisting Company with their recruitment, on-boarding and off-boarding staff and familiarizing them with office procedures; provided, however, that all Healthcare Professionals recruited with the assistance of Manager to render professional Healthcare Services on behalf of the Company at the Pause Facility shall be employees

or independent contractors of Company, and Company shall bear sole responsibility for supervising or arranging for the supervision of such Healthcare Professionals. Manager agrees to comply with all applicable federal, state and local laws in the administration of its human resources functions, and Manager agrees to indemnify the Company as well as the Medical Director and hold the Company as well the Medical Director harmless from any and all losses, costs, damages, claims, expenses, attorneys' fees, or other liability whatsoever, arising out of or connected with Manager's administration of human resources functions or actions thereunder that are not in compliance with any and all applicable federal, state and local laws.

2.5.4. **Practice Rates.** Subject to applicable law, from time to time, Manager may recommend prices and rate structures for the Healthcare Services at the Pause Facility which take into account the financial obligations of Company and the rates charged by comparable facilities. Notwithstanding the foregoing, all such charges shall be solely determined by the Company.

2.5.5. **Billing and Collections.** Manager shall bill and collect for the Company's Healthcare Services at the Pause Facility on the Company's behalf, in accordance with this Agreement. In furtherance thereof, Company assigns to Manager, Company's right to bill and collect, in the Company's name, except as prohibited by law. Manager shall maintain complete records of all Company's collections. Manager shall maintain patient billing and collection records, including the posting and maintenance of all patient accounts receivable and collection information for all patient accounts receivable on behalf of the Company. Manager will issue all bills and invoices, on behalf of and for the account of the Company, for payment from patients, for goods and Healthcare Services provided by the Company's Healthcare Professionals, and Manager will be responsible for the collection, receipt and endorsement on the Company's behalf of all checks, money orders, payments and any other instruments received in payment of services rendered by or on behalf of Company, or pursuant to accounts receivable generated by such billings, and to administer such accounts, signing checks, drafts, bank notes or other instruments on behalf of Company, and depositing all such collections into one or more designated bank accounts. Company will promptly provide Manager with all billing information requested by Manager to enable Manager to bill and collect fees and charges on behalf of Company.

2.5.6. **Bookkeeping, Accounting and Financial Statements.**

2.5.6.1. Manager will provide or arrange bookkeeping and accounting services for the Company, including maintaining business records, employee records, implementing accounting procedures and systems, preparing financial and management reports, and providing data necessary for Company to prepare and file its tax returns and make other governmental filings as required with respect to the Practice at the Pause Facility. Manager will maintain a comprehensive system of office records,

books, and accounts reflecting the income, accounts and expenses of the Practice consistent with generally accepted accounting practices, which books and records may be inspected by an authorized representative of the Company at any reasonable time during normal business hours. Manager may enter into agreements with third parties to satisfy the obligations set forth in this paragraph.

- 2.5.6.2. Manager shall prepare and furnish to the Company periodic income statements for the operation of the Practice at the Pause Facility, in accordance with the manner and form that Manager normally utilizes for its books and records, in such time intervals as Manager deems appropriate and any additional financial management reports and information that Manager determines would assist the Company in evaluating its productivity and services. Manager shall not be responsible for preparing the Company's federal and state income tax returns or for the payment of any of the Company's income or other taxes. All such statements will be prepared on an accrual basis of accounting in accordance with GAAP, with such exceptions thereto as are determined by Manager to be advisable, including provisions for interim period reporting.
- 2.5.7. **Compliance**. Manager shall assist Company in the maintenance of compliance programs, including as applicable compliance with HIPAA and/or other applicable federal and state laws and regulations. Manager will also set up HIPAA compliant office, patient privacy and medical record procedures; however, Company shall be responsible for the maintenance and safekeeping of the records relating to its specific practice.
- 2.6. **Marketing Services**. Subject to any limitation of applicable law, Manager will provide assistance to Company in developing and implementing a general marketing campaign for the Healthcare Services provided by the Company at the Pause Facility consistent with governing legal and ethical standards. Manager shall consult with Company in developing such marketing and advertising. Manager shall advise and assist Company 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 Company's behalf, and obtaining services necessary to produce and present such marketing and advertising programs. Marketing services include services to promote the Company's Healthcare Services at the Pause Facility (such as website, blog, social media, digital marketing). Advertising services include services such as direct mailers, brochures, flyers, postcards, lunch and dinner lectures, and radio and television spots. The Parties expressly acknowledge and agree that they will comply with any relevant law regarding the joint marketing of Company and Manager.
- 2.7. **End User of Certain Items**. Other than with respect to items purchased or leased by the Company directly, the Parties agree and acknowledge that Manager is the

“end-user” of all items acquired by the Manager in order to fulfill its duties and obligations to the Company under this Agreement. Accordingly, Manager shall be responsible for the sales tax, if any, applicable to such items and shall remit same to the applicable governmental agency.

### 3. **BANK ACCOUNTS.**

- 3.1. All amounts received from or on behalf of patients for any and all Healthcare Services rendered by the Company and its Healthcare Professionals shall be deposited daily in a bank account in the name of the Company maintained at a bank mutually agreed upon by the Parties (the “**Practice Account**”), which account shall be subject to a depository agreement in a form approved by the Manager that shall provide that any deposited funds available may be swept periodically to an account in the name and under control of the Manager (the “**Manager's Account**”). The Manager shall have power of attorney and shall be a signatory with respect to the Practice Account. Funds swept into the Manager's Account shall be and at all times shall remain in Company's name through accrual on Company's accounting records. Company will not take any action that interferes with the transfer of funds to Manager's Account, nor will Company or its agents remove, withdraw or authorize the removal or withdrawal of any funds from the Practice Account for any purpose.
- 3.2. The Company agrees to cooperate with Manager, and to execute such other documents and take such other actions as may be reasonably necessary or desirable, in connection with the efficient day-to-day billing and collection of the Company's fees and charges, including, without limitation, the addition of Manager and its designated employee or employees, as an authorized signatory or signatories on the Practice Account, and including the right to make withdrawals from such Practice Account when and as required to pay the Practice expenses and to pay Manager its Management Fee. Company further agrees and hereby appoints Manager, for the term hereof, to be its true and lawful attorney-in-fact for purposes of: (i) billing and collecting in the name of Company; and (ii) receiving, taking possession of, and endorsing in the name of Company any notes, checks, money orders, and other instruments received in payment of Company accounts receivable.
- 3.3. Practice expressly authorizes Manager to make payment to itself from the Practice Account of any amount due to it by the Company 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.
- 3.4. **Attorney-In-Fact.** In order to effectuate the foregoing rights and obligations of Manager, Company hereby appoints Manager as its true and lawful attorney-in-fact throughout the Term in substantially the form attached hereto as Special Power of Attorney Schedule C. Such appointment shall survive the termination of this Agreement for all accounts receivable arising from billing for services rendered by or on behalf of Company prior to such termination, until all obligations

of Company owed to Manager have been paid in full. Company hereby further agrees to execute from time to time any additional documents required by the bank(s) where the Practice Account is held to effectuate the herein granted power of attorney-in-fact.

3.5. **Insufficient Funds**. Should there be insufficient funds in the Practice Account to pay the Management Fee at the time such Management Fee is due and payable or any other fees or charges described herein at the times that they are due and payable, then such unpaid amounts shall be considered a loan made by Manager to Company and shall be subject to the Security Agreement attached hereto as Schedule D.

3.6. **Procedure Upon Termination**. The Company agrees that upon termination or expiration of this Agreement for any reason, Manager may, at its option, continue to collect, as agent of, on behalf of and in the name of Company, all of Company' then outstanding accounts receivable for Healthcare Services rendered by the Company at the Pause Facility, and will be paid therefrom any other amounts outstanding from Company with regard to loans made by Manager to Company pursuant to this Agreement and/or any other sums due Manager pursuant to this Agreement until all such amounts then or subsequently due Manager will have been paid in full.

#### 4. **COMPANY'S OBLIGATIONS, REPRESENTATIONS AND WARRANTIES**

4.1. The Company shall compensate Manager for all services and items provided by Manager in accordance with the terms of the Management Fee Schedule attached hereto as Schedule B.

4.2. The Company shall be responsible for the selection, employment, and termination of all Healthcare Professionals for the performance of Healthcare Services. Such Healthcare Professionals shall be employees or contractors of the Company.

4.3. The Company shall ensure that all Healthcare Professionals employed or contracted by the Company are appropriately supervised with respect to the provision of medical and related services to patients and that all such Healthcare Services comply with the law.

4.4. The Company represents and warrants that each Healthcare Professional employed or engaged by the Company to deliver medical services shall at all times during the term of this Agreement, (a) have a current and unrestricted license to practice in the State of \_\_\_\_\_; (b) for Naturopathic Doctors, have an IV Therapy Specialty license from the \_\_\_\_\_; (c) be fully insurable under a policy or policies of professional liability insurance maintained by the Company for the Practice; and (d) have permits and licenses and other necessary authorizations required by law to provide the Healthcare Services.

4.5. The Company shall be solely responsible for all clinical oversight of the medical, diagnostic, therapeutic, and related professional services delivered or provided by



the Healthcare Professionals contracting with the Company and for the training, professional direction and supervision of all other ancillary health care personnel, including, but not limited to, medical technicians contracting with the Practice.

4.6. **Patient Medical Records**. The Company and its Healthcare Professionals are responsible for creating and maintaining, or causing to be created and maintained, accurate, complete and timely medical and other records of each patient of the Practice, sufficient to obtain payment for medical services rendered and to facilitate the delivery of quality patient care and in compliance with all requirements of applicable law and requirements. All medical records, pertaining to the Company' active and/or inactive patients shall at all times be owned and remain the property of Company and shall be maintained by, and under the control of, Company and/or Healthcare Professionals as required by applicable law, but: (i) may be stored at various locations, and may be maintained, inspected, or copied by Manager, in connection with Manager's performance of services under to this Agreement; and (ii) in the event of a termination of this Agreement, Company understands that Manager will retain a copy of such records related to such services, and may contact customers listed on those records, consistent with applicable privacy law. Each of Company and Manager shall comply with all applicable federal, state, and local laws and regulations relating to patient records. This Section, (Patient Medical Records) shall survive termination or expiration of this Agreement. Subject to compliance with the Health Insurance Portability and Accountability Act of 1996 as amended ("**HIPAA**") and other applicable laws, and the Business Associate Addendum entered into between Company and Manager as described in Section 8.1 and in substantially the form and substance of Schedule E hereto, the Company 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.

4.7. **Costs and Expenses of Company**. Company shall be solely responsible for and shall pay the following costs and expenses; however, Manager may make the payment of such costs and expenses from the Practice Account on behalf of the Company:

4.7.1. The cost of maintaining the corporate (or other entity) existence of Company.

4.7.2. The Company shall be responsible for the payment of all compensation and benefits payable to the Medical Director and all Healthcare Professionals who are direct employees or independent contractors of the Company, including all applicable government mandated employment related deductions and withholdings, vacation pay, sick leave, retirement benefits, social security, workers' compensation, health, life or disability insurance or any other employee benefits of any kind or nature, provided that Manager shall manage and implement on behalf of the Company the actions necessary to operate the payroll and compensation systems of the Company. Notwithstanding the foregoing, the Manager shall agree in writing with Company the amount of

compensation payable to each of the Healthcare Professionals hired by the Company.

4.7.3. Premiums for the malpractice insurance for the Company, Medical Director and its Healthcare Professionals.

4.7.4. The payment of all other costs and expenses incurred in connection with the Practice other than those expressly assumed by Manager.

## 5. **MANAGER'S COMPENSATION.**

5.1. **In General.** Company and Manager mutually recognize and acknowledge that:

5.1.1. Manager has incurred and will incur substantial costs and expenses in connection with providing the management services described in this Agreement, and in performing all other obligations required of it in accordance with this Agreement; and

5.1.2. Certain of Manager's costs and expenses can vary to a considerable degree according to the volume of services required by Practice; and

5.1.3. It will be impracticable to ascertain with exactitude all of the costs and expenses that will be incurred by Manager from time to time in the performance of its obligations under this Agreement. It is the intent of the Parties that all fees paid to Manager by the Company under this Agreement be reasonable and be based on Manager's actual costs and expenses, plus a reasonable profit.

