

## FRANCHISE DISCLOSURE DOCUMENT

### HOTWORX® FRANCHISING, LLC

5161 Taravella Road

Marrero, LA 70072

(504) 297-1HOT

www.HOTWORX.net



As a franchisee, you will operate a HOTWORX® location as a 24-hour studio that offers hot exercise services, fitness products and other specialty items under the name brand “HOTWORX®”.

The total investment necessary to begin operation of a single HOTWORX® studio franchise is from \$252,200 to \$901,440 except for studios developed in California and New York which range from \$356,299 to \$1,182,389. This includes \$150,800 to \$246,210 that must be paid to the franchisor or its affiliates except for studios developed in California in New York which ranges from \$150,800 to \$239,810.

The total investment necessary to enter into our Area Development Agreement will depend on the actual development rights we grant to you. At a minimum, an area developer must open two (2) studio outlets. If we grant you the right to an additional studio, then your initial investment for this one (1) additional studio will cost between \$247,250 to \$896,490 except for studios developed in California and New York which range from \$351,349 to \$1,177,439. This includes ~~\$~~\$145,850 to \$241,260 that must be paid to the franchisor or its affiliates except for studios developed in California in New York which ranges from \$145,850 to \$234,860.

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 governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact the Franchise Sales Department at 5161 Taravella Road, Marrero, Louisiana 70072, (504) 297-1HOT.

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**ADDENDUM TO HOTWORX® FRANCHISING, L.L.C.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF HAWAII**

**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 REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES 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 OFFERING CIRCULAR, 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.**

For franchises and franchisees subject to the Hawaii Franchise Disclosure Law, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the HOTWORX® Franchising, L.L.C. Franchise Disclosure Document.

Items 5 and 7:

Items 5 and 7 of the disclosure document are amended to include the following disclosure:

The State of Hawaii may require 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 and the HOTWORX® studio has opened.

Item 8:

Item 8 of the disclosure document is amended to include the following disclosure:

The Hawaii Franchise Investment Law, HI Rev. Stat. § 482E-6(2)(B), governing the relationship between a franchisor or subfranchisor and its franchisee, makes an unfair or deceptive act or practice or an unfair method of competition for a franchisor or subfranchisor to require a franchisee to purchase or lease goods or services of the franchisor or from designated sources of supply unless such restrictive purchasing agreements are reasonably necessary for a lawful purpose justified on business grounds. Suppliers suggested or approved by a franchisor as meeting its standards and requirements shall not be deemed designated sources of supply. To the extent any provisions of the Franchise Agreement or business practices of HOTWORX® Franchising, L.L.C. conflict with Hawaii law, Hawaii's laws will control.

The Hawaii Franchise Investment Law, HI Rev. Stat. § 482E-6(2)(D), governing the relationship between a franchisor or subfranchisor and its franchisee, makes an unfair or deceptive act or practice or an unfair method of competition for a franchisor to obtain money, goods, services, anything of value, or any other benefit from any other person with whom the franchisee does business on account of such business unless the franchisor advises the franchisee in advance of the franchisor's intention to receive such benefit. To the extent any provisions of the Franchise Agreement or business practices of HOTWORX® Franchising, L.L.C. conflict with Hawaii law, Hawaii's laws will control.

Item 12:

Item 12 of the disclosure document is amended to include the following disclosure:

The Hawaii Franchise Investment Law, HI Rev. Stat. § 482E-6(2)(E), governing the relationship between a franchisor or subfranchisor and its franchisee, makes an unfair or deceptive act or practice or an unfair method of competition for a franchisor to establish a similarly business or to grant a franchise for the establishment of a similar business at a location within a geographic area specifically designated as the exclusive territory in a franchise previously granted to another franchisee in a currently effective agreement, except under the circumstances or conditions prescribed in such agreement. To the extent any provisions of the Franchise Agreement or business practices of HOTWORX® Franchising, L.L.C. conflict with Hawaii law, Hawaii's laws will control.

