

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

As of December 31, 2024, we had five affiliate-owned Pause studios and three franchised Pause studios. This Item 19 presents financial information for the 2024 calendar year (“**Reporting Period**”) for those Pause studios that have been open for at least 12 consecutive months as of December 31, 2024. These include five affiliate-owned Pause studios (each, an “**Affiliate-Owned Location**”). We exclude the data of the three franchised Pause studios that were not open for all 12 months of 2024. We also present limited financial information for the first quarter of the 2025 calendar year for the Affiliate-Owned Locations. The location and opening date of each of the five Affiliate-Owned Locations is as follows:

Affiliate-Owned Location	Date Opened
“ Location #1 ” (Los Angeles)	August 2016
“ Location #2 ” (W. Hollywood)	May 2021
“ Location #3 ” (South Bay)	June 2022
“ Location #4 ” (Brentwood)	March 2023
“ Location #5 ” (Studio City)	December 2023

Each Affiliate-Owned Location offers similar services and face a similar degree of competition anticipated for the Franchised Businesses offered under this Disclosure Document. The five Affiliate-Owned Locations are located within the greater Los Angeles, California metro area; they are not under any territorial restrictions and operate Pause studios that are between 2,700 and 3,400 square feet. The Affiliate-Owned Locations did not pay any Royalty Fees, but began contributing to the Advertising Fund during the last two months of 2024 following its establishment when the first Franchised Business opened. The Affiliate-Owned Locations are not subject to any local advertising or marketing requirements; however, they did incur local advertising and marketing costs. Based upon applicable local laws, these Affiliate-Owned Locations contract with a P.C. under an MSA, and the figures below include both our affiliate’s and P.C.’s combined financial information during the Reporting Period. Please note that if your Franchised Business operates under an MSA, your financial performance may vary from the historical data described in this Item 19, based on various factors, including the negotiated terms of your MSA and state law for your Franchised Business.

Tables 1a and 1b

Table 1a below includes a summary of the monthly and total Gross Revenue generated by each Affiliate-Owned Location during calendar year 2024. Table 1b includes a summary of the monthly and total Gross Revenue generated by each Affiliate-Owned Location during the first quarter of calendar year 2025.

Table 1a
Monthly and Total Gross Revenue for
all Affiliate-Owned Locations
Calendar Year – 2024

<u>Month</u>	<u>Location #1</u>	<u>Location #2</u>	<u>Location #3</u>	<u>Location #4</u>	<u>Location #5</u>
Jan	\$147,194	\$142,508	\$110,442	\$109,792	\$95,955
Feb	\$154,721	\$134,734	\$116,520	\$98,961	\$98,402
Mar	\$159,580	\$153,724	\$125,644	\$127,043	\$105,487
April	\$151,005	\$154,123	\$124,670	\$119,384	\$108,387
May	\$140,442	\$144,839	\$133,505	\$114,100	\$99,171
Jun	\$152,064	\$150,448	\$133,432	\$113,635	\$104,437
Jul	\$127,068	\$122,031	\$111,924	\$98,493	\$88,703
Aug	\$118,280	\$120,023	\$106,441	\$105,792	\$97,450
Sep	\$120,758	\$118,033	\$119,912	\$94,034	\$90,678
Oct	\$135,963	\$137,611	\$129,278	\$94,461	\$98,109
Nov	\$191,398	\$183,333	\$155,116	\$121,632	\$121,370
Dec	\$191,409	\$183,391	\$202,131	\$125,066	\$177,642
Total Annual Gross Revenue	\$1,789,882	\$1,744,798	\$1,569,015	\$1,322,393	\$1,285,791

Table 1b
Monthly and Total Gross Revenue for
all Affiliate-Owned Locations
First Quarter – 2025

<u>Month</u>	<u>Location #1</u>	<u>Location #2</u>	<u>Location #3</u>	<u>Location #4</u>	<u>Location #5</u>
Jan	\$122,060	\$135,245	\$141,044	\$89,192	\$126,184
Feb	\$140,921	\$151,077	\$139,968	\$103,611	\$137,406
Mar	\$153,151	\$171,481	\$169,916	\$130,585	\$158,965
Total Annual Gross Revenue	\$416,132	\$457,803	\$450,928	\$323,388	\$422,555

Table 2

Table 2 provides average and median margin data for the expenses incurred by each Affiliate-Owned Location during calendar year 2024, separated into two groups: 36 months or more in operations; and less than 36 months in operations.