5.2. **Management Fee.** In consideration for access to the Pause Facility, Equipment, Supplies, license of the Manager Intellectual Property and all other Management Services furnished by Manager to the Company pursuant to this Agreement, Company shall timely pay to Manager the fees and amounts described in Schedule B, which shall be deemed part of this Agreement ("**Management Fees**"). Manager, in consultation with Company, 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 Company.

5.3. **Payment of Fees to Manager.** The Management Fees set forth in Schedule B are payable to Manager monthly, in arrears, on the 1<sup>st</sup> day of each month ("**Fee Payment Date**") by check or electronic funds transfer by Company to Manager, upon transmission by Manager of an invoice with an accounting of the calculation of the Management Fees (the "**Fee Calculation**"); provided that if any scheduled Fee Payment Date falls on a non-business day, such installment shall be paid on the business day immediately following such scheduled Fee Payment Date. Company also grants Manager the right and authority, in Manager's sole discretion, to disburse amounts payable to Manager by Company from the Practice Account on or after the Fee Payment Date, according to the Fee

Calculation, in lieu of check or electronic funds transfer by Company without any notice to or further authorization from Company; provided, however, that payment of Management Fees for any applicable period shall be subordinate in priority to the payment by Company of Professional Payables for such period. If, at the time such Management Fee is due and payable, there are insufficient funds in the Practice Account (or such other account established by Manager from time to time) to pay in full to Manager the Management Fees at the times that they are due and payable, Manager may in its sole discretion defer the payment of such unpaid amounts or any portion thereof as an account receivable payable by the Company to Manager from future collections of Company.

5.4. **Fair Market Value**. The Parties acknowledge and agree that the Management Fees are fair market value for the Management Services rendered hereunder negotiated between the parties in arms' length negotiations, in light of, among other factors, the considerable expenses and risks to be incurred by Manager in providing Management Services under this Agreement.

5.5. **No Payment for Referral of Patients or Splitting of Fees**. The Parties acknowledge and agree that this Agreement does and will not directly or indirectly condition any payment or amount on the referral of patients, and no payment to Manager of Management Fees or other amounts under this Agreement or otherwise is or will be in return for the referral of patients or increased patient volume, and no such payment is or will be construed as splitting or sharing of the Company's or Healthcare Professionals' professional fees, or any kind of commission, rebate or other remuneration for the referral of patients, nor any division of profits or partnership. No Party hereto is required to refer patients to any person, individual or corporation, and nothing in this Agreement will be construed as directing, influencing, requiring, inducing, soliciting or reimbursing the referral of any patients.

5.6. **Security Interest**. In order to secure the timely and complete payment of the Management Fees and payment or repayment of all other amounts and performance of all other agreements and obligations owing or due to Manager by the Company under or arising out of any or all provisions of this Agreement (collectively, the "**Obligations**" as such term is more fully defined in the Security Agreement attached hereto as Schedule D), the Company hereby grants a continuing first-priority security interest to Manager in all of the Collateral, as that term is defined in the Security Agreement attached hereto as Schedule D. This Section shall survive any expiration or termination of this Agreement until all Obligations shall have been satisfied in full.

## 6. **INSURANCE**.

6.1. **Professional Liability Insurance**. Company hereby represents and warrants that it will take all reasonable steps to ensure that each Healthcare Professional employed or hired by the Company for the Practice shall provide, keep, and maintain throughout the entire term of this Agreement, insurance coverage in the

minimum amounts of \$1,000,000 per person, \$3,000,000 aggregate, for professional liability, negligence and errors and omissions. Such insurance shall cover all activities of such Healthcare Professional for the Company at the Pause Facility and shall name Manager and Company as additional insureds. Company shall provide Manager with certificate(s) evidencing such insurance coverage within fifteen (15) days of the Effective Date, which certificate(s) shall preclude cancellation or diminution in coverage by the insurance carrier without a minimum of thirty (30) days' notice to Manager.

6.2. **General Liability and Workers Compensation Insurance.** Manager shall obtain and maintain, at its expense, comprehensive general liability insurance for the Pause Facility and workers' compensation insurance covering all employees employed by Manager at the Pause Facility.

## 7. **TERM AND TERMINATION.**

7.1. **Term.** The initial term of this Agreement shall, unless earlier terminated pursuant to the terms hereof, be for a three (3) year period commencing on the Effective Date (the "**Initial Term**"). Upon expiration of the Initial Term, the Agreement shall be automatically renewed on the anniversary of the Effective Date for successive one (1) year periods (each such one year period shall be referred to as a "**Renewal Term**," and the Initial Term and any Renewal Term shall be referred to in this Agreement as the "**Term**"), unless either Company 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 same terms and conditions of this Agreement shall apply to each Renewal Term, unless Company and Manager mutually agree in writing to alter the terms and conditions, or in the event Company desires not to renew.

7.2. **Termination Without Cause.** Either Party may terminate this Agreement without cause upon ninety (90) days' written notice to the other Party.

7.3. **Termination by Manager.** If any one or more of the following events shall occur, Manager may, at its option, immediately terminate this Agreement upon written notice to the Company of such termination:

7.3.1. if breach or default shall be made by Company in the performance of or compliance with any of the covenants, agreements, terms or conditions of this Agreement, and such breach or default shall continue for a period of thirty (30) days after written notice thereof from Manager to Company specifying the items in breach or default;

7.3.2. if there shall occur any revocation or suspension of Company's standing as a professional corporation in the State of \_\_\_\_\_;

7.3.3. if the Medical Director or any Healthcare Professional is determined by a court of competent jurisdiction to be incompetent, or permanently disabled so as to be unable to render any professional services (unless with respect to the

Healthcare Professional, the Company immediately terminates its relationship with such Healthcare Professional);

7.3.4. if the Medical Director's license or any Healthcare Professional's license in the State of \_\_\_\_\_ or any other jurisdiction in which such individual is licensed to practice is revoked or suspended (unless with respect to the Healthcare Professional, the Company immediately terminates its relationship with such Healthcare Professional);

7.3.5. the Company has been reprimanded, sanctioned or disciplined by any licensing board, or any federal, state or local society or agency, governmental body or specialty board;

7.3.6. the inability to obtain or maintain professional liability insurance on behalf of a Company, the Medical Director or one or more Healthcare Professionals (unless with respect to the Healthcare Professional, the Company immediately terminates its relationship with such Healthcare Professional);

7.3.7. the Company, Medical Director, or any Healthcare Professionals are indicted for, convicted of or pleads guilty or no contest to any crime other than a minor traffic offense, or commits an act of fraud or dishonesty (unless, with respect to any such Healthcare Professional, the Company immediately terminates its relationship with such Healthcare Professional); .

7.3.8. Medical Director or any Healthcare Professional is disabled and unable or unwilling to provide Healthcare Services to the Practice for over 3 months (unless, with respect to any Healthcare Professional, the Company immediately terminates its relationship with such Healthcare Professional);

7.3.9. Company terminates the engagement of all Healthcare Professionals providing Healthcare Services for the Company at the Pause Facility; or

7.3.10. The merger, consolidation, reorganization, conversion, sale, liquidation, dissolution, or other disposition of all or substantially all of the stock or assets of Company without the prior written approval of the Manager.

7.4. **Termination by Company**. If any one or more of the following events shall occur, the Company may, at their option, immediately terminate this Agreement upon written notice to Manager of such termination.

7.4.1. upon Manager's intentional material misappropriation, theft, or embezzlement of the Company' monies or other assets.

7.4.2. if there is a conviction of any of Manager's owners or staff for any crime punishable as a felony under state or federal law, and in the case of Manager staff, such person is not terminated immediately by Manager.

7.4.3. if breach or default shall be made by Manager in the performance of or

compliance with any of the covenants, agreements, terms or conditions of this Agreement, and such breach or default shall continue for a period of thirty (30) days after written notice thereof from the Company to Manager specifying the items in breach or default;

7.4.4. in the event the Manager is unable to perform its duties under this Agreement for more than thirty (30) days including provision of the Pause Facility; or

7.4.5. The liquidation or dissolution of Manager, or the filing of a petition for relief under any bankruptcy or similar statute that names Manager as a debtor.

#### **7.5. Effects of Termination.**

7.5.1. For the avoidance of doubt, termination of this Agreement with respect to the Pause Facility will not affect any other management services agreements in place between the Company and Manager or Manager's Affiliate Entities with respect to any other Pause Facilities.

7.5.2. All outstanding Management Fees and other amounts owing by the Company to Manager, including all accounts receivable, loans, advances and accrued interest thereon, will immediately become due and payable to Manager by the Company 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 the Company 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.

7.5.3. Expiration or termination of this Agreement for any reason will not affect any liability or obligation that has accrued to any Party prior to such expiration or termination, and it will not constitute a waiver by the terminating party of any right, benefit, remedy or relief to which the terminating party may be entitled at law, in equity or under this Agreement.

7.5.4. Upon any expiration or termination of this Agreement, the Company 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.

7.5.5. Company and Manager will fully cooperate with each other to ensure continuation of care for Company's patients.

7.5.6. The Company will immediately discontinue the use of any Manager

Intellectual Property, unless such use is permitted under another management services agreement with one of Manager's Affiliate Entities.

7.5.7. The Parties will cooperate to ensure the appropriate billing and collections for Healthcare Services provided by the Company at the Pause Facility prior to the termination date, and any such collections will be billed, collected, deposited and retained as specified in this Agreement; and

7.5.8. Subject to HIPAA and other applicable law, Manager will be given access, at reasonable times and upon reasonable request, to the patient records of the Practice for a period not shorter than the applicable statute of limitations for any claim that may be asserted against Manager arising from its activities during the Term. Subject to applicable law, Manager may copy (or otherwise duplicate) at its cost and expense such records of the Company and retain and use such copies for its own use. To the extent patient records of the Company are maintained electronically on systems (including, without limitation, electronic health records system(s)) owned, licensed, subscribed or otherwise maintained or controlled by Manager, and Company desires or is otherwise required by applicable law or regulation to maintain copies of such records itself, Manager will provide access, at reasonable times and upon reasonable prior written request, to permit Company, at the Company's sole cost and expense, to access and duplicate such records.

8. **COMPLIANCE WITH LAWS.** Each Party will use its respective commercially reasonable efforts to take such action reasonably necessary to ensure that such Party and its personnel complies in all material respects with all applicable federal, state, local and other laws, regulations and ordinances in carrying out such Party's respective duties and obligations hereunder.

8.1. **HIPAA.** Without limiting the foregoing, each Party will comply with the Health Insurance Portability and Accountability Act of 1996 as amended ("**HIPAA**") and the Health Information Technology for Economic and Clinical Health Act and the rules and regulations promulgated thereunder and any applicable state patient privacy and security laws, in connection herewith. Concurrently herewith, Manager and the Company are entering into a Business Associate Addendum in substantially the form and substance of Schedule E hereto.

8.2. **Enforceability.** The Parties have carefully structured this Agreement and the arrangements hereunder to comply with applicable laws and regulations. Each party acknowledges and agrees that this Agreement and such arrangements are valid, legal and enforceable obligations of such party, and agrees that such party will not make, assert, maintain or initiate, nor cause to be made, asserted, maintained or initiated, any claim, charge, demand, action, arbitration or proceeding of any type, the basis of which is, in whole or in part, that this Agreement or any portion hereof, or the relationships created hereby, is illegal, or that any amount payable to Manager under this Agreement is unreasonable or unlawful or does not represent fair market value for the Management Services and other items

provided by Manager. If any Party makes a claim, charge, demand, action, arbitration or proceeding of any type which is inconsistent with the preceding sentence, then such Party will pay all costs and expenses (including reasonable attorneys' fees) and other losses or damages incurred by the other Party in defending or responding to such claim, charge, demand, action, arbitration or proceeding, which payment will be made promptly to such other Party upon its request.

8.3. **Contract Modifications for Prospective Legal Events.** In the event any state or federal laws or regulations, now existing or enacted or promulgated after the Effective Date of this Agreement, are interpreted by judicial decision, a regulatory agency or legal counsel of both the Company and Manager in such a manner as to indicate that the structure of this Agreement may be in violation of such laws or regulations, the Company and Manager shall amend this Agreement, to the maximum extent possible, to preserve the underlying economic and financial arrangements between the Company and Manager. Notwithstanding the preceding sentence, to the extent such laws relate to the Management Fee, the Management Fee shall be paid in full to fullest extent of the law. If the Parties hereto are unable to resolve the matter through good faith negotiations within sixty (60) days thereafter, then Manager or the Company may initiate the dispute resolution procedures set forth in Section 12.4.