Item 17:

Item 17 of the disclosure document is amended to include the following disclosure:

The Hawaii Franchise Investment Law, HI Rev. Stat. § 482E-6(2)(E), governing the relationship between a franchisor or subfranchisor and its franchisee, makes an unfair or deceptive act or practice or an unfair method of competition for a franchisor to refuse to permit a transfer of ownership of a franchise, or of a proprietorship, partnership, corporation or other business entity that is a franchisee or subfranchisor, except for good cause. For purposes of this paragraph good cause shall include, but not be limited to:

- (i) The failure of a proposed transferee to meet any of the franchisor's or subfranchisor's reasonable qualifications or standards then in effect for a

franchisee or subfranchisor;

- (ii) The fact that the proposed transferee or any affiliated person of the proposed transferee is a competitor of the franchisor or subfranchisor;
- (iii) The inability or unwillingness of the proposed transferee to agree in writing to comply with and be bound by all lawful obligations imposed by the franchise, including without limitation all instruction and training obligations, and to sign the current form of franchise agreement used by the franchisor or subfranchisor; and
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor and to cure any default in the franchise agreement or other agreements with the franchisor existing at the time of the proposed transfer.

A franchisor or subfranchisor shall have thirty days (30 days) after being notified in writing of a proposed transfer to approve or disapprove in writing a proposed transfer of ownership or control of a franchise, or of a proprietorship, partnership, corporation or other business entity that is a franchisee or subfranchisor, stating its reason for disapproval. If a franchisor or subfranchisor fails to approve or disapprove a proposed transfer in writing within such period, the franchisor or subfranchisor shall be deemed to have approved such transfer.

To the extent any provisions of the Franchise Agreement or business practices of HOTWORX® Franchising, L.L.C. conflict with Hawaii law, Hawaii's laws will control.

The Hawaii Franchise Investment Law, HI Rev. Stat. § 482E-6(2)(F), governing the relationship between a franchisor or subfranchisor and its franchisee, makes an unfair or deceptive act or practice or an unfair method of competition for a franchisor to require a franchisee at the time of entering into a franchise to assent to a release, assignment, novation, or waiver which would relieve any person from liability imposed by the Hawaii Franchise Investment Law. Any condition, stipulation or provision binding any person acquiring any franchise to waive compliance with any provision of the Hawaii Franchise Investment Law or a rule promulgated hereunder shall be void. This paragraph shall not bar or affect the settlement of disputes, claims or civil suits arising or brought under this chapter.

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 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.

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Franchisee's Initials/Date

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Franchisor's Initials/Date

**ADDENDUM TO HOTWORX® FRANCHISING, L.L.C.  
FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND AREA  
DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS**

~~For franchises and franchisees subject to the Illinois Franchise Disclosure Act, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the HOTWORX® Franchising, L.L.C. Franchise Disclosure Document, the Franchise Agreement, and Area Development Agreement attached thereto.~~

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the franchise agreement and/or area development agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement ~~and/or area development agreement~~ may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other laws of Illinois** is void.

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 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 “Special Risks to Consider About This Franchise” page is supplemented to include the following:~~

- ~~1. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements 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.~~
- ~~2. **Financial Condition.** The franchisor’s financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor’s financial ability to provide services and support to you.~~

~~Item 5:~~

The Illinois Attorney General’s Office requires that HOTWORX® Franchising, LLC

post a surety bond due to HOTWORX® Franchising, LLC's financial condition. The surety bond is posted in accordance with Section 200.505 of the Rules under the Illinois Franchise Disclosure Act.

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Franchisee's Initials/Date

Franchisor's Initials/Date

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**Item 17:**

~~Item 17 of the disclosure document is amended to include the following disclosure:~~

- ~~(a) It shall be a violation of the Illinois Franchise Disclosure Act to terminate a franchise of a franchised business located in the State of Illinois prior to the expiration of its term exception for "good cause" as is provided for in Illinois Franchise Act, 815 Ill. Comp. Stat. Ann. 705/19 and may be affected by Illinois law, 815 ILCS 7051-44:~~
- ~~(b) "Good cause" shall include, but not be limited to, the failure of the franchisee to comply with any lawful provisions of the franchise or other agreement and to cure such default after being given notice thereof and a reasonable opportunity to cure such default, which in no event need be more than 30 days.~~
- ~~(c) "Good cause" shall include, but without the requirement of notice and an opportunity to cure, situations in which the franchisee:~~
  - ~~a. makes an assignment for the benefit of creditors or a similar disposition of the assets of the franchise business;~~
  - ~~b. voluntarily abandons the franchise business;~~
  - ~~c. is convicted of a felony or other crime which substantially impairs the good will associated with the franchisor's trademark, service mark, trade name or commercial symbol; or~~
  - ~~d. repeatedly fails to comply with the lawful provisions of the franchise or other agreement.~~