Table 2
2024 Average Cost of Goods and Expenses Margins* for
all Affiliate-Owned Locations
Calendar Year 2024

36+ Months in Operation ⁽¹⁾	Average	Median	High	Low	Number/Percent Meeting or Exceeding Average**
Cost of Goods	16.71%	16.71%	17.71%	15.7%	1 of 2 (50%)
Payroll Expense	28.84%	28.84%	29.27%	28.4%	1 of 2 (50%)
Advertising & Marketing	3.62%	3.62%	4.26%	2.97%	1 of 2 (50%)
Rent	11.03%	11.03%	14.15%	7.91%	1 of 2 (50%)
Other Operating Expenses	7.76%	7.76%	8%	7.51%	1 of 2 (50%)
Franchise-Related Adjustments					
Technology Fee	0.5%	0.5%	0.5%	0.5%	2 of 2 (100%)
Royalty	7%	7%	7%	7%	2 of 2 (100%)
Advertising Contribution	1%	1%	1%	1%	2 of 2 (100%)

Less Than 36 Months In Operation ⁽²⁾	Average	Median	High	Low	Number/Percent Meeting or Exceeding Average**
Cost of Goods	14.15%	13%	16.71%	12.73%	2 of 3 (67%)
Payroll Expense	33.6%	32.43%	37.49%	30.88%	2 of 3 (67%)
Advertising & Marketing	5.43%	5.66%	6.39%	4.23%	1 of 3 (33%)
Rent	21.12%	18.69%	26.85%	17.81%	2 of 3 (67%)
Other Operating Expenses	11.15%	11.83%	12.9%	8.73%	1 of 3 (33%)
Franchise-Related Adjustments					
Technology Fee	0.5%	0.5%	0.5%	0.5%	3 of 3 (100%)
Royalty	7%	7%	7%	7%	3 of 3 (100%)
Advertising Contribution	1%	1%	1%	1%	3 of 3 (100%)

⁽¹⁾Two Affiliate-Owned Locations: Location #1 (Los Angeles) and Location #2 (W. Hollywood).

⁽²⁾Three Affiliate-Owned Locations: Location #3 (South Bay), Location #4 (Brentwood) and Location #5 (Studio City).

* Cash basis accounting.

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

Notes to Table 1 and 2:

1. “**Gross Revenue**” represents the actual gross revenue, less refunds, from the sale of the Services and Products through the studio. All Franchise-Related Adjustments are based on the total Gross Revenue of the Studio.
2. “**Margin**” refers to the percentage of Gross Revenue spent on each category of expenses.

3. **“Cost of Goods Sold”** represents the costs of items used in the Affiliate-Owned Locations including the IV nutrient drips, vitamin shots, retail products, salt, and general supplies and materials.
4. **“Advertising and Marketing”** includes the Margin for expenses relating to advertising, marketing, and promotional expenses.
5. **“Payroll Expenses”** includes the Margin for payroll taxes, payroll-related fees, wages, and salaries.
6. **“Rent”** includes the Margin for the monthly costs associated with the lease for the Affiliate-Owned Locations. All other facilities expenses are listed in “Other Expenses.”
7. **“Other Operating Expenses”** includes all other operating expenses incurred by the Affiliate-Owned Locations. The expenses include those expenses that will be paid to a medical provider if you operate under an MSA with a P.C. (e.g., a negotiated monthly fee).
8. **“Franchise-Related Adjustments”** include: Royalty Fees imputed at the 7% of Gross Revenue royalty fee rate and Advertising Fund Contributions equal to 1% of Gross Revenue. Affiliate-Owned Locations made actual Advertising Fund Contributions for the two months of 2024 that the Advertising Fund was established. Although these Affiliate-Owned Locations incurred technology-related expenses, we have imputed a Technology Fee equal to \$8,640 based on the \$720/month fee in effect in 2024. All Affiliate-Owned Locations exceeded the required local marketing requirement of \$3,500 per month for franchisees.
9. Location #1 has two float tanks, five saunas, three cold plunge pools, one LED light bed and three IV drip chairs. Location #2 has three float tanks, five saunas, four cold plunge pools, one cryotherapy room and three IV drip chairs. Location #3 has two float tanks, five saunas, five cold plunge pools, one LED light bed, one cryotherapy room and three IV drip chairs. Location #4 has two float tanks, four saunas, four cold plunge pools, one LED light bed, one cryotherapy room and three IV drip chairs. Location #5 has two float tanks, five saunas, five cold plunge pools, one LED light bed, one cryotherapy room and three IV drip chairs. Franchisees may choose to not to offer Cryotherapy and to purchase only one float tank.