## 9. **RECORDS AND RECORDKEEPING.**

### 9.1. **Ownership and Inspection of Records.**

9.1.1. At all times during and after the Term, all patient medical records shall be and remain the sole property of the Company. All such patient medical records shall be prepared and maintained in accordance with all applicable laws regarding confidentiality and retention, including HIPAA. Upon termination of this Agreement, all such patient medical records shall be and remain in the possession of the Company. To the extent permitted by applicable law, Manager shall be permitted to retain true and complete copies of such records, at its expense.

9.1.2. 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 Practice, relating 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.

## 10. **CONFIDENTIAL INFORMATION AND NON-DISCLOSURE.**

10.1. **Non-Disclosure.** Company hereby represents, warrants and agrees that each of its Healthcare Professionals will sign a Non-Disclosure Agreement for the protection of Manager's trade secrets, a copy of which is



attached hereto as Schedule F and incorporated herein by this reference, prior to any such Healthcare Professionals rendering Healthcare Services at the Pause Facility.

10.2. **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 of the other Party 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.

10.3. As used in this Agreement, "**Confidential Information**" shall be defined as oral, written and/or recorded information concerning a Party's business, including all notes, 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.

10.4. 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 (Confidential Information) shall survive termination or expiration of this Agreement.

## **11. INDEMNIFICATION.**

11.1. **Indemnification by Manager.** Manager agrees to indemnify, defend, and hold harmless Company, Medical Director and Company's officers, directors, employees and contractors from and against any and all claims, actions, demands, losses, costs, expenses, liabilities, penalties and damages, including reasonable attorneys' fees incurred in investigating or in attempting to avoid, oppose, settle, resolve or litigate the same, that relate directly or indirectly to: (a) Manager's violation of applicable laws, rules or regulations, or (b) Manager's failure to comply with the terms of this Agreement or Manager's breach of any representations, warranties, covenants or agreements in this Agreement, or (c) the fraudulent, negligent or intentional acts or omissions of Manager, the Non-Professional Personnel, or Manager's officers, managers, employees, agents and contractors in connection with any services that Manager provides to Company hereunder. Such indemnification shall attach only to amounts not covered by insurance and shall not denigrate the coverage of any claim.

11.2. **Indemnification by Company.** Company agrees to indemnify, defend, and hold harmless Manager and Manager's officers, managers, employees and contractors from and against any and all claims, actions, demands, losses, costs, expenses, liabilities, penalties and damages, including reasonable attorneys' fees incurred in investigating or in attempting to avoid, oppose, settle, resolve or litigate the same, that relate directly or indirectly to: (a) Company's violation of applicable

laws, rules or regulations, or (b) Company's failure to comply with the terms of this Agreement or the Company's breach of any representations, warranties, covenants or agreements in this Agreement, or (c) negligent or intentional acts performed by any Healthcare Providers in connection with the Healthcare Services provided at the Pause Facility. Such indemnification shall attach only to amounts not covered by insurance and shall not denigrate the coverage of any claim.

- 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. If a controversy, dispute, claim, action or lawsuit (each a "**Third Party Action**") arises with a third party wherein both the Parties are included as defendants, each Party shall promptly disclose to the other Party in writing the existence and continuing status of the Third Party Action and any negotiations relating thereto. Each Party shall make every reasonable attempt to include the other Party in any settlement offer or negotiations. If the other Party is not included in the settlement, the settling Party shall immediately disclose to the other Party in writing the acceptance of any settlement and terms relating thereto to the extent that such disclosure is authorized under the applicable settlement.

11.6. **Exclusions from Indemnification.** Notwithstanding any provision to the contrary, nothing in this Agreement limits or excludes either Party's liability to the extent it relates to (i) death or personal injury caused by the specific Party's negligence; (ii) fraud, (iii) fraudulent misrepresentation or (iv) any other liability which may not be lawfully indemnified, limited or excluded.

11.7. **Mitigation.** The Parties agree to use all reasonable endeavors to mitigate any losses which the applicable Party may suffer under or in connection with this Agreement (including in relation to any losses covered by an indemnity) and any amounts a Party seeks from the other Party in respect of any such liability.

## 12. **MISCELLANEOUS.**

12.1. **No Act Contrary to Law.** Nothing herein shall be construed so as to require the commission of any act contrary to law, and wherever there is any applicable statute, law, ordinance or regulation which is inconsistent with this Agreement, such statute, law, ordinance or regulation shall prevail, and, in such event, the provision herein in conflict automatically shall be curtailed, limited, or eliminated to the extent necessary to bring it within legal limitations.

12.2. **Time of Essence.** The Parties hereto acknowledge that time is of the essence in regard to the obligations established hereunder. The parties hereto agree that they shall cooperate in good faith to accomplish the objectives of this Agreement, and to execute and deliver the documents and instruments and take such further action as may be reasonably necessary to effectuate the terms, conditions, and purposes of this Agreement.

12.3. **Acts to Effectuate Agreement.** The Parties hereby covenant and agree to do and perform any and all acts, matters and things, and to make, execute, acknowledge and deliver any and all agreements, documents and instruments, as may from time-to-time be deemed necessary or expedient in the reasonable opinion of Manager, in order to effectuate the intent and purpose of this Agreement or the consummation of the transactions herein contemplated.

12.4. **Dispute Resolution and Arbitration.** Any controversy, dispute, or disagreement arising out of or relating to this Agreement, or the breach thereof, shall be settled exclusively by binding arbitration with one (1) arbitrator, selected jointly by the parties, which arbitration shall be conducted in \_\_\_\_\_ in accordance with the American Health Lawyers Association Alternative Dispute Resolution Service Rules of Procedure for Arbitration (the "**Rules**"), and judgment on the arbitration award may be entered in any court having jurisdiction thereof. During the pendency of arbitration and until final judgment thereon has been entered, this Agreement will remain in full force and effect unless otherwise terminated as provided hereunder, and each party hereto is required to continue to perform its obligations under this Agreement pending final resolution of a dispute arising out of or relating to this Agreement. The arbitrator shall be qualified by education, training, or experience to resolve the underlying dispute and shall

have the same authority as a court to award all equitable relief, damages, costs, and fees as provided by law or the applicable Rules for the particular claims or counterclaims asserted. Additionally, the arbitrator is authorized to award costs, attorneys' fees, and expert witness fees and to allocate them among the Parties. The arbitrator may not award indirect, consequential, special, or punitive damages excepted as provided for by this Agreement. The arbitrator will give written reasons for any material findings of facts as well as a final written decision. The arbitrator's award will be final, and judgment may be entered upon it by any court having jurisdiction. Unless otherwise directed by the arbitrator, the Parties shall bear their own legal fees and costs in any arbitration and shall split the fees of the arbitration and the arbitrator equally (i.e., 50/50). However, the prevailing Party in any arbitration shall be entitled to its reasonable attorneys' fees, costs and necessary disbursements or expenses in addition to any other relief to which it may otherwise be entitled as provided for by this Agreement. The sole exceptions to this arbitration provision are claims expressly prohibited by law from being subject to binding arbitration, for which either Party may seek direct court intervention. For all other disputes, the Parties agree that arbitration shall be exclusive, final, and binding remedy. Nothing herein shall preclude either Party from seeking provisional remedies, including injunctive or equitable relief, in aid of arbitration from a court of appropriate jurisdiction. All negotiations, arbitration, and expert determinations relating to a dispute (including a settlement resulting from negotiation or an arbitration award, documents exchanged or produced during an arbitration proceeding, and memorials, briefs or other documents prepared for the arbitration) are confidential and may not be disclosed by the Parties, their respective affiliates and each of their respective employees, officers, directors, counsel, consultants, contractors, and expert witnesses, except to the extent necessary to enforce any settlement agreement or arbitration award, to enforce other rights of a Party, as required by law or regulation, or for a bona fide business purpose, such as disclosure to accountants, shareholders, or third-party purchasers; provided, however, that breach of this confidentiality provision shall not void any settlement, expert determination, or award. The Parties further agree to execute all documents necessary to maintain such confidentiality. BY AGREEING TO BINDING ARBITRATION PURSUANT TO THIS SECTION, THE PARTIES HERETO IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY DISPUTE.

- 12.5. **Governing Law.** This Agreement shall be construed, interpreted and applied in accordance with the laws of the State of \_\_\_\_\_ applicable to contracts entered into and wholly to be performed in the State by residents of the State, without regard to conflict of laws principles.
- 12.6. **Amendment.** This Agreement may be amended, modified, or supplemented, but only in writing signed by all Parties.
- 12.7. **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.

- 12.8. **Requirement of Good Faith**. Wherever this Agreement provides for a determination, decision, selection, consent, approval or adoption by any Party hereto, the determination, decision, selection, consent, approval or adoption by said Party shall be made in good faith and in the sole and absolute discretion of said Party notwithstanding any requirement to consult with the other Party.
- 12.9. **Force Majeure**. Except with respect to payment obligations, neither Party shall be liable nor deemed to be in default for any delay or failure in performance under the Agreement or other interruption of service or employment deemed resulting, directly or indirectly, from acts of God, civil or military authority, acts of public enemy, war, accidents, fires, explosions, earthquakes, floods, failure of transportation, machinery or supplies, vandalism, strikes, epidemics, pandemics, quarantines, government regulation or other work interruptions beyond the reasonable control of either Party. However, the Parties shall make good faith efforts to perform under this Agreement in the event of any such circumstances.
- 12.10. **Waivers**. The failure of a Party hereto at any time or times to require performance of any provision hereof shall in no manner affect its right at a later time to enforce the same. No waiver by a Party of any condition or of any breach of any term contained in this Agreement shall be effective unless in writing and signed by the waiving Party, and no waiver in any one or more instances shall be deemed to be a continuing waiver of any such condition or breach in another instance or a waiver of any other condition or breach of any other term.
- 12.11. **Severability**. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.
- 12.12. **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; or (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.
- 12.13. **Headings**. The headings preceding the text of sections of this Agreement and the exhibits, attachments and schedules hereto are for convenience only and

shall not be deemed part of this Agreement.

- 12.14. **Construction.** The language in all parts of this Agreement shall be construed, in all cases, according to its fair meaning. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement.
- 12.15. **Remedies Cumulative.** No remedy set forth in this Agreement or otherwise conferred upon or reserved to any Party shall be considered exclusive of any other remedy available to a Party, but the same shall be distinct, separate, and cumulative and may be exercised from time to time as often as occasion may arise or as may be deemed expedient.
- 12.16. **Attorneys' Fees.** In the event of any action, suit, arbitration or proceeding at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing Party shall be entitled to all reasonable attorney's fees costs and necessary disbursements in addition to any other relief to which it may otherwise be entitled.
- 12.17. **Authorized Persons.** Whenever any consent, approval or determination of a Party is required pursuant to this Agreement, such consent, approval or determination shall be rendered on behalf of the Party by the person or persons duly authorized to do so, which the other Party shall be justified in assuming means any officer of the Party rendering such consent, approval or determination, or such Party's board of directors.
- 12.18. **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 E-SIGN Act of 2000, e.g., [www.docusign.com](http://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.
- 12.19. **Survival.** All of the representations, warranties, covenants and agreements contained in this Agreement are material and have been relied upon by the parties to this Agreement and shall survive upon the termination of this Agreement for their applicable statute of limitations.
- 12.20. **Entire Understanding.** This Agreement supersedes all prior oral and written understandings and agreements between the Parties hereto. The Parties acknowledge and agree that this document, together with any and all schedules, exhibits and attachments, which are hereby incorporated herein and made a part hereof in their entirety by this reference, and all other documents specifically

referenced herein, constitute the entire agreement between the Parties regarding the services to be provided by the Parties hereto.

*[Signature Page Follows]*



**IN WITNESS WHEREOF**, the undersigned have executed this Management Services Agreement as of the Effective Date first written above.