~~Item 17 of the disclosure document is amended to include the following disclosure:~~

~~It shall be a violation of the Illinois Franchise Disclosure Act for a franchisor to refuse to renew a franchise of a franchised business located in the State of Illinois without compensating the franchisee either by repurchase or by other means for the diminution in the value of the franchised business caused by the expiration of the franchise where:~~

- ~~(a) the franchisee is barred by the franchise agreement (or by the refusal of the franchisor at least 6 months prior to the expiration date of the franchise to waive any portion of the franchise agreement which prohibits the franchisee) from continuing to conduct substantially the same business under another trademark;~~



~~service mark, trade name or commercial symbol in the same area subsequent to the expiration of the franchise; or~~

~~(b) the franchisee has not been sent notice of the franchisor's intent not to renew the franchise at least 6 months prior to the expiration date or any extension thereof of the franchise.~~

~~Illinois Franchise Act, 815 Ill. Comp. Stat. Ann. 705/20.~~

~~Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provisions of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void. Illinois Franchise Act, 815 Ill. Comp. Stat. Ann. 705/41. This prohibition against waiver includes, but is not limited to, statements involving unregistered earnings claims, timely disclosure, warranty, material misrepresentations or limitation of liability. 14 Ill. Adm. Code 200.609.~~

~~To the extent that the disclosure document is inconsistent with Illinois law, the inconsistent terms of the Franchise Agreement will not be enforced and the terms of the applicable Illinois law shall apply.~~

~~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 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.~~



**AMENDMENT TO HOTWORX® FRANCHISING, L.L.C.  
FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS**

For franchises and franchisees subject to the Illinois Franchise Disclosure Act, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the HOTWORX® Franchising, L.L.C. Franchise Agreement attached thereto.

This Amendment shall pertain to franchises sold in the State of Illinois and shall be for the purpose of complying with Illinois statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement (“Agreement”) and/or the Area Development Agreement (“ADA”) to the contrary, the Agreement shall be amended as follows:

1. — Sections 25.1 of the Agreement entitled “Governing Law” and 25.4 entitled “Arbitration” are both supplemented by the following provision:

Illinois franchisees are allowed access to Illinois courts. Any provision in this Agreement that provides for a choice of law provision for any state other than Illinois is void. 14 Ill. Adm. Code 200.608. Any provision in this Agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void, provided that a franchise agreement may provide for arbitration in a forum outside of the State of Illinois. Illinois Franchise Act, 815 Ill. Comp. Stat. Ann. 705/4.

2. — Section 25.7 of the Agreement and Section 17 of the ADA shall be replaced with the following:

Any provision of the Franchise Agreement which designates jurisdiction or venue outside of Franchisee’s state is void with respect to any cause of action which otherwise is enforceable in Franchisee’s state, provided that Franchise Agreement may provide for arbitration outside of Franchisee’s state.

3. — The Agreement is supplemented with the following:

Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provisions of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void. Illinois Franchise Act, 815 Ill. Comp. Stat. Ann. 705/41.

This prohibition against waiver includes, but is not limited to, statements involving unregistered earnings claims, timely disclosure, warranty, material misrepresentations or limitation of liability. 14 Ill. Adm. Code 200.609.

4. — The Agreement and ADA are supplemented with the following:

The Illinois Attorney General’s Office requires that HOTWORX® Franchising, LLC post a surety bond due to HOTWORX® Franchising, LLC’s financial condition. The surety bond is posted in accordance with Section 200.505 of the Rules under the Illinois Franchise Disclosure Act.

5. ~~To the extent that the Agreement is inconsistent with Illinois law, the inconsistent terms of the Franchise Agreement will not be enforced and the terms of the applicable Illinois law shall apply.~~

~~Franchisee's Initials/Date~~

~~Franchisor's Initials/Date~~

**AMENDMENT TO HOTWORX® FRANCHISING, L.L.C.  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF MINNESOTA**

To the extent the Franchise Agreement has any provisions to the contrary, the applicable Minnesota Law to follow governs:

It shall be unfair and inequitable for any person to:

A. restrict or inhibit, directly or indirectly, the free association among franchisees for any lawful purpose;

B. discriminate between franchisees in the charges offered or made for royalties, goods, services, equipment, rentals, advertising services, or in any business dealing, unless any classification of or discrimination between franchisees is based on franchises granted at different times, geographic, market, volume, or size differences, costs incurred by the franchisor, or other reasonable grounds considering the purposes of Minnesota Statutes 1973 Supplement, sections 80C.01 to 80C.22;

