

1 STATE OF WASHINGTON
2 DEPARTMENT OF FINANCIAL INSTITUTIONS
3 SECURITIES DIVISION

4 IN THE MATTER OF DETERMINING) Order Number S-20-2864-20-SC01
5 Whether there has been a violation of the)
6 Franchise Investment Protection Act of) STATEMENT OF CHARGES AND NOTICE
7 Washington by:) OF INTENT TO ENTER ORDER TO CEASE
8 Soak LLC) AND DESIST
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Respondent)

THE STATE OF WASHINGTON TO: Soak LLC

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent Soak LLC has violated the Franchise Investment Protection Act of Washington, RCW 19.100, and that its violations justify the entry of an order of the Securities Administrator under RCW 19.100.248 against it to cease and desist from such violations. The Securities Administrator finds as follows:

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

1 **Nature of the Conduct**

2 *Overview of Soak’s Franchising Process*

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

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

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

22 4. In the Agreement, Soak provides that purchasers shall operate their businesses “under the
23 Marks set forth by [Soak] and no other marks.” Soak further requires that purchasers do
24 business as a combination of “Soak” and the business’s location or some other identifier, *e.g.*
25 Soak Seattle, Soak Tacoma.

1 *Soak Provides a Marketing Plan to its Purchasers*

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

11 *Soak Requires Purchasers to Pay Franchise Fees*

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

22 *Offer to a Washington Resident*

23 7. In addition to its ongoing offer on the website, Soak offered a franchise to a Washington
24 resident in early 2020. Farris and the Washington resident communicated by both telephone and
25 email about the resident opening a Soak Sister Site. Farris provided a Soak Sister Site Program:

STATEMENT OF CHARGES AND NOTICE OF
INTENT TO ENTER ORDER TO CEASE AND
DESIST

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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1 Phase I Agreement during the course of these communications. This agreement described the
2 three phases of opening a Soak Sister Site, and stated that it pertained only to the first phase, and
3 that there was no guarantee that the Washington resident would progress beyond the first phase.
4 Moreover, this agreement did not discuss the requirements for advancing to the second phase.
5 This agreement also stated that Soak would provide “program materials” to help a potential
6 purchaser with “preliminary market analysis,” and “preliminary business modeling.” Soak
7 required a \$10,000 fee to enter into this agreement. However, the Washington resident did not
8 enter into the agreement, or pay the \$10,000 fee. Farris did not provide a disclosure document
9 containing all material information about Soak’s franchise to the Washington resident.
10

11 **Registration Status**

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

14 **CONCLUSIONS OF LAW**

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

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

19 2. The offer or sale of said franchise is in violation of RCW 19.100.020 because no
20 registration for such offer or sale is on file with the Securities Administrator.
21

22 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

23 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities
24 Administrator intends to order that Soak LLC, and its agents and employee shall each cease and
25 desist from violations of RCW 19.100.020.

1 **AUTHORITY AND PROCEDURE**

2 This Order is entered pursuant to the provisions of RCW 19.100.248 and RCW 19.100.130
3 and is subject to the provisions of RCW 34.05. The respondent may make a written request for a
4 hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY
5 FOR HEARING accompanying this order. If the respondent does not request a hearing, the
6 Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of
7 Law as final and enter a permanent order to cease and desist as to the respondent.
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11 Dated and Entered this 16th day of February, 2021.

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13 _____
14 William M. Beatty
15 Securities Administrator

16 Approved by:

17 

18 _____
19 Suzanne Sarason
20 Chief of Enforcement

21 Presented by:

22 

23 _____
24 Edward R. Thunen
25 Financial Legal Examiner

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor