



FRANCHISE DISCLOSURE DOCUMENT

PAUSE FRANCHISOR INC.

a Delaware corporation

13353 W. Washington Blvd.

Los Angeles, CA 90066

(310) 367-0031

franchise@pausestudio.com

www.pausestudio.com

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

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

The total investment necessary to begin operation of the first Pause studio as a franchisee committing to two franchises under a multi-unit development agreement is between \$1,034,000 and \$1,723,000. This includes between \$110,000 and \$115,000 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of the first Pause studio as a franchisee committing to ten franchises under a multi-unit development agreement is between \$1,274,000 and \$1,963,000. This includes between \$350,000 and \$355,000 that must be paid to the franchisor or its affiliate(s).

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.



Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Short Operating History.** The Franchisor is at an early stage of development and has limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition.** The Franchisor’s financial condition, as reflected in its financial statement (see Item 21), calls into question the Franchisor’s financial ability to provide services and support to you.
4. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements (20) with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.
5. **Minimum Mandatory Payments.** You must make minimum advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

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

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

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

Grand Opening

You must spend \$40,000 on local advertising, promotion, and other marketing activities through vendors that we specify or approve in connection with your grand opening. This amount shall be spent within 90 days before your Franchised Business opens and during its first 30 days of

operation. You may purchase retail items and event supplies from us to use for your grand opening. ~~H~~Depending on whether you chose to purchase these items from us, we estimate the costs will be equal between \$0 to up to \$5,000. You must conduct grand opening advertising for each Franchised Business you open. These fees paid to us and third parties toward your grand opening are non-refundable.

<u>Type of Expenditure</u>	<u>Single Franchised Business</u>		<u>Two Franchised Businesses Under a MUDA</u>		<u>Ten Franchised Businesses Under a MUDA</u>	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
<u>Initial Franchise Fee</u>	<u>\$60,000</u>	<u>\$60,000</u>	<u>\$55,000</u>	<u>\$55,000</u>	<u>\$35,000</u>	<u>\$35,000</u>
<u>Development Fee</u>	<u>n/a</u>	<u>n/a</u>	<u>\$55,000</u>	<u>\$55,000</u>	<u>\$315,000</u>	<u>\$315,000</u>
<u>Grand Opening</u>	<u>\$0</u>	<u>\$5,000</u>	<u>\$0</u>	<u>\$10,000</u>	<u>\$0</u>	<u>\$50,000</u>
<u>Amounts paid to us or affiliates before all businesses are operating</u>	<u>\$60,000</u>	<u>\$65,000</u>	<u>\$110,000</u>	<u>\$120,000</u>	<u>\$350,000</u>	<u>\$400,000</u>

ITEM 6 OTHER FEES

Franchise Agreement

Fee	Amount	Due Date	Notes
Royalty Fee (Note 3)	7% of Gross Revenue (the “ Royalty Fee ”)	Monthly, payable by the 7 th 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 th 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.

Type of Expenditure	Amount (Low-High Range)	Method of Payment	When Due	To Whom Payment is to Be Made
(Note 3)				
Equipment (Note 4)	\$68,000 - \$340,000	As arranged	As arranged	Vendors
Furniture and Fixtures	\$55,000 - \$65,000	As arranged	As incurred	Vendors
Rent (3 months) (Note 5)	\$30,000 - \$54,000	As arranged	As arranged	Landlord
Security Deposit (Note 6)	\$10,000 - \$18,000	As arranged	As arranged	Landlord
Signage (Note 7)	\$12,000 - \$18,000	As arranged	As incurred	Vendors
Startup Supplies (Note 8)	\$10,000 - \$20,000	As arranged	As incurred	Vendors
Insurance Deposits and Premiums (Note 9)	\$1,000 - \$3,000	As arranged	As incurred	Insurance Carriers
Business Licenses and Permits (Note 10)	\$7,500 - \$15,000	As arranged	According to statute or ordinance	Government Agencies
Professional Fees (Note 11)	\$15,000 - \$25,000	As arranged	As incurred	Your Accountant, Attorney and Other Professionals
Training Expenses (Note 12)	\$1,000 - \$5,000	As arranged	Before opening	Hotel, Airlines, etc.
Grand Opening Marketing (Note 13)	\$40,000	As incurred	90 days prior to opening and 30 days after opening	Us and Marketing Vendors <u>or</u> <u>Suppliers</u>
Audio Video/Information Technology/Security (Note 14)	\$9,500 - \$15,000	As incurred	Before opening	Vendors
Additional Funds (3 months) (Note 15)	\$20,000 - \$70,000	As arranged	As incurred	Employees, Vendors, Suppliers
Total Estimated Initial Investment (Note 16)	\$984,000 - \$1,623,000			