**(“Manager”)**

**(“Company”)**

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

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

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

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

**(“Medical Director”)**

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

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

## **SCHEDULE A**

### **INTELLECTUAL PROPERTY LICENSED**

- Trade secrets related to the sales, marketing and operations of a full-service mental and physical recovery studio
- IV Drip Formulation Names: Awake, Uplevel, Pause, Radiance, Be Well
- Vitamin Shot Formulation Names: Detox, Boost, Pause, Vibe High, Radiate
- The service mark "Pause Studio"

### **PAUSE FACILITY DESCRIPTION**

Medical corporation will operate from designated space within the Pause Facility. This area will be used exclusively for IV Drip and Vitamin Shot therapy and the space will be clearly identified by soft partition curtains. Additionally, there is a sink, clean hood and refrigerator within an employee-only private room.

### **LIST OF EQUIPMENT AND SUPPLIES**

SAS Portable Clean Room

Refrigerator

Heating Pad

IV Poles

IV Chairs

iPad

IV Room Cart

BD Insyte™ Autoguard™ BC shielded IV catheter with blood control technology

Pillows

Blankets

Eye Masks

Vitamins

Minerals

## SCHEDULE B

### MANAGEMENT FEES & PROFESSIONAL PAYABLES

1. **Management Fee.** Company shall pay any costs associated with its operation and all Professional Payables, including all Medical Director fees, prior to paying the Management Fee. Thereafter, Company shall pay Manager a Management Fee equal to fifty-five percent (55%) of the Company's Gross Revenues from Healthcare Services at the Pause Facility, which the Parties agree is the fair market value for the use of the Pause Facility, Equipment, Supplies and Management Services provided under this Agreement. "**Gross Revenues**" shall mean: all cash received for all Healthcare Services provided by the Company's Healthcare Professionals at the Pause Facility.

2. **Advances.** For any month in which the Gross Revenues is insufficient for the payment of all of the Professional Payables, costs associated with operating the Practice at the Pause Facility, and the Management Fee, the Manager may advance the money to pay the unpaid bills, and such advance immediately becomes a receivable from the Company. In the following month and only after the Company's operating expenses are paid, including any applicable Medical Director fee and other Professional Payables, the initial collections are to be devoted exclusively to the receivable created by the advance of funds by the Manager, until such time the receivable is paid in full, and additional collections that month, if any, can thereafter be used to defray the normal operating costs, bills and Management Fee. Monies advanced and not repaid within sixty (60) days shall bear interest at the rate of one percent (1%) per annum, calculated and added to the principal of the receivable monthly.

3. **Definitions.** As used in this Schedule B, the following terms shall have the following meanings:

(a) **Professional Payables.** As used herein, Professional Payables means, for the applicable period, (i) all salaries, benefits, payroll taxes and other direct costs of all Healthcare Professionals employed by the Company with respect to the Practice at Pause Facility including the compensation paid to the Medical Director and payroll taxes related thereto; (ii) premiums for professional liability insurance coverage of Company to insure against actions and omissions of Medical Director and Healthcare Professionals at or relating to the Practice at the Pause Facility; and (iii) other reasonable and necessary operating expenses incurred by the Company in conducting the Practice operations at the Pause Facility. The parties hereto agree that the Medical Director shall be paid during the term of this Agreement in accordance with the Medical Director Agreement by and between Company and Medical Director, and that such compensation shall not be changed without the written approval of both Company and Manager.

4. **Fee Payment Date.** As set forth in Section 5.3 of the Agreement, the Management Fees set forth herein are payable to Manager monthly, in arrears, on the 1st day of each month ("**Fee Payment Date**") by check or electronic funds transfer by Company to Manager, upon transmission by Manager of an invoice with an accounting of the calculation of the Management Fees (the "**Fee Calculation**"); provided that if any scheduled Fee Payment Date falls on a non-business day, such installment shall be paid on the business day immediately following such scheduled Fee Payment Date. Company also grants Manager the right and authority, in Manager's sole discretion, to disburse amounts payable to Manager

by Company for the Management Fees, from the Practice Account, on or after the Fee Payment Date, according to the Fee Calculation, in lieu of check or electronic funds transfer by Company without any notice to or further authorization from Company; provided, however, that payment of Management Fees for any applicable period shall be subordinate in priority to the payment by Company of Professional Payables for such period.

**(“Manager”)**

**(“Company”)**

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

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

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

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

**SCHEDULE C**

**SPECIAL POWER OF ATTORNEY**

The undersigned \_\_\_\_\_, a \_\_\_\_\_ professional corporation and its sole shareholder \_\_\_\_\_ (collectively, the "**Principal**"), hereby makes, constitutes and appoints any officer of \_\_\_\_\_ ("**Manager**"), as Principal's true and lawful attorney-in-fact to act for Principal and in Principal's name, place and stead and for Principal's use and benefit:

- (A) To bill in Principal's name and on Principal's behalf all charges and reimbursements for all goods and services provided to Principal's patients at the Pause Facility (the "**Practice**");
- (B) To collect all revenue from whatever source, including accounts receivable, due to Principal in connection with Principal's operation of the Practice at the Pause Facility ("**Collections**") and to receive all Collections on Principal's behalf and to sue for and give satisfaction for monies due on account and to withdraw any claims, suits, or proceedings pertaining to or arising out of Principal's right to collect such accounts;
- (C) To take possession of and endorse in Principal's name any notes, checks, money orders, insurance payments, and any other instruments received as Collections; and
- (D) To deposit all Collections directly into a bank account held in Principal's name at a banking institution mutually selected by Manager and Principal. Manager shall have the right to make withdrawals from such account to pay all costs and expenses incurred by the Principal in the operation of the Practice, including payment of the Management Fees as set forth in the Management Services Agreement of even date herewith, and to fulfill all other terms of said Agreement.

Principal hereby grants to Manager as said attorney-in-fact, full power and authority to do and perform each and every act and thing which may be necessary, or convenient, in connection with any of the foregoing, as fully, to all intents and purposes, as Principal might or could do if personally present, hereby ratifying and confirming to all that said attorney-in-fact shall lawfully do or cause to be done by authority hereof.

Executed \_\_\_\_\_.

**COMPANY**

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

## **SCHEDULE D**

### **SECURITY AGREEMENT**

**THIS SECURITY AGREEMENT (“Agreement”)** is made and entered into effective as of \_\_\_\_\_, by and by and between \_\_\_\_\_, a \_\_\_\_\_ professional corporation (“**Company**”) and \_\_\_\_\_ (“**Manager**”).

#### **RECITALS**

**A.** Company and Manager are parties to that certain Management Services Agreement, of even date herewith (as amended, supplemented or restated from time to time, the “**MSA**”), under which Manager is to provide certain administrative and business support services with respect to the Practice as defined therein in exchange for payment by Company of certain Management Fees.

**B.** Manager may lend or advance funds to Company from time to time, on a secured basis, to provide funding for certain costs and expenses related to the Practice at the Pause Facility, on the terms and conditions set forth in this Agreement.

**C.** The parties desire to set out in this Agreement the terms and conditions governing the grant of a security interest in certain collateral by Company to Manager to secure the payment and performance of the Obligations (as defined below).

**NOW, THEREFORE**, in consideration of the foregoing and of the mutual agreements set forth herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**1. Defined Terms.** Certain terms used in this Agreement have the following meanings. Unless otherwise defined herein or the context hereof otherwise requires, capitalized terms used in this Agreement have the same meaning as ascribed to such terms in the MSA or in the UCC (as applicable).

“**Collateral**” means the following items and types of property, wherever located, now owned or in the future existing or acquired by Company, and all proceeds and products thereof, and any substitutes or replacements therefor: all accounts, accounts receivable, health care insurance receivables, contract rights, deposits, deposit accounts, inventory, equipment and general intangibles relating to the Practice, and all instruments, documents, investment property, chattel paper, money, letter-of-credit rights and commercial tort claims, and all of Company’s right, title and interest therein and thereto; provided, however, that the Collateral shall not include any patient records, medical records or other property of Company the disclosure, transfer, assignment, pledge or encumbrance of which is prohibited by applicable law.

“**Documents**” means this Agreement, the MSA and all other documents, agreements and instruments delivered to Manager under the MSA or in connection therewith.

“**Manager**” means Manager and its successors and assigns.

**“Obligations”** means the liabilities and other obligations of Company to Manager at any time under or in connection with this Agreement, the MSA and the other Documents, including, without limitation, all unpaid Management Fees and all other fees, expenses, indemnities and all other amounts payable by Company to Manager thereunder or in connection therewith and all Advances, loans and extensions of credit made by Manager to Company under this Agreement or the MSA or otherwise, whether now existing or hereafter arising, whether due or to become due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether arising or liquidated before or after a termination of this Agreement or the MSA pursuant to its terms.

**“Obligor”** means any Person obligated with respect to any of the Collateral, whether as an account debtor, obligor on an instrument, issuer of securities, or otherwise.

**“Person”** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership or other entity or governmental authority.

**“Security Interest”** means the security interest granted and the pledge and assignment made under Section 3 of this Agreement.

**“UCC”** means the Uniform Commercial Code, including each such provision as it may subsequently be renumbered, as enacted in the State of \_\_\_\_\_ as amended at the time in question.

## **2. Advances.**

(a) If, from time to time during the term of the MSA, Company has insufficient funds to pay in full its operating costs and expenses, or has other working capital or financing needs, with respect to the Practice, then Manager may, in its discretion, but is not required to, provide financing to Company for such purposes by advancing funds to or on behalf of Company (collectively, **“Advances”**). Manager’s determination to provide such financing will be based upon such factors as Manager determines in its sole discretion, including (i) the purpose of the proposed Advance, (ii) the Company’s financial condition, (iii) prevailing economic conditions, (iv) availability of capital to Manager on reasonable terms, and (v) Company’s business plan and budget. Company will use any such Advances solely for such purpose.

(b) To evidence any such Advances, Company shall sign and deliver to Manager all documents that are reasonably necessary to perfect and maintain the perfection of the security interest in the Collateral, including, without limitation, any financing statement or other statements, promissory notes or notices.

(c) Interest shall accrue on the unpaid principal balance of each Advance at the rate of ten percent (10.0%) per annum and shall continue accruing until the Advance is paid in full.

(d) All Advances, and interest accrued thereon, shall be due and payable in full by Company to Manager upon demand. Notwithstanding the foregoing, all of the Advances, and interest accrued thereon, shall be immediately due and payable by Company to Manager upon termination or expiration of this Agreement or the MSA.

### **3. Security Interest**

(a) In order to secure the full and complete payment and performance when due of the Obligations, Company hereby grants to Manager a first-priority Security Interest in the Collateral and all of Company's rights, titles and interests in and to the Collateral and Company hereby pledges and collaterally transfers and assigns the Collateral to Manager, all upon and subject to the terms and conditions of this Agreement. Such Security Interest is granted and pledged and assignments are made as security only and shall not subject Manager to, or transfer or in any way affect or modify, any obligation of Company with respect to any of the Collateral or any transaction involving or giving rise thereto. If the grant, pledge or collateral transfer or assignment of any specific item of the Collateral is expressly prohibited by any contract, then the Security Interest created hereby nonetheless remains effective to the extent allowed by the UCC or other applicable law, but is otherwise limited by that prohibition.

(b) Company authorizes Manager to prepare and file any and all documents that Manager deems appropriate to perfect its Security Interest hereunder, including one or more financing statements naming Company as "debtor" and Manager as "secured party" and describing the Collateral in the filing office of any jurisdiction, which financing statements may describe the Collateral in the same manner as described herein or may contain an indication or description of collateral that describes such property in any other manner as Manager may determine, in its sole discretion, is necessary, advisable or prudent to ensure the perfection of the security interest in the Collateral granted Manager herein, including describing such property as "all assets" of Company or "all personal property, whether now owned or hereafter acquired" or using words of similar effect. Company agrees to cooperate with Manager and execute all documents requested by Manager to enable Manager to perfect its Security Interest hereunder. Company appoints Manager as Company's true and lawful agent and attorney-in-fact and authorizes Manager, from time to time, without Company's further signature or authorization, to execute, deliver and record in the name of Company all financing statements, continuation statements and other documents deemed by Manager to be necessary or advisable to perfect, better perfect or continue the perfection of such security interest. Manager may exercise and shall have any and all rights and remedies accorded to it by the UCC and other applicable law or in equity. This Section 3 shall survive any expiration or termination of this Agreement until all Obligations shall have been indefeasibly satisfied in full.