C. compete with the franchisee in an exclusive territory or grant competitive franchises in the exclusive territory previously granted to another franchisee if the terms of the franchise agreement provide that an exclusive territory has been specifically granted to a franchisee;

D. require a franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes 1973 Supplement, sections 80C.01 to 80C.22; provided, that this part shall not bar the voluntary settlement of disputes;

E. terminate or cancel a franchise unless:

(1) that person has given written notice setting forth all the reasons for termination or cancellation to the franchisee at least 90 days in advance of termination or cancellation; and

(2) the recipient of the notice fails to correct the reasons stated for termination or cancellation in the notice within 60 days of receipt of the notice, except that the notice shall be effective immediately upon receipt where the alleged grounds are:

(a) voluntary abandonment of the franchise relationship by the franchisee;

(b) the conviction of the franchisee in a court of competent jurisdiction of an offense directly related to the business conducted pursuant to the franchise; or

(c) failure to cure a default under the franchise agreement that materially impairs the good will associated with the franchisor's tradename,

trademark, service mark, logotype, or other commercial symbol after the franchisee has received written notice to cure of at least 24 hours in advance thereof;

F. terminate or cancel a franchise except for "good cause," which shall be defined as failure by the franchisee substantially to comply with those reasonable requirements imposed by the franchise, including but not limited to:

- (1) the bankruptcy or insolvency of the franchisee;
- (2) assignment for the benefit of creditors or similar disposition of the assets of the franchise business;
- (3) voluntary abandonment of the franchise business;
- (4) conviction or a plea of guilty or no contest to a charge of violating any law relating to a franchise business; or
- (5) any act by or conduct of the franchisee which materially impairs the good will associated with the franchisor's trademark, tradename, service mark, logotype, or other commercial symbol;

G. impose on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable;

H. unreasonably withhold consent to any assignment, transfer, or sale of the franchise whenever the franchisee to be substituted meets the present qualifications and standards required of the franchisees of the particular franchisor;

I. enforce any unreasonable covenant not to compete after the franchise relationship ceases to exist;

J. require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause;

K. require a security deposit except for the purpose of securing against damage to property, equipment, inventory, or leaseholds;

L. require or prohibit any change in management or personnel of any franchisee unless the current or potential management or personnel fails to meet the present qualifications and standards required by the particular franchisor;

M. fail to renew a franchise unless the franchisee has been given written notice of the intention not to renew at least 180 days in advance thereof and has been given an opportunity to operate the franchise over a sufficient period of time to enable the

franchisee to recover the fair market value of the franchise as a going concern as determined and measured from the date of the failure to renew. This item does not apply if the failure to renew a franchise is for good cause and the franchisee has failed to correct the reasons for termination; or

N. restrict, restrain or prohibit 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.

Minnesota Department of Commerce, Rule 2860.4400, found at <https://www.revisor.mn.gov/rules>

To the extent the Franchise Agreement includes any contrary provisions, Section 23, “Termination”, of the Franchise Agreement is amended according to the following:

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified states) 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.

Section 25.1 of the Franchise Agreement entitled “Governing Law” is supplemented by the following provision:

Minnesota Statutes, Section 80C.21 and Minnesota 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 agreement(s) can abrogate or reduce any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Section 11.6 of the Franchise Agreement with respect to the use of trademarks shall be supplemented by the following provision:

Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchisor will protect the franchisee’s right 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.

Sections 4.4.8 of the Franchise Agreement with respect to your execution of a general release shall be supplemented by the following provision:

Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

Section 25.6 of the Franchise Agreement with respect to your injunctive relief shall be supplemented by the following provision:

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400(J). Also, court will determine if a bond is required.

To the extent the Franchise Agreement includes any contrary provisions, the Franchise Agreement is amended according to the following:

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

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Franchisee's Initials/Date

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Franchisor's Initials/Date

**ADDENDUM TO HOTWORX® FRANCHISING, L.L.C.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF MINNESOTA**

**The registration of this franchise with the State of Minnesota does not constitute approval or recommendation of the franchise by the Commissioner of Commerce.**

To the extent Minnesota franchise law (Minn. Stat. § 80C.01 to 80C.22 and the rules promulgated thereunder by the Minnesota Commissioner of Commerce) applies to any contract that we enter into with you, then we amend each of the applicable sections of the Franchise Disclosure Document to reflect the following where appropriate:

State Cover Page or “Special Risks to Consider About *This Franchise*” Page:

**THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

The “Special Risks to Consider About *This Franchise*” page is supplemented to include the following:

1. The franchise agreement states that Louisiana law governs the agreement, and this law may not provide the same protection and benefits as local law. You may want to compare these laws.
2. **Use of Franchise Brokers.** The franchisor uses the services of franchise brokers to assist 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 and ask them about their experience with the franchisor.