NOTES

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

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

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

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

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

Note 16. **Total Estimated Initial Investment:** ~~Your costs may be more or less depending on your management abilities, experience and business acumen, local economic conditions, size of your premises, location, inflation, and your actual sales.~~ In formulating these estimates, we have relied on the initial development costs of our affiliates' locations in Los Angeles, California. All expenses

paid to us or our affiliates are non-refundable. We will not finance any part of the initial investment. These figures are estimates only, and we cannot and do not guarantee that you will not have additional expenses in starting this business. ~~You should review this chart with a business advisor before making a decision to purchase a franchise.~~ The availability and terms of financing through third-party lenders will depend on the economic climate, your creditworthiness, and policies of lending institutions concerning the type of business being operated. If you purchase an existing Pause studio, your initial investment may be greater or smaller than the estimates shown above. In such a scenario, the price and payment terms will be established by mutual agreement.

Multi-Unit Development Agreement

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 Two Units (Note 1)	\$55,000	Lump sum	Upon signing your FA	Us
Development Fee for the Additional Units Upon Signing MUDA for Two Units (Note 2)	\$55,000	Lump sum	Upon signing your MUDA	Us
Reduced Initial Franchise Fee Upon Signing FA and MUDA for Ten Units (Note 1)	\$35,000	Lump sum	Upon signing your FA	Us
Development Fee for the Additional Units Upon Signing MUDA for Ten Units (Note 2)	\$315,000	Lump sum	Upon signing your MUDA	Us
Additional Funds (3 months) (Note 3)	\$0 - \$50,000	As required	As incurred	Landlord, Vendors, Utility Providers
Initial Investment for the first Pause Studio Business (Note 4)	\$924,000 - \$1,563,000	<i>See Table Above</i>		
Total Estimated Initial Investment for Two Pause Studio Businesses (Note 5)	\$1,958,000 - \$3,286,000			
Total Estimated Initial Investment for Ten	\$9,590,000 - \$16,030,000			

Type of Expenditure	Amount (Low-High Range)	Method of Payment	When Due	To Whom Payment is to Be Made
Pause Studio Businesses (Note 5)				

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

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

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

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

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

ITEM 8 RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS

Approved Services and Products

Subject	Hours of In Person Training	Hours of On-the-Job Training	Location
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
Total Hours	40	50	

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. Mr. Ono has been our President for three years and has been the co-owner and co-manager of our affiliate owned Pause studios for more than eight years. Mr. Klein has been our CEO for three years and has been the co-owner and co-manager of our affiliate owned Pause studios for more than eight years. 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

franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular franchised business or under particular circumstances.

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

All of the Locations offer similar services and face a similar degree of competition anticipated for the Franchised Businesses offered under this Disclosure Document. The three Locations in the below chart are located within the greater Los Angeles, California, metro area, are not under any territorial restrictions and operate locations that are between 2,700 and 3,400 square feet. The Locations did not pay any Royalty Fee or Advertising Fund Contribution and are not subject to any local advertising or marketing requirements. The Locations will contribute to the Advertising Fund after the opening of our first franchised Location. Based upon applicable local laws, these Locations contract with a P.C. and the figures below include both our affiliate and P.C.’s combined financial information during the measurement period. Please carefully read all of the information in this Item 19, and all of the notes following the charts, in conjunction with your review of the historical data. ~~Since their inception, all three Locations have been under the principal management team of Jeff Ono and John Klein, who have spent significant time assisting in the operations of these Locations.~~