(c) This Agreement creates a continuing security interest in the Collateral and shall (i) remain in full force and effect until the indefeasible payment in full of the Obligations; (ii) be binding upon Company, its successors and assigns; and (iii) inure to the benefit of and be enforceable by Manager, and its successors, transferees and assigns. Upon full and final indefeasible payment and performance of the Obligations, this Agreement shall thereafter terminate upon receipt by Manager of Company's written notice of such termination.

**4. Accounts**. In furtherance of the Security Interest and to facilitate the disbursements of payments and other Management Services provided by Manager under the MSA, Company agrees as follows:



(a) Company shall maintain the Practice Account. All collections derived from Healthcare Services rendered by or on behalf of Company or otherwise arising out of the Practice at the Pause Facility shall be deposited directly into the Practice Account in accordance with the terms and conditions of the MSA. Company agrees that it will not close or cause to be closed the Practice Account, nor create or grant a lien or security interest in or otherwise encumber any funds in the Practice Account, and Company agrees that it will execute from time to time any additional documents required by the bank or other financial institution at which the Practice Account is maintained to effectuate the matters set forth in this Section 4.

**5. Covenants.** In furtherance of the Security Interest, so long as Manager is party to the MSA and until the Obligations are indefeasibly paid and performed in full, Company covenants and agrees with Manager that Company will:

(a) promptly notify Manager in writing of (i) any material adverse change in its financial condition or business, (ii) any default under any material agreement, contract or other instrument to which Company is a party or by which any of its properties are bound, (iii) any material adverse claim against or affecting Company or any of its properties or assets, or any claim, action, or proceeding affecting title to all or any of the Collateral or the Security Interest and, at the request of Manager, appear in and defend, at Company's expense, any such action or proceeding, and (iv) any litigation, or any claim or controversy which might become the subject of litigation, against Company or affecting any of Company's property or assets, if such litigation or potential litigation might, in the event of an unfavorable outcome, have an adverse effect on Company's financial condition or business or might cause an Event of Default;

(b) (i) preserve, renew and keep in full force and effect, its existence and its rights, privileges, permits and licenses necessary or desirable in the normal conduct of business, (ii) be maintained in existence and in good standing as a professional corporation under the laws of the State of \_\_\_\_\_ (iii) comply with its organizational documents, and (iv) comply in all material respects with all other applicable laws, rules, regulations, decrees, orders, judgments, licenses and permits; and

(c) not, either in a single or series of related transactions:

(i) liquidate, dissolve or reorganize;

(ii) mortgage, pledge or otherwise encumber or grant a security interest in any of Company's property or assets (other than the security interest granted under this Agreement or the MSA), or incur any debts (other than Advances);

(iii) assume as a primary or concurrent obligor, guaranty or surety of any indebtedness of any other Person, otherwise purchase any indebtedness of any other Person or become obligated with respect to a contingent obligation in respect of obligations of any other Person (other than Advances);

(iv) amend, restate or otherwise modify or repeal its articles of incorporation, bylaws or other equivalent governing documents, except for such amendments or other modifications required by applicable law;

(v) create or acquire any subsidiary, acquire or own any investment in any other Person, make any loan or advance to any other Person or engage in any joint venture, affiliation or partnership with any other Person;

(vi) enter into or assume any agreement prohibiting the creation or assumption of any lien upon its properties or assets, whether now owned or hereafter acquired;

(vii) permit, authorize, make or pay any distributions or dividends to any Person in respect of such Person's shares or other equity interests in Company;

(viii) merge or consolidate with any other Person or undergo any change in control, nor sell, assign, convey, redeem, issue, repurchase, pledge or otherwise transfer any shares or other equity or ownership interests in Company or issue any security convertible into or exercisable for any shares or other equity or ownership interests in Company, or allow the pledge, issuance, redemption or other transfer of any of its shares or other equity or ownership interests nor any security convertible into or exercisable for any membership interests or other equity or ownership interests, nor agree to do any of the foregoing, except as otherwise agreed upon in writing by the parties or expressly contemplated by any Document, and the Company will not transfer or recognize on its books or records any transfer that violates any provision of this Agreement; nor

(ix) agree to do any of the foregoing.

## **6. Default: Remedies.**

(a) Event of Default. For purposes of this Agreement, an "Event of Default" shall exist if any one or more of the following events shall occur:

(i) Company breaches or defaults in the performance of any of its Obligations or covenants or agreements contained in this Agreement or the MSA and such breach or default continues without cure by Company for a period of thirty (30) days;

(ii) Company applies for or consents to the appointment of a receiver, trustee or liquidator of all or substantially all of its assets, files a voluntary petition in bankruptcy or makes a general assignment for the benefit of its creditors, or an involuntary petition in bankruptcy is filed with respect to Company and is not dismissed within sixty (60) days thereafter, or any order, judgment or decree is entered by any court of competent jurisdiction on the application of a creditor or otherwise adjudicating Company bankrupt or approving appointment of a receiver, trustee or liquidator of Company of all or substantially all of its assets and such order, judgment or decree continues unstayed and in effect for sixty (60) calendar days after its entry; or

(iii) Company or any of its shareholders, directors or officers is excluded, debarred, terminated or suspended from participating in any federal or state healthcare program.

(b) Rights and Remedies. If an Event of Default exists, Manager may, at its election, exercise any and all rights available to a secured party under the UCC, in

addition to any and all other rights afforded by the MSA or this Agreement, at law, in equity or otherwise, including, without limitation, (i) applying by appropriate judicial proceedings for appointment of a receiver for all or part of the Collateral (and Company hereby expressly and unconditionally consents to any such appointment), (ii) applying to the Obligations any cash held by Manager under this Agreement, and/or (iii) selling the Collateral in any manner permitted by the UCC, including a private sale, and upon any such sale of the Collateral, Manager may bid for and purchase the Collateral and apply the expenses of such sale (including, without limitation, reasonable attorneys' fees) as a credit against the Obligations.

(c) Notice. Reasonable notification of the time and place of any public sale of the Collateral, or reasonable notification of the time after which any private sale or other intended disposition of the Collateral is to be made, shall be sent to Company and to any other Person entitled to notice under the UCC; provided that, if any of the Collateral threatens to decline speedily in value or is of the type customarily sold on a recognized market, Manager may sell or otherwise dispose of the Collateral without notification, advertisement, or other notice of any kind. It is agreed that notice sent or given not less than five (5) business days prior to the taking of the action to which the notice relates is reasonable notification and notice for the purposes of this Section 6(c).

(d) Condition of Collateral; Warranties; Compliance. Manager has no obligation to clean-up or otherwise prepare the Collateral for sale. Manager may sell the Collateral without giving any warranties as to the Collateral, specifically disclaim any warranties of title or the like and may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral. None of the foregoing will be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

(e) Application of Proceeds. Manager shall apply the proceeds of any sale or other disposition of the Collateral under this Section 6 in the following order: *first*, to the payment of all reasonable expenses incurred by Manager in retaking, holding and preparing any of the Collateral for sale(s) or other disposition, in arranging for such sale(s) or other disposition, and in actually selling or disposing of the same (all of which are part of the Obligations); *second*, toward repayment of amounts expended by Manager under Section 6(b); and *third*, toward payment of the balance of the Obligations in the order and manner determined in Manager's sole discretion. Any surplus remaining shall be delivered to Company or as a court of competent jurisdiction may direct. If the proceeds are insufficient to pay the Obligations in full, Company shall remain liable for any deficiency.

(f) Waivers. Except to the extent expressly otherwise provided herein or in the MSA and to the fullest extent permitted by applicable law, Company waives (i) any right to require Manager to proceed against any other Person, to exhaust its rights in Collateral, or to pursue any other right which Manager may have; (ii) with respect to the Obligations, presentment and demand for payment, protest, notice of protest and nonpayment, and notice of the intention to accelerate; and (iii) all rights of marshaling in respect of any and all of the Collateral.

(g) Set-Off. The Obligations shall be paid by Company without regard to

any equities between Company and Manager or any right of set-off or cross-claim. Manager may set-off and apply any indebtedness owing by it to Company against any Obligations before or after maturity, and without any demand upon or notice to Company or any other Person.

## 7. **Miscellaneous.**

(a) **Enforceability.** The parties have carefully structured this Agreement and the arrangements hereunder to comply with applicable laws and regulations and have consulted to their satisfaction with their respective legal counsel in connection herewith. Each party acknowledges and agrees that this Agreement and such arrangements are valid, legal and enforceable obligations of such party, and agrees that it shall not make, assert, maintain or initiate, nor cause to be made, asserted, maintained or initiated, any claim, charge, demand, action, arbitration or proceeding of any type, the basis of which is, in whole or in part, that this Agreement or any portion hereof, or the relationships created hereby, is illegal.

(b) **Changes in Applicable Laws.** If there is a change in any applicable law or the interpretation or application thereof, or the adoption, enactment, promulgation, issuance, rendering or interpretation or application of any new applicable law, any of which are reasonably likely to adversely affect the manner in which any party hereto may perform under this Agreement or which will make this Agreement or the arrangements hereunder unlawful or illegal, or if any party provides in good faith to the other a written opinion from counsel experienced in construing the applicable laws that any provision of this Agreement may be construed to violate such laws, then the parties will immediately negotiate in good faith an amendment to this Agreement or a new arrangement, the purpose and substance of which will be modification of only such provision or provisions so that the Agreement, as modified, complies with the applicable law, interpretation or application and continues to reflect, as nearly as possible, the intent of the parties as expressed herein and the economic arrangements and position of the parties hereunder. If the parties are unable to resolve the matter through good faith negotiations within sixty (60) days thereafter, then either party may initiate the dispute resolution procedures set forth in Section 7(l).

(c) **Severability.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws in effect during the term of this Agreement, the legality, validity or enforceability of the remaining provisions of this Agreement shall not be affected thereby, and in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be legal, valid and enforceable

(d) **Entire Agreement; Amendments.** This Agreement (together with the MSA and related agreements by and between the parties of even date herewith) contains the entire agreement between the parties with respect to the subject matter hereof. This Agreement may not be amended, altered or changed, and no amendment, alteration or change of any of the provisions hereof will be binding, without the written consent or agreement of both parties hereto. Such amendment, alteration or change will in no way affect the other terms and conditions of this Agreement, which in all other respects will

remain in full force and effect in accordance with its terms.

(e) Waiver; Consents. No consent or waiver, express or implied, by any party hereto of any breach or default by any other party hereto in the performance by such other party of his, her or its obligations hereunder shall be valid unless in a writing signed by the party to be charged thereby, and no such consent or waiver shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligations of such party hereunder.

(f) Governing Law; Attorney Fees. This Agreement will be governed and construed in accordance with the laws of the State of \_\_\_\_\_ to the fullest extent permitted by law without regard to the application of conflict of laws rules. In any action, suit, arbitration or other proceeding in law or equity brought to enforce or interpret the terms hereof, or to redress a breach of a term hereof, the prevailing party will be entitled to payment from the non-prevailing party of its reasonable attorneys' fees and expenses in addition to any damages or other relief to which it may become entitled.

(g) Remedies. All rights, powers and remedies granted herein are in addition to, and not in limitation of, any rights, powers or remedies which such party has at common law, in equity, by statute or otherwise. All such rights powers and remedies may be exercised separately or concurrently, in such order and as often as may be deemed expedient by such party.

(h) Assignability; Binding Effect. 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, without modification, and all the assigning party's obligations under this Agreement. Additionally, Manager may collaterally assign its rights and benefits hereunder to any lender for security purposes or as collateral, and such lender may assign its rights and benefits hereunder in connection with any exercise of remedies by such lender. 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.

(i) Construction of Agreement; Headings. The terms "include" and "including" will be deemed to be followed by the words "without limitation." Whenever the context of this Agreement requires, the gender of all words herein will include the masculine, feminine and neuter, and the number of all words herein will include the singular and plural. Each party hereto has read this Agreement in full, has had the opportunity for independent review by its legal and other counsel, and has consulted with and been advised by such counsel, and the terms and conditions contained herein have been arrived at by arm's length negotiations between the parties. The parties hereto intend that rules of interpretation or construction of contracts that would construe any ambiguity herein against the draftsman, by virtue of being the draftsman, will not apply. Section and paragraph headings are not part of this Agreement and are included solely for convenience and are not intended to be full or accurate descriptions of the contents thereof.

