

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-20-2864-21-CO01
Whether there has been a violation of the)
Franchise Investment Protection Act of) CONSENT ORDER
Washington by:)
Soak LLC)
Respondent)

On February 16, 2021, the Securities Administrator of the State of Washington entered Statement of Charges and Notice of Intent to Enter Order to Cease and Desist (order no. S-20-2864-20-SC01) against Soak LLC.

Pursuant to the Franchise Investment Protection Act of Washington (the “Act”), the Securities Division and Respondent Soak LLC enter into this Consent Order to settle the allegations made in the Statement of Charges.

Respondent Soak LLC neither admits nor denies the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

Respondent

1. Soak LLC (“Soak”) is a Wyoming limited liability organized on March 16, 2017. Soak maintains a principal place of business in Silver City, New Mexico. Jennifer “Wren” Farris (“Farris”) is Soak’s sole manager. Farris is also the sole owner and manager of Soak, Inc., a

1 Washington corporation through which she operates the Soak on the Sound bathhouse in Port
2 Townsend, Washington.

3 **Nature of the Conduct**

4 *Overview of Soak's Franchising Process*

5 2. Soak originally invited potential purchasers to pursue their own "Soak Sister Site" by
6 paying a \$10,000 fee, and signing a document entitled "Soak Sister Site Program: Phase I
7 Agreement" in order to begin the three-phase process of opening a Soak Sister Site. Now,
8 potential purchasers must use the website soakbathhouse.com (the "website") to apply for
9 admission to the three-phase process by answering open-ended questions. Soak did not change
10 the three-stage process when it began requiring an application.

11 3. Soak refers to the three phases of opening a Soak Sister Site as "Plan," "Build," and
12 "Operate," respectively. In the first phase, Soak intends to provide the assistance needed to
13 make the "right foundational decisions" in starting and developing a Soak Sister Site, and to
14 prepare the applicant to obtain the "investment capital" likely needed to open a Soak Sister Site.
15 In the second phase, Soak will support purchasers as they secure the facilities for their location,
16 and they "build out" their locations' facilities and business so that the Soak Sister Site will open
17 "cash-flow positive." During the second phase, the purchaser would also enter into an agreement
18 entitled "Consulting and License Agreement" (the "Agreement") with Soak. In the third phase,
19 the purchaser will receive "ongoing monthly support" and access to the network of Soak Sister
20 Sites.
21 Sites.

22 *Soak Grants the Right to Use its Trademarks and Tradenames to its Purchasers*

23 4. In the Agreement, Soak provides that purchasers shall operate their businesses "under the
24 Marks set forth by [Soak] and no other marks." Soak further requires that purchasers do
25

1 business as a combination of “Soak” and the business’s location or some other identifier, *e.g.*
2 Soak Seattle, Soak Tacoma.

3 *Soak Provides a Marketing Plan to its Purchasers*

4 5. Soak provides purchasers with a marketing plan by offering telephone consultations and
5 by providing conventional marketing materials. Soak offers to participate in thirty consulting
6 telephone calls with each purchaser, each call lasting up to one hour. During these calls,
7 purchasers may receive social media and email campaign training. Soak will also provide
8 “brand/marketing assets” to purchasers. These include logo and brand graphics, examples of
9 past marketing materials, branded photography, and a style guide. Soak will also provide
10 “[o]ngoing high-level brand development,” and ongoing distribution of upgraded manuals and
11 marketing materials after a Soak Sister Site’s opening.
12

13 *Soak Requires Purchasers to Pay Franchise Fees*

14 6. Initially, Soak required purchasers to pay a \$10,000 fee to begin the three-stage process of
15 opening a Soak Sister Site. Soak currently requires purchasers to pay a nonrefundable
16 “execution fee” of \$50,000 at the time the parties execute the Agreement. Soak would further
17 require purchasers to pay a royalty fee, the amount of which would be determined by how long
18 the purchaser has operated the Soak Sister Site. During the first six months of operation, the
19 purchaser must pay \$1,000 each month. That amount increases to \$1,500 for the seventh through
20 twelfth months, \$2,000 for the thirteenth through eighteenth months, and \$2,500 per month for
21 the balance of the Agreement’s term. These amounts are due regardless of the Soak Sister Site’s
22 financial performance.
23
24
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1 *Offer to a Washington Resident*

2 7. In addition to its ongoing offer on the website, Soak offered a franchise to a Washington
3 resident in early 2020. Farris and the Washington resident communicated by both telephone and
4 email about the resident opening a Soak Sister Site. Farris provided a Soak Sister Site Program:
5 Phase I Agreement during the course of these communications. This agreement described the
6 three phases of opening a Soak Sister Site, and stated that it pertained only to the first phase, and
7 that there was no guarantee that the Washington resident would progress beyond the first phase.
8 Moreover, this agreement did not discuss the requirements for advancing to the second phase.
9 This agreement also stated that Soak would provide “program materials” to help a potential
10 purchaser with “preliminary market analysis,” and “preliminary business modeling.” Soak
11 required a \$10,000 fee to enter into this agreement. However, the Washington resident did not
12 enter into the agreement, or pay the \$10,000 fee. Farris did not provide a disclosure document
13 containing all material information about Soak’s franchise to the Washington resident.
14

15 **Registration Status**

16 8. Soak is not registered to sell its franchises in the State of Washington, and has not
17 previously been so registered.
18

19 **CONCLUSIONS OF LAW**

20 Based upon the Findings of Fact above, the following Conclusions of Law are made:

21 1. The offer or sale of the Consulting and License Agreements described above constitutes
22 the offer or sale of a franchise as defined in RCW 19.100.010(6), RCW 19.100.010(12), and
23 RCW 19.100.010(17).

24 2. The offer or sale of said franchise is in violation of RCW 19.100.020 because no
25 registration for such offer or sale is on file with the Securities Administrator.

1 **CONSENT ORDER**

2 IT IS AGREED AND ORDERED that Respondent Soak LLC, and its agents and
3 employees, shall each cease and desist from offering or selling franchises in violation of RCW
4 19.100.020, the Act’s franchise registration section.

5 IT IS FURTHER AGREED that Respondent Soak LLC shall pay the Securities
6 Division’s investigative costs in the amount of \$500 prior to entry of this Consent Order.

7 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this
8 Consent Order.

9 IT IS FURTHER AGREED that Respondent Soak LLC enters into this Consent Order
10 freely and voluntarily and with a full understanding of its terms and significance.

11 IT IS FURTHER AGREED that, in consideration of the foregoing, Respondent Soak
12 LLC waives its right to a hearing and to judicial review of this matter.
13

14
15 Signed this 4th day of June, 2021.

16
17 s/Jennifer Farris

18
19 Jennifer “Wren” Farris

20 Name

21 Owner, Soak LLC

22 Title

1 Dated and Entered this 14th day of June, 2021.

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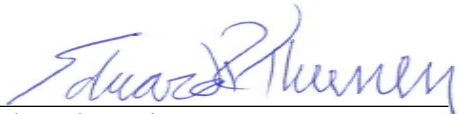
3 _____
4 William M. Beatty
5 Securities Administrator

6 Approved by:

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8 _____
9 Suzanne Sarason
10 Chief of Enforcement

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12 Presented by:

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14 _____
15 Edward R. Thunen
16 Financial Legal Examiner

17 Reviewed by:

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19 _____
20 Jack McClellan
21 Financial Legal Examiner Supervisor