Tables 1 to 3

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

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

Table 4

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

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

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

November	55%	15%	50%	21%	41%	13%
December	60%	15%	50%	22%	46%	14%

Notes to Table 4:

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

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

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

Other than the above, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Jeff Ono, 13353 W. Washington Blvd., Los Angeles, CA 90066, jeff@pausestudio.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2021 TO 2023

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

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

As of the date of this Disclosure Document, we have no franchisees. Exhibit F will be updated in to include the list of the names of all current franchisees and the address and telephone number of each of their outlets. Exhibit F also will contain a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within ten weeks of the Issuance Date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, ~~certain~~ no current or former franchisees have signed confidentiality clauses that ~~limit~~ restrict them from discussing with you their experiences as a franchisee in our franchise system. There are no trademark-specific franchisee organizations associated with the franchise system being offered.

**ITEM 21
FINANCIAL STATEMENTS**

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

**ITEM 22
CONTRACTS**

The following contracts are attached to this Disclosure Document:

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

EXHIBIT B TO THE DISCLOSURE DOCUMENT

**PAUSE FRANCHISOR INC.
FRANCHISE AGREEMENT**

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

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

SCHEDULE 7 TO THE FRANCHISE AGREEMENT
STATE ADDENDA TO THE FRANCHISE AGREEMENT

(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.

For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Fee Deferral

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

FRANCHISEE:

PAUSE FRANCHISOR INC.

By: _____

By: _____

Date: _____

Date: _____

MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT

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

1. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. Recital G of the Franchise Agreement is removed and replaced with the following: “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 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.”

6. Section 22.7 of the Franchise Agreement is removed and shall not apply to franchisees in Maryland.

5.7. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by a franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6.8. _____ Based upon the Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the Franchisor completes its pre-opening obligations under the Franchise Agreement.

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.
- No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
- 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.

Fee Deferral

Section 3.1 of the Franchise Agreement is revised to state: Based upon the franchisor's financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

FRANCHISEE:

PAUSE FRANCHISOR INC.

By: _____

By: _____

Date: _____

Date: _____

10. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISEE:

PAUSE FRANCHISOR INC.

By: _____

By: _____

Date: _____

Date: _____

**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. ~~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.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISEE:

PAUSE FRANCHISOR INC.

By: _____

By: _____

Date: _____

Date: _____



**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.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISEE:

PAUSE FRANCHISOR INC.

By: _____

By: _____

Date: _____

Date: _____

VIRGINIA ADDENDUM
TO THE FRANCHISE AGREEMENT

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Fee Deferral

Section 3.1 of the Franchise Agreement is amended to state: The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE: _____ **PAUSE FRANCHISOR INC.**

By: _____ By: _____

Date: _____ Date: _____

Washington franchisees have (i) received all initial training that they are entitled to under the franchise agreement or offering circular, and (ii) are open for business; or (b) the Administrator issues written authorization to the contrary.

Section 3.3.1 of the Franchise Agreement shall be amended to state the following: “*Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of your Franchised Business. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax imposed on us with respect to any payments that you make to us as required under this Agreement within 30 days, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.”

The Release Agreement in Schedule 8 does not apply to claims arising under the Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.222(2).

Section 21.3 of the Franchise Agreement is amended to state: Franchisees have no obligation to indemnify or hold harmless an indemnified party for losses to the extent that they are determined to have been caused solely by and directly by the indemnified party’s negligence, willful misconduct, strict liability, or fraud.

In accordance with RCW 19.100.180(2)(g) and RCW 19.100.220(2), Section 22.6 of the Franchise Agreement is hereby removed and replaced with the following: 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.

Section 25.4 of the Franchise Agreement does not apply in Washington.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

(Signature page follows)

**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.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISEE:

PAUSE FRANCHISOR INC.

By: _____

By: _____

Date: _____

Date: _____

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

**PAUSE FRANCHISOR INC.
MULTI-UNIT DEVELOPMENT AGREEMENT**

11.9.7. You or transferee pay to us a transfer fee in an amount of \$~~50~~10,000 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

CALIFORNIA ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT

For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Fee Deferral

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

MINNESOTA ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Fee Deferral

Section 2.1 of the Multi-Unit Development Agreement are revised to state: Based upon the franchisor’s financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all initial fees and payments owed by franchisees for multiple outlets shall be deferred until the first franchise under the Multi-Unit Development Agreement is opened for business.