(j) 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.

(k) 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; or (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 set forth in the MSA. Either party hereto may change its address specified for notices herein by designating a new address by notice in accordance with this Section 7(k).

(l) Dispute Resolution and Arbitration. Any controversy, dispute, or disagreement arising out of or relating to this Agreement, or the breach thereof, shall be settled exclusively by binding arbitration with one (1) arbitrator, selected jointly by the parties, which arbitration shall be conducted in \_\_\_\_\_ in accordance with the American Health Lawyers Association Alternative Dispute Resolution Service Rules of Procedure for Arbitration (the "**Rules**"), and judgment on the arbitration award may be entered in any court having jurisdiction thereof. During the pendency of arbitration and until final judgment thereon has been entered, this Agreement will remain in full force and effect unless otherwise terminated as provided hereunder, and each party hereto is required to continue to perform its obligations under this Agreement pending final resolution of a dispute arising out of or relating to this Agreement. The arbitrator shall be qualified by education, training, or experience to resolve the underlying dispute and shall have the same authority as a court to award all equitable relief, damages, costs, and fees as provided by law or the applicable Rules for the particular claims or counterclaims asserted. Additionally, the arbitrator is authorized to award costs, attorneys' fees, and expert witness fees and to allocate them among the Parties. The arbitrator may not award indirect, consequential, special, or punitive damages excepted as provided for by this Agreement. The arbitrator will give written reasons for any material findings of facts as well as a final written decision. The arbitrator's award will be final, and judgment may be entered upon it by any court having jurisdiction. Unless otherwise directed by the arbitrator, the Parties shall bear their own legal fees and costs in any arbitration and shall split the fees of the arbitration and the arbitrator equally (i.e., 50/50). However, the prevailing Party in any arbitration shall be entitled to its reasonable attorneys' fees, costs and necessary disbursements or expenses in addition to any other relief to which it may otherwise be entitled as provided for by this Agreement. The sole exceptions to this arbitration provision are claims expressly prohibited by law from being subject to binding arbitration, for which either Party may seek direct court intervention. For all other disputes, the Parties agree that arbitration shall be exclusive, final, and binding remedy. Nothing herein shall preclude either Party from seeking provisional remedies, including injunctive or equitable relief, in aid of arbitration from a court of appropriate jurisdiction. All negotiations, arbitration, and expert determinations relating to a dispute (including a

settlement resulting from negotiation or an arbitration award, documents exchanged or produced during an arbitration proceeding, and memorials, briefs or other documents prepared for the arbitration) are confidential and may not be disclosed by the Parties, their respective affiliates and each of their respective employees, officers, directors, counsel, consultants, contractors, and expert witnesses, except to the extent necessary to enforce any settlement agreement or arbitration award, to enforce other rights of a Party, as required by law or regulation, or for a bona fide business purpose, such as disclosure to accountants, shareholders, or third-party purchasers; provided, however, that breach of this confidentiality provision shall not void any settlement, expert determination, or award. The Parties further agree to execute all documents necessary to maintain such confidentiality. BY AGREEING TO BINDING ARBITRATION PURSUANT TO THIS SECTION, THE PARTIES HERETO IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY DISPUTE.

*[Signature page follows]*

**IN WITNESS WHEREOF**, the parties hereto have executed this Security Agreement as of the day and year first written above.

**(“Manager”)**

**(“Company”)**

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

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

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

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



**SCHEDULE E**

**BUSINESS ASSOCIATE ADDENDUM**

THIS BUSINESS ASSOCIATE AGREEMENT (hereinafter, the "**Addendum**") is made and entered into effective as of \_\_\_\_\_, by and between \_\_\_\_\_ ("**Business Associate**"), and \_\_\_\_\_ ("**Covered Entity**").

**WITNESSETH:**

**WHEREAS**, Business Associate and Covered Entity are parties to that certain Management Services Agreement, of even date herewith (as amended, supplemented or restated from time to time, the "**MSA**,")

**WHEREAS**, Business Associate provides the services as described in the MSA and below in Section 2 of this Addendum for or on behalf of Covered Entity; and

**WHEREAS**, Business Associate and Covered Entity desire to enter into this Addendum in order to comply with the national standards for the privacy of individually identifiable Protected Health Information adopted by the Department of Health and Human Services ("**DHHS**") pursuant to the Health Insurance Portability and Accountability Act of 1996, as published in a final rule dated December 28, 2000, and final rule modifications published January 25, 2013 (as may be now or hereafter amended or modified, "**HIPAA**").

**NOW THEREFORE**, in consideration of the mutual promises herein contained, it is agreed as follows:

- 1) **Definitions.** For purposes of this Addendum, the terms "**Business Associate**," "**Individual**," "**Use**," "**Disclosure**," and "**Protected Health Information**", and other terms used, but not otherwise defined in this Addendum, shall have the respective meanings ascribed to those terms in HIPAA. The term "**Covered Entity**" shall further include any affiliate of Covered Entity, and "**Administrative Safeguards**" shall have the same meaning as the term "administrative safeguards" as defined in HIPAA with the exception that it shall apply to the management of the conduct of Business Associate's workforce, rather than Covered Entity's workforce, in relation to the protection of that information.
- 2) **Parameters of Business Relationship.** Unless and until terminated pursuant to Section 7 of this Addendum or superseded, this Addendum shall govern all current and future engagements between Business Associate and Covered Entity. Business Associate will perform services and/or provide goods for or on behalf of Covered Entity as set forth in the MSA ("**Services**"). In performing Services for or on behalf of Covered Entity, Business Associate will be provided with and have access to individually identifiable Protected Health Information of Covered Entity's patients. Business Associate will Use all such Protected Health Information solely in the performance of Services for or on behalf of Covered Entity, in accordance with the

terms of this Addendum, and Business Associate shall limit and regulate all Uses and Disclosures of all such Protected Health Information in accordance with the terms of this Addendum. Business Associate may Use and Disclose Protected Health Information as necessary for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate (collectively, "**Business Associate's Operations**"). Business Associate may Disclose Protected Health Information as necessary for Business Associate's Operations only if:

- a) the Disclosure is required by law; or
  - b) Business Associate ensures that any person or organization to whom Business Associate will Disclose such Protected Health Information agrees in writing to comply with the applicable provisions of HIPAA, including, but not limited to, that the person or organization will (1) hold such Protected Health Information in confidence and Use or further Disclose it only for the purpose for which Business Associate Disclosed it to the person or organization as required by law; and (2) notify Business Associate of any instance of which the person or organization becomes aware in which the confidentiality of such Protected Health Information was breached.
- 3) **De-Identification.** Business Associate may de-identify Protected Health Information in accordance with 45 C.F.R. § 164.514(b) and use or disclose (and permit others to use or disclose) de-identified information on a perpetual, unrestricted basis.
- 4) **Duties of Business Associate.** Business Associate agrees to comply in all material respects with HIPAA when Using or Disclosing Protected Health Information received by Business Associate from or on behalf of Covered Entity including:
- a) Business Associate will not Use or Disclose Protected Health Information received from Covered Entity in any way other than as permitted or required by this Addendum. Business Associate may Use or Disclose Protected Health Information as otherwise required by law.
  - b) Business Associate will exercise appropriate safeguards to prevent Use or Disclosure of Protected Health Information other than as necessary for Business Associate to perform its obligations pursuant to the relationship described above in Section 2 of this Addendum.
  - c) Business Associate will promptly report to Covered Entity any Use or Disclosure of Protected Health Information which is not permitted or required by this Addendum or law and take such actions available as may be reasonably necessary to correct such Use or Disclosure. Business Associate's report of any such Uses or Disclosures shall be to the person who executed this Addendum for Covered Entity, or other individual who may be designated by written notice to Business Associate.
  - d) Business Associate will ensure that any and all subcontractors or agents to whom Business Associate Discloses Protected Health Information received from or on

behalf of Covered Entity agree, in writing, to be bound by the same restrictions, conditions and duties that apply to Business Associate with respect to such information. Business Associate will identify all such subcontractors and agents to the Covered Entity.

- e) Business Associate will maintain appropriate procedures by which Individuals are granted access to their Protected Health Information. Such access must be granted in accordance with HIPAA.
- f) Business Associate will make its internal policies and procedures, and its books and records relating to Uses and Disclosures of Protected Health Information received from Covered Entity or created or received by the Business Associate on behalf of Covered Entity, available to the Covered Entity or to the Secretary of DHHS for purposes of determining Business Associate's and Covered Entity's compliance with HIPAA.
- g) When notified by Covered Entity, Business Associate will make available Protected Health Information for amendment and incorporate any amendments or corrections to Protected Health Information maintained by Business Associate in compliance with HIPAA.
- h) Upon request from Covered Entity, Business Associate will provide to Covered Entity an accounting of all Business Associate's Disclosures of Protected Health Information received from or on behalf of Covered Entity, except for Disclosures made to the Individual who is the subject of the Protected Health Information; Disclosures for treatment, payment and health care operations purposes (unless such Disclosures were made using an Electronic Health Record); Disclosures for national security, intelligence, correctional or law enforcement purposes; and Disclosures otherwise excluded from the accounting requirements pursuant to 45 C.F.R. §164.528. Such an accounting shall provide:
  - i) The date of each Disclosure;
  - ii) The name and address of the organization or person to whom the Protected Health Information was Disclosed;
  - iii) A brief description of the information Disclosed; and
  - iv) Disclosures, other than those made at the request of the Individual, the purpose for which the information was Disclosed or a copy of the request or authorization for Disclosure.
- i) Business Associate will provide the above accounting to Covered Entity as promptly as possible, but in any event no later than thirty (30) days after Covered Entity's request therefore. Business Associate shall provide for a means of accounting for Disclosures for as long as Business Associate maintains Protected Health Information received from or on behalf of Covered Entity.

- j) Business Associate will comply with the applicable provisions of the HIPAA Security Rule, including, but not limited to, implementing Administrative Safeguards, Physical Safeguards, and Technical Safeguards (the “**Safeguards**”) in accordance with HIPAA that reasonably and appropriately protect the Confidentiality, Integrity, and Availability of electronic Protected Health Information that it creates, receives, maintains, or transmits on behalf of the Covered Entity.
  - k) Business Associate will make its policies, procedures, and documentation relating to the Safeguards available to the Secretary of DHHS for purposes of determining Covered Entity’s compliance with HIPAA.
  - l) Business Associate will request and Use or Disclose only the minimum amount of Protected Health Information necessary to serve the intended purposes of this Addendum.
  - m) Business Associate will not export Protected Health Information, nor permit subcontractors or agents to export Protected Health Information beyond the borders of the United States of America.
  - n) Business Associate shall report promptly to Covered Entity any successful Security Incident within five (5) business days of Business Associate becoming aware of, or should have become aware of by exercising reasonable diligence, such Security Incident; provided, however, that with respect to attempted unauthorized access, Use, Disclosure, modification, or destruction of information or interference with system operations in an information system affecting electronic Protected Health Information, such report to Covered Entity will be made available upon request.
  - o) To the extent Business Associate is to carry out any obligation of Covered Entity required by HIPAA, Business Associate will comply with all HIPAA requirements that apply to Covered Entity in the performance of such obligation.
- 5) **Duties of Covered Entity.** Covered Entity agrees to comply in all respects with HIPAA when Using or Disclosing Protected Health Information including:
- a) Provide Business Associate with any changes in, or revocation of, permission by Individual to Use or Disclose Protected Health Information, if such changes affect Business Associate’s permitted or required Uses and Disclosures;
  - b) Notify Business Associate of any restriction to the Use or Disclosure of Protected Health Information that Covered Entity has agreed to in accordance with HIPAA; and
  - c) Not request Business Associate to Use or Disclose Protected Health Information in any manner that would not be permissible under HIPAA if done by Covered Entity, unless such Use or Disclosure is included in the Services to be performed pursuant to this Addendum and is for data aggregation or management and administrative activities of Business Associate.

- 6) **Remedies Upon Breach of any Protected Health Information.** Upon a suspected Breach of any Protected Health Information being held by Business Associate, Business Associate must notify Covered Entity within five (5) business days of Business Associate discovering such Breach, or of when Business Associate should have discovered such Breach by exercising reasonable diligence.
- a) Such notice must at least:
- i) Identify the nature of the non-permitted or violating Use or Disclosure;
  - ii) Identify the Protected Health Information Used or Disclosed;
  - iii) Identify who made the non-permitted or violating Use or received the non-permitted or violating Disclosure;
  - iv) Identify what corrective action Business Associate took or will take to prevent further non-permitted or violating Uses or Disclosures; and
  - v) Identify what Business Associate did or will do to mitigate any deleterious effect of the non-permitted or violating Use or Disclosure.
- b) Covered Entity, at its option, may further require Business Associate to:
- i) Furnish to Covered Entity copies of its practices and procedures and books and records to facilitate Covered Entity's mitigation of damages arising from an improper Use or Disclosure by Business Associate;
  - ii) Exercise all reasonable efforts to retrieve improperly Used or Disclosed Protected Health Information;
  - iii) Establish and adopt new practices, policies and procedures as may be reasonable and appropriate to assure that Protected Health Information is not Used or Disclosed in the future in violation of HIPAA;
  - iv) Comply with all auditing or reporting requests by Covered Entity to demonstrate Business Associate's compliance with HIPAA; and
  - v) Take such other actions as Covered Entity may reasonably require.
- 7) **Term: Termination.** This Addendum shall be in effect for the entire length of the underlying business relationship as set forth in the MSA and described in paragraph 2 of this Addendum. This Addendum may be terminated as follows:
- a) Upon Covered Entity's knowledge of a material breach of this Addendum by Business Associate, Covered Entity will: (i) provide Business Associate with thirty (30) days in which to cure the breach or end the violation and, if Business Associate does not cure the breach or end the violation within such time period, terminate this Addendum; or (ii) immediately terminate this Addendum if Business

Associate has breached a material term of this Addendum and cure is not possible.

- b) Business Associate may terminate this Addendum if it makes the determination that a material condition of performance has changed under this Addendum, or that Covered Entity has breached a material term of this Addendum.
  - c) Upon termination of this Addendum or the MSA, which sets forth the underlying business relationship, for any reason, Business Associate will within thirty (30) business days of the effective date of the termination notice return all Protected Health Information received from Covered Entity or created by Business Associate on behalf of Covered Entity. If such return or destruction is not feasible, Business Associate will extend the protections of this Addendum to such Protected Health Information and will limit further uses and disclosures of such information to those purposes which make the return or destruction of such information infeasible.
- 8) **Change of Law.** In the event any state or federal laws or regulations now existing or enacted or promulgated after the effective date of this Addendum, are interpreted by judicial decision, a regulatory agency or legal counsel to a party hereto in such a manner as to indicate that any provision of this Addendum may be in violation of such laws or regulations, the parties may amend this Addendum as necessary to comply with such laws and regulations. To the maximum extent possible, any such amendment shall preserve the underlying rights, duties and obligations established in this Addendum.

9) **General Provisions.**

- a) **Limitation of Liability.** NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, BUSINESS ASSOCIATE'S TOTAL LIABILITY ARISING OUT OF OR RELATING TO THIS AGREEMENT FOR ANY CLAIMS OF ANY NATURE WILL NOT EXCEED THE AMOUNT OF MANAGEMENT FEES RECEIVED BY BUSINESS ASSOCIATE UNDER THE MSA WHICH SETS FORTH THE UNDERLYING ARRANGEMENT DURING THE PRECEDING TWELVE (12) MONTH PERIOD (NET OF REIMBURSABLE EXPENSES). IN NO EVENT WILL BUSINESS ASSOCIATE BE LIABLE FOR ANY INDIRECT, SPECIAL, EXEMPLARY, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES ARISING OUT OF OR RELATED TO THIS ADDENDUM OR THE BREACH THEREOF, INCLUDING, WITHOUT LIMITATION, LOST PROFITS, LOST DATA, BUSINESS INTERRUPTION OR OTHER ECONOMIC LOSS. THE LIMITATION OF LIABILITY SET FORTH IN THIS SECTION 9(a) WILL APPLY EVEN IF COVERED ENTITY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND SHALL SURVIVE ANY TERMINATION OF THIS ADDENDUM.
- 10) **Notices.** Any and all notices or other communications required or permitted to be given under any of the provisions of this Addendum shall be in writing and shall be deemed to have been delivered when given in the manner set forth below to the address indicated on the signature page. Counsel to a party may give notice on behalf of a party. Such communications shall be deemed to have been given (a) three days

after mailing, when mailed by registered or certified postage-paid mail, (b) on the next business day, when delivered by a same-day or overnight national courier service or the U.S. Post Office Express Mail or (c) upon the date of receipt by the addressees when delivered personally or by fax. A party must receive a notice of change of address for it to be effective.

- 11) **Entire Agreement: Amendment.** This Addendum constitutes the entire and only agreement of the parties with respect to HIPAA and supersedes any and all prior negotiations, understandings and agreements concerning the obligations regarding the Use and Disclosure of Protected Health Information; provided, however, if any written agreement between the parties imposes obligations and restrictions on Business Associate regarding Protected Health Information over and above those imposed by this agreement, those obligations and restrictions are not superseded hereby and shall survive. This Addendum may be amended, modified, superseded, canceled, renewed or extended only by a written instrument executed by the parties herein.
- 12) **Waiver.** The failure by any party at any time to require performance or compliance by another of any of its obligations or agreements shall in no way affect the right to require such performance or compliance at any time thereafter. The waiver by any party of a breach of any provision hereof shall not be taken or held to be a waiver of any preceding or succeeding breach of such provision or as a waiver of the provision itself. No waiver of any kind shall be effective or binding, unless it is in writing and is signed by the party against which such waiver is sought to be enforced.
- 13) **Binding Nature.** This Addendum shall be binding upon and inure to the benefit of each party hereto, its successors and permitted assigns.
- 14) **Assignment.** Neither party may assign or otherwise transfer its rights or obligations under this Addendum, by operation of law or otherwise, without the prior written consent of the other party to this Addendum; provided, however, that either party may assign this Addendum 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 Addendum, without modification, and all the assigning party's obligations under this Addendum. The provisions of this Addendum 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.
- 15) **Captions: Language.** The section headings contained in this Addendum are for the purposes of convenience only and are not intended to define or limit the contents of such sections. In this Addendum, unless the context requires otherwise, the singular includes the plural, the plural the singular, and the word "or" is used in the inclusive sense.
- 16) **Counterparts.** This Addendum may be executed in one or more counterparts, all of which taken together shall be deemed to evidence one and the same agreement.

17) **Applicable Law.** This Addendum and its validity, construction, and performance shall be governed in all respects by the laws of the State of \_\_\_\_\_ and by HIPAA. In the event of any action or proceeding arising under this Addendum, the parties' consent and agree that the forum for such action shall be in a court of competent jurisdiction located in \_\_\_\_\_.

18) **Independent Contractor.** None of the provisions of this Addendum are intended to create any relationship between the parties other than that of independent entities contracting with each other for the purpose of effecting the provisions of this Addendum.

**IN WITNESS WHEREOF**, the parties have executed this Addendum as of the day and year first above written.

**(“Business Associate”)**

**(“Covered Entity”)**

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

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

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

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



## SCHEDULE F

### NON-DISCLOSURE AGREEMENT

THIS NON-DISCLOSURE AGREEMENT is made as of [DATE] by the undersigned employee, [EMPLOYEE NAME], [Nurse Practitioner / Registered Nurse \_\_\_\_\_ License # \_\_\_\_\_] ("**Employee**"), in consideration of the employment to provide health care services for and on behalf of \_\_\_\_\_ (hereinafter, the "**Employer**") at \_\_\_\_\_.

WHEREAS, the Employer is in the business of providing the services of licensed healthcare service provider(s) to an integrated medical practice (hereinafter, the "**Practice**"); and

WHEREAS, the undersigned is licensed to provide professional healthcare services to patients within the State of \_\_\_\_\_; and

WHEREAS, the undersigned desires to be employed by the Employer to provide professional healthcare services in \_\_\_\_\_ to the patients of the Practice; and

WHEREAS, the Practice is managed, and all of the necessary non-clinical, clerical, administrative and management services necessary to conduct its business are provided, by \_\_\_\_\_ (hereinafter, the "**Manager**"); and

WHEREAS, in order to maintain the services of the Manager, the Employer is required to secure the signature of every licensed healthcare service provider who works for the Practice on this Non-Disclosure Agreement;

NOW, THEREFORE, in consideration of the employment of the undersigned by the Employer, and with the knowledge that the Employer is relying on the statements and agreements set forth below, the undersigned does hereby agree as follows:

1. **Confidential Data**. The undersigned Employee hereby acknowledges that Manager has developed and documented certain proprietary information, lists, identities, policies, contracts, diagrams, programs, financial and business records, methods and procedures relating to the conduct of its businesses both in its own capacity and through business entities owned or controlled by others (the "**Confidential Data**"). So far as Manager and the Employer are aware, the Confidential Data has never before been developed, documented, or used by or on behalf of any other person or business entity. Manager and the Employer believe that the Confidential Data will provide a significant competitive edge to the Employer in the conduct of the Practice, but that it will be of substantially less value to the Employer if other persons or business entities have access to the Confidential Data.

2. **Potential Use**. The undersigned Employee further acknowledges that Manager has spent a significant amount of time and money to develop, and has adopted, a comprehensive program to protect the confidentiality of the Confidential Data and the various techniques available for its exploitation. The undersigned Employee desires to obtain, and Manager and the Employer each desire to disclose to the undersigned,

certain portions of the Confidential Data for the purpose of the implementation and exploitation of the Confidential Data by the undersigned on behalf of the Employer in the furtherance of the Practice.

3. **All Disclosure Protected.** The undersigned Employee hereby agrees that any disclosure made to the undersigned by the Manager, the Employer or any of their respective agents of any portion of the Confidential Data shall be covered and protected by this Agreement.

4. **Good Faith Reliance.** The undersigned Employee hereby acknowledges that any disclosure to the undersigned by the Manager, the Employer or any of their respective agents of any portion of the Confidential Data has been and will be made pursuant to and in good faith reliance upon this Agreement and each and every covenant and warranty contained herein.

5. **No Unauthorized Disclosure.** The undersigned Employee understands the confidential nature of the Confidential Data and hereby acknowledges that the Manager, the Employer and their respective principals, shareholders, directors, agents and employees may be permanently and irreparably harmed by any unauthorized disclosure of the Confidential Data, or any portion thereof, to any person other than the undersigned.

6. **Agreement Not To Divulge.** The undersigned Employee hereby agrees not to divulge to any person the Confidential Data, or any portion thereof, that may be disclosed to the undersigned by the Manager, the Employer or any of their respective agents, or to which the undersigned may become privy by reason of any dealings with the Manager, the Employer or any of their respective agents, associates or contacts, whether such Confidential Data is expressed orally or in writing.

7. **Agreement Not To Use.** The undersigned Employee hereby agrees not to make use, for the benefit of the undersigned or of any associate or affiliate of the undersigned, of the Confidential Data, or any portion thereof, that may be disclosed to the undersigned by the Manager, the Employer or any of their respective agents, or to which the undersigned may become privy by reason of any dealings with the Manager, the Employer or any of their respective agents, associates or contacts, whether such Confidential Data is expressed orally or in writing.

8. **Effect of Publication.** For the purposes of this Agreement, in the event that the Manager or the Employer shall publish or otherwise disclose any portion of the Confidential Data to a group of more than fifteen people who are not bound by the terms of a confidentiality agreement substantially consistent with this Agreement, then from the date of such publication or other disclosure such portion shall not be considered a part of the Confidential Data.

9. **Binding Agreement.** This Agreement shall inure to the benefit of and be binding upon the parties, their personal representatives, heirs, successors and assigns. This Agreement shall not be assignable.

10. **No Continuing Waiver.** The failure of the Manager or the Employer to insist upon the strict performance of any of the terms or conditions of this Agreement shall not be construed as a waiver or relinquishment of future compliance, and said terms and conditions shall remain in full force and effect. No waiver of any term or condition of this Agreement on the part of any party shall be effective for any purpose whatsoever unless such waiver is in writing and signed by such party.

11. **Remedies.** The parties recognize that the breach of this Agreement would cause irreparable damage and that the amount of such damage would be difficult or impossible to measure. Accordingly, the parties hereby agree that, in addition to any reparations that may be available at law, this Agreement may be enforced by specific performance, injunction, or by such other equitable relief as shall seem appropriate to the circumstances.