Table 3

Table 3 below presents the monthly Gross Revenue generated for the five Affiliate-Owned Locations during their first 12 months of operation. All Affiliate-Owned Locations reflected in Table 3 below were open and operational during the time periods covered.

Table 3
Gross Revenue for
Affiliate-Owned Locations' First Year Open
by Month of Operation

	Open Date	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Location #1 ¹	Aug 2016	\$39,540	\$19,213	\$24,623	\$27,823	\$43,097	\$31,752	\$35,816	\$35,851	\$34,384	\$44,297	\$35,619	\$37,121
Location #2	May 2021	\$129,119	\$94,366	\$99,380	\$114,142	\$114,548	\$140,692	\$174,090	\$148,312	\$126,246	\$124,394	\$132,310	\$139,889
Location #3	Jun 2022	\$114,275	\$69,049	\$76,687	\$80,163	\$94,484	\$143,271	\$141,931	\$117,911	\$107,812	\$116,487	\$120,607	\$123,095
Location #4	Mar 2023	\$123,009	\$89,300	\$85,121	\$85,606	\$81,533	\$91,362	\$97,737	\$110,620	\$101,388	\$109,792	\$98,961	\$127,043
Location #5	Dec 2023	\$201,534	\$95,955	\$98,402	\$105,487	\$108,387	\$99,171	\$104,437	\$88,703	\$97,450	\$90,678	\$98,109	\$121,370

⁽¹⁾ Affiliate-Owned Location #1 opened with limited services (only three float tanks and one infrared sauna) during its first year of operations.

Table 4

Table 4 below presents the revenue mix by quarter for the Affiliate-Owned Locations operating during calendar year 2024. The revenue mix reflects the average, median, lowest and highest percentage of total Gross Revenue attributable to each primary revenue category (e.g., memberships, packages, single services, retail sales, and other ancillary income) for each quarter.

Table 4
Revenue Type by Quarter for
all Affiliate-Owned Locations
Calendar Year 2024

Fee/Revenue Type	Q1	Q1	Q1	Q1	Q2	Q2	Q2	Q2	Q3	Q3	Q3	Q3	Q4	Q4	Q4	Q4
	Avg*	Med	Min	Max	Avg*	Med	Min	Max	Avg*	Med	Min	Max	Avg*	Med	Min	Max
Membership	12%	13%	4%	18%	14%	14%	9%	20%	19%	17%	13%	27%	22%	22%	16%	29%
Package	20%	21%	9%	26%	24%	23%	11%	39%	14%	10%	3%	31%	16%	20%	1%	26%
Single Session (Service)	58%	59%	48%	67%	51%	50%	41%	60%	58%	61%	45%	71%	48%	44%	33%	65%
Other (Gift Cards, Retail)	10%	9%	5%	18%	11%	10%	6%	24%	8%	8%	5%	13%	15%	10%	5%	32%

*Number/Percent Meeting or Exceeding Average Revenue Category Percentage:

	Q1	Q2	Q3	Q4
Membership	2/5	2/5	3/5	3/5
Package	3/5	3/5	2/5	2/5
Single Session (Service)	2/5	3/5	3/5	3/5
Other (Gift Cards, Retail)	3/5	3/5	3/5	3/5

Table 5

Table 5 below presents information for certain service fees for the Affiliate-Owned Locations operating during calendar year 2024. The table includes the average, median, lowest and highest fees for select categories (e.g., memberships, packages, and drop-ins).

Table 5
Annual Fee Averages for
all Affiliate-Owned Locations
Calendar Year 2024

Fee Type	Average	Median	Minimum	Maximum	Number/Percent Meeting or Exceeding Average
Membership	\$179	\$178	\$168	\$190	3/5
Package	\$208	\$210	\$185	\$230	3/5
Drop-In	\$68	\$65	\$57	\$78	2/5

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

Some Pause studios have sold this amount. Your individual results may differ. There is no assurance that 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 2022 TO 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2022	0	0	0
	2023	0	0	0
	2024	0	3	+3
Company-Owned*	2022	2	3	+1
	2023	3	5	+2
	2024	5	5	0
Total Outlets	2022	2	3	+1
	2023	3	5	+2
	2024	5	8	+3

*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 2022 TO 2024

State	Year	Number of Transfers
All States	2022	0
	2023	0
	2024	0
Totals	2022	0
	2023	0
	2024	0