3. There may be other risks concerning this franchise.

Items 2 and 3:

Items 2 and 3 of the Franchise Disclosure Document is amended to include the following disclosure:

No person(s) identified in the Franchise Disclosure Document:

- a. has during the ten-year period immediately preceding the date of the public offering statement been convicted of a felony, pleaded nolo contendere to a felony charge, or been held liable in a civil action by final judgment if such felony or civil action involved fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices or misappropriation of property;
- b. is subject to any currently effective order of the United States Securities and Exchange Commission or the securities administrator of any state denying registration to or revoking or suspending the license or registration of such person as a securities broker, dealer, agent, or investment adviser, or 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, suspending or expelling such person from membership in such association or exchange;
- c. is subject to any currently effective order or ruling of the Federal Trade Commission;
- d. is subject to any currently effective injunctive or restrictive order relating to the business which is the subject of the franchise offered or any other business activity as a result of an action brought by any public agency or department; or
- e. has any civil or criminal actions pending against that franchisor or person involving fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices or misappropriation of property.

Item 13:

Item 13 of the Franchise Disclosure Document is supplemented to include the following express language:

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchisor will protect the franchisee's right 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.

Item 17:

Item 17 of the Franchise Disclosure Document is amended to include the following disclosure, which is incorporated in the Amendment to the Franchise Agreement above:

Pursuant to Minn. Stat. Ann. § 80C.14, Subdivisions 3-5 and to the extent the Franchise Agreement includes any contrary provisions, the Section 23, “Termination”, of the Franchise Agreement is amended according to the following:

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified states) 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.

Pursuant to Minn. Stat. Ann. § 80C.21 and Minnesota Rule 2860.4400(J) and to the extent the Franchise Agreement includes any contrary provisions, Section 25.1, “Governing Law”, of the Franchise Agreement is amended according to the following:

Minnesota Statutes, Section 80C.21 and Minnesota 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 agreement(s) can abrogate or reduce any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Pursuant to Minnesota Rule 2860.4400(D) and to the extent the Franchise Agreement includes any contrary provisions, Section 4.4.8, “Term and Renewal”, of the Franchise Agreement with respect to your execution of a general release shall be supplemented by the following provisions:

Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

Pursuant to Minnesota Rule 2860.4400(J) and to the extent the Franchise Agreement includes any contrary provisions, Section 25.6 “Injunctive Relief”, of the Franchise Agreement with respect to your execution of a general release shall be supplemented by the following provisions:

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400(J). Also, a court will determine if a bond is required.

Pursuant to Minn. Stat. Ann. § 80C.17, Subd. 5 and to the extent the Franchise Agreement includes any contrary provisions, the Franchise Agreement with respect to any limitation of claims shall be supplemented by the following provisions:

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

Additional Addenda to Franchise Disclosure Document:

Minn. Stat. Sec. §80C.21 provides that any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of Minnesota or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance or which has the effect of waiving compliance with any provision of §§80C.01 to 80C.22 of the Minnesota Franchises Act, or any rule or order thereunder, is void.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit HOTWORX® Franchising, L.L.C. from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

To the extent you are required to execute a general release in favor of HOTWORX® Franchising, L.L.C. such release shall exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. §80C.01 *et seq.* as provided by Minn. Rule 2860.4400J.

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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

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Franchisee's Initials/Date

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Franchisor's Initials/Date

### **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.

<b>REGISTRATION STATE</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	<del>April 1, 2025</del> Pending
Maryland	<del>Not Submitted</del> Pending
Michigan	<del>April 1, 2025</del> Pending
Minnesota	Pending
New York	Not Submitted
North Dakota	<del>April 1, 2025</del> Pending
Rhode Island	<del>April 1, 2025</del> Pending
South Dakota	<del>March 31, 2025</del> Pending
Virginia	<del>April 10, 2025</del> Pending
Washington	Pending
Wisconsin	<del>March 31, 2025</del> Pending

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 of seller-assisted marketing plans.