12. **Indemnity.** The undersigned hereby agrees to indemnify and hold the Manager and the Employer harmless from and against any and all claims, losses, liabilities, costs and expenses, including reasonable attorney's fees, arising out of any breach of this Agreement by the undersigned or his, her or its agents or employees.

13. **Arbitration.** Any controversy or claim arising out of or relating to this Agreement, or the breach hereof, shall be settled by arbitration in \_\_\_\_\_, in accordance with the rules of the American Arbitration Association. Any award or judgment so rendered may be entered in any court having jurisdiction, and shall be binding on the parties to this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the date first above written.

"Employee"

---

"Manager":

---

By:

"Employer":

---

By:

**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

Pause

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**

## 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 nine 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.

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 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 non-competition 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 or mailed by certified or registered mail, return receipt requested, 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 certified or registered 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.

## **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: \_\_\_\_\_%

Pause

Franchise Disclosure Document | Multistate 2023 | Exhibit C: Multi-Unit Development Agreement

Attachment B: Guaranty

# 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**

Pause

Franchise Disclosure Document | Multistate 2023 | Exhibit C: Multi-Unit Development Agreement  
Attachment F: State Addendum to 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.

**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.

**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: \_\_\_\_\_

**EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT**

**PAUSE  
OPERATIONS MANUAL TABLE OF CONTENTS**



## **PAUSE STUDIO FRANCHISE OPERATIONS MANUAL**

### **TABLE OF CONTENTS**

#### **Preface for Manual (8 pages)**

The Manual Organization

The Purpose of this Manual

The Importance of Confidentiality

Keeping the Pause Studio Franchise Operations Manual Current

Submitting Suggestions to the Franchisor

Manual Disclaimer

#### **A. INTRODUCTION (16 pages)**

Welcome Letter from the President (A-1)

History of Pause Studio (A-2)

The Pause Difference (A-3)

Pause Studio Guiding Principles, Ethics Code, and Expectations (A-4)

Services Provided to the Pause Studio Franchisee (A-6)

Responsibilities of the Pause Studio Franchisee (A-9)

Visits from the Corporate Office (A-11)

Paying Other Fees (A-14)



**B. PRE-OPENING PROCEDURES (35 pages)**

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Pre-Opening Checklist (B-2)

Establishing Your Business Form (B-5)

Developing Your Location (B-7)

- Site Selection Process
- Site Selection Criteria
- Gaining Site Selection Acceptance
- Space Requirements
- Lease Considerations

Building-Out the Facility (B-13)

- Design Criteria
- Construction Process

Required List of Equipment (B-17)

Initial Inventory (B-20)

Signage and Logo Specifications (B-23)

Contracting with Required Utilities and Services (B-24)

Obtaining Required Licenses, Certifications, and Permits (B-25)

Setting-Up Bank Accounts (B-26)

Procuring Required Insurance Policies (B-27)

Meeting Your Tax Obligations (B-29)

Conducting a Grand Opening (B-31)

- Pre-Opening Marketing
- Pre-Sales Timetable
- Hosting a Grand Opening Event

**C. HUMAN RESOURCES (51 pages)**

Introduction (C-1)

EEOC Guidelines in Hiring Employees (C-2)

Wage and Labor Laws (C-5)

Immigration Reform Act (C-9)

Profile of the Ideal Pause Studio Employee (C-11)

Recruiting Employees (C-12)

- Getting the Word Out
- Testing Procedures
- Reference Check Procedures
- Required Licenses (if applicable)

The Interview Process (C-18)

- Preparing for the Interview
- Sample Interview Questions
- Interview Follow-Up Procedures

Job Descriptions (C-22)

Hiring on a Trial Period (C-26)

Orienting New Employees (C-27)

- New Hire Checklist
- Staff Expectation Acknowledgement

Training Employees (C-29)

- Onboarding Schedule
- Initial Training
- Training on Each Piece of Equipment
- Training on Software
- Ongoing Training

Personnel Policies (C-39)

Time-Tracking Procedures (C-43)

Uniform and Dress Code (C-44)

Conducting Performance Evaluations (C-45)

**C. Human Resources (continued)**

Progressive Discipline Procedures (C-47)

Separation/Termination Procedures (C-49)

**D. DAILY OPERATING PROCEDURES (90 pages)**

Introduction (D-1)

Suggested Hours of Operation (D-2)

Daily Procedures (D-3)

- Manager Opening Procedures and Checklist
- Manager Shift-Change Procedures and Checklist
- Manager Closing Procedures and Checklist
- Staff Opening Procedures and Checklist
- Staff Shift-Change Procedures and Checklist
- Staff Closing Procedure and Checklist

Pause Studio Product and Service Offerings (D-11)

- Overview of All Services and Their Benefits
- Infrared Sauna Therapy
- Cold Water Plunge
- Float Therapy
- LED Light Therapy
- Whole Body Cryotherapy
- Vitamin Infusion Therapy
- Approved Retail Products
- Event Programming
- Pause Studio Terminology

Handling Inquiries (D-22)

- Phone Etiquette
- Front Desk Scripts for Phone Calls
- Front Desk Scripts for Walk-Ins

Conducting the Client Visit (D-26)

- Key Talking Points
- Discussing Goals and Determining Needs
- Determining Personalized Plan
- Explaining the Benefits all Services
- Overcoming Typical Objections
- Reviewing and Signing Waiver Agreements

**D. Daily Operating Procedures (continued)**

Setting Appointments (D-34)

- Taking Reservations over the Phone
- Taking Reservations In-Person
- On-Line Reservations (if applicable)
- Handling Re-Scheduling Requests and Cancellations

Pause Studio Process for Providing Services (D-37)

- Greeting and Building Connection
- Front Desk Check-In/Client-Intake Process
- Escorting to Equipment/Service Area
- Communicating with the Client During the Session

Client Service Procedures (D-40)

- Client Service Philosophy and Service Goals
- Understanding Our People
- Mirroring Techniques
- Conversation Tips
- Selling Tips
- Handling Objections
- Gaining Client Feedback/Client Satisfaction Surveys
- Use of Guest Courtesy Card
- Handling Client Complaints/Disgruntled Clients
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Proper Operation of Each Piece of Equipment (D-50)

- Scripts for Introducing Each Piece of Equipment
- Scripts for First-Time Service (for Each Service)
- What is It? (for Each Service)
- Benefits (for Each Service)
- FAQs (for Each Service)
- Proper Set-Up (for Each Service)

Post-Use Procedures (D-58)

- Follow-Up Scripts
- Preparing Area/Equipment for Next Use

Selling Retail Products (if applicable) (D-61)

- Making Suggestions
- Merchandising
- Return Policy

Software/POS System (D-64)

**D. Daily Operating Procedures (continued)**

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- Accepting Payment
- Accepting Gift Cards

Cash Handling (D-67)

Banking Procedures (D-68)

Required Cleaning and Maintenance (D-69)

- Setting Up the Changing Rooms
- Cleaning the Changing Rooms
- Cleaning the Equipment
- Maintaining the Equipment
- Cleaning the Waiting Area
- Laundry Procedures

Safety Issues (D-78)

- Performing Safety Checks on Equipment
- Safety Guidelines
- Handling Customer Incidents
- Handling Employee Accidents
- Accident Reporting
- Fire Safety Plan

Security Issues (D-86)

- Robbery
- Burglary
- Internal Theft

**E. MANAGING YOUR STUDIO (20 pages)**

Introduction (E-1)

Management Philosophy (E-2)

People Management (E-3)

- Communication
- Hosting Meetings
- Safety Communication and Meetings



**E. Managing Your Studio (continued)**

Inventory Management (E-6)

- Ordering Branded Products
- Ordering Other Products
- Using Designated and Approved Sources of Supply
- Receiving Procedures
- Conducting Physical Inventory

Financial Management (E-11)

- Generating Necessary Reports
- End-of-Day Recaps
- Analyzing Necessary Reports
- Key Performance Indicators

Franchise Reporting Requirements (E-17)

- Royalty Payment/Advertising Contributions
- Financial Statements

**F. MARKETING AND PROMOTION (21 pages)**

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Promoting Pause Studio in Your Area (F-2)

- Use of Traditional Media
- Use of Electronic Media
- Use of Social Media
- Use of Influencers
- Use of Events

Guidelines for Using Pause Studio's Marks (F-15)

Using Referrals and Partnerships to Build Business (F-16)

Required Advertising Expenditures (F-18)

- System-wide Advertising Contribution
- Local Advertising Requirement
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Public Relations/Community Involvement (F-19)

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**APPENDICES:**

- Appendix: Forms
- Appendix: Software Manuals
- Appendix: Equipment Operating Manuals

**EXHIBIT E TO THE DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**

# **PAUSE FRANCHISOR INC.**

FINANCIAL REPORT  
AS OF DECEMBER 31, 2022

**PAUSE FRANCHISOR INC.**

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Balance Sheet	5
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Statement of Cash Flows	8
Notes to Financial Statements	9



## 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.

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**

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Earnings</u>	<u>Stockholder's</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>

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	<u>-</u>
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:

	<u>2022</u>
Performance obligations satisfied at a point in time	\$ -
Performance obligations satisfied through the passage of time	<u>2,708</u>
Total revenues	<u><u>\$ 2,708</u></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, 2022:

(a) **Operational Franchisees.** The following are the names, addresses and telephone numbers of all Pause franchisees as of December 31, 2022 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, 2022 who are not yet operational but have signed a Franchise Agreement:

California:

1. Jessica Super and Reegan Moen (Newport)  
33291 Brenerton Street  
Dana Point, CA 92629  
(424) 227-0110  
[jessica.super@pausestudio.com](mailto:jessica.super@pausestudio.com)  
[reegan.moen@pausestudio.com](mailto:reegan.moen@pausestudio.com)

Texas:

1. Trent Capital Management (Dallas)  
1815 N. Jackson  
Little Rock, AR 72207  
(501) 831-0991  
[david.trent@pausestudio.com](mailto:david.trent@pausestudio.com)  
[carter.trent@pausestudio.com](mailto:carter.trent@pausestudio.com)
2. Peter May and Valerie Barrios (Austin)  
1804 Polo Road  
Austin, TX 78703  
(406) 920-5083  
[peter.may@pause.studio.com](mailto:peter.may@pause.studio.com)  
[valerie.barrios@pausestudio.com](mailto:valerie.barrios@pausestudio.com)

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Franchise Disclosure Document | Multistate 2023 | Exhibit F: List of Current and Former Franchisees

(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, 2022 to December 31, 2022) or who have not communicated with us within ten weeks of the date of issuance of this Disclosure Document:

None.

**EXHIBIT G TO THE DISCLOSURE DOCUMENT**  
**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

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.

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

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.

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**

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.

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.

Pause

Franchise Disclosure Document | Multistate 2023 | Exhibit H: State Addenda to the Disclosure Document

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.

## **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.”

## 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.

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Franchise Disclosure Document | Multistate 2023 | Exhibit H: State Addenda to the Disclosure Document

## **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.

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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.

## **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."

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Franchise Disclosure Document | Multistate 2023 | Exhibit H: State Addenda to the Disclosure Document

**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.

**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	September 2, 2022
Indiana	August 12, 2022
Maryland	November 14, 2022
Michigan	August 19, 2022
Minnesota	November 10, 2022
New York	Pending
North Dakota	November 14, 2022
Rhode Island	August 30, 2022
South Dakota	August 18, 2022
Virginia	December 22, 2022
Washington	
Wisconsin	August 12, 2022

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 20, 2023

The following is the name, principal business address, and telephone number of the franchise seller offering the franchise:

Name	Principal Business Address	Telephone Number
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 20, 2023 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

Pause

Franchise Disclosure Document | Multistate 2023 | Exhibit J: Receipt

- Schedule 2-Nondisclosure and Non-Competition
- Schedule 3-Unlimited Guaranty and Assumption of Obligations
- Schedule 4-Franchisor Lease Rider
- 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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Franchise Disclosure Document | Multistate 2023 | Exhibit J: Receipt

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Print Name

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Signature  
(individually or as an officer, member, or partner of)

\_\_\_\_\_  
a [STATE of Incorporation]  
[Corporation/LLC/Partnership]