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: _____



VIRGINIA ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Fee Deferral

Section 2 of the Multi-Unit Development Agreement is amendment to state: The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the development fee owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the development agreement.

DEVELOPER:

PAUSE FRANCHISOR INC.

By: _____

By: _____

Date: _____

Date: _____

WASHINGTON ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed-upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Section 14.3 of the Multi-Unit Development Agreement is amended to state: Franchisees have no obligation to indemnify or hold harmless an indemnified party for losses to the extent that they are determined to have been caused solely by and directly by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

A surety bond in the amount of \$100,000 has been obtained by the Franchisor. The Washington Securities Division has made the issuance of the Franchisor's permit contingent upon the Franchisor maintaining surety bond coverage acceptable to the Administrator until (a) all Washington franchisees have (i) received all initial training that they are entitled to under the franchise agreement or offering circular, and (ii) are open for business; or (b) the Administrator issues written authorization to the contrary.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this addendum.

DEVELOPER:

PAUSE FRANCHISOR INC.

By: _____

By: _____

Date: _____

Date: _____

**CALIFORNIA ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT**

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF THE AGREEMENT.

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60-day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

Item 19 of the Disclosure Document: The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expense you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

The franchise agreement requires application of the laws of Delaware. This provision may not be enforceable under California law. For franchisees operating outlets located in California, the

California Franchise Investment Law and the California Franchise Relations Act may apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary will then be superseded by this condition.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600 and the provision may not be enforceable under California law.

The franchise agreement requires binding arbitration. The arbitration will occur at Los Angeles County, California, with the costs being borne according to the Rules for Commercial Arbitration of the American Arbitration Association. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

Our website is located at www.pausestudio.com.

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.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Fee Deferral

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

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.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

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.
- No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
- Also, a court will determine if a bond is required.

Fee Deferral

Item 5 and 7 of the FDD, Section 3.1 of the Franchise Agreement, and Section 2.1 of the Multi-Unit Development Agreement are revised to state: Based upon the franchisor's financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all initial fees and payments owed by franchisees for multiple outlets shall be deferred until the first franchise under the Multi-Unit Development Agreement is opened for business.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Fee Deferral

Item 5 of the FDD and the Franchise Agreement is amended to state: The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Item 6 of the Disclosure Document shall be amended to remove the Section titled Taxes.

Risk Factor: **Use of Franchise Brokers.** The franchisor uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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 <u>September 24, 2024</u>
Hawaii	May 5, 2024
Illinois	April 29, 2024
Indiana	August 12, 2023, renews August 12, 2024
Maryland	Pending <u>June 10, 2024</u>
Michigan	August 19, 2023, renews August 19, 2024
Minnesota	Pending
New York	Pending <u>August 12, 2024</u>
North Dakota	Pending <u>June 13, 2024</u>
Rhode Island	Pending <u>August 30, 2024</u>
South Dakota	April 29, 2024
Virginia	Pending
Washington	Pending
Wisconsin	April 28, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT J TO THE DISCLOSURE DOCUMENT

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Pause Franchisor Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Pause Franchisor Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit A. Our Agents for Service of Process are listed in Exhibit A.

Date of Issuance: April 26, 2024

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

Name	Principal Business Address	Telephone Number
Jeff Ono, John Klein, and Alicia Orleski and Lauren Lehman	13353 W. Washington Blvd., Los Angeles, CA 90066	(310) 367-0031

I have received a Disclosure Document dated April 26, 2024 including the following exhibits on the date listed below:

- A. LIST OF STATE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS
- B. FRANCHISE AGREEMENT



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Michigan requires that we give you this Disclosure Document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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- A. LIST OF STATE ADMINISTRATORS AND STATE AGENTS FOR SERVICE OF PROCESS
- B. FRANCHISE AGREEMENT
 - Schedule 1-Franchise Fee, Accepted Location, Territory and Opening Date
 - Schedule 2-Nondisclosure and Non-Competition