

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 and area development agreement require you to resolve disputes with franchisor by mediation, arbitration and/or litigation only in Louisiana. Out-of-state dispute resolution may force you to accept a less favorable settlement for disputes. It may also cost you more to sue, arbitrate or mediate with franchisor in Louisiana than in your own state review.

2. **Mandatory Minimum Payments.** You must make mandatory minimum royalty and other payments and advertising contributions regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

~~3.4.~~ **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.

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.

Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
Single HOTWORX® Studio

Table 1: Exclusive of California and New York Franchise Outlets

TYPE OF EXPENDITURE (notes)	ESTIMATE AMOUNT OR LOW-HIGH RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (1, 2, 18)	\$19,950	Lump Sum	Upon signing of Franchise Agreement	Franchisor
HOTWORX Sauna, Software, and Workout Equipment (3, 18)	\$110,400 to \$184,500	Lump sum	As arranged	Franchisor and/or Affiliate
Other Required Studio Equipment, Software, Staff Uniforms, and Furniture (4, 18)	\$21,500 to \$36,000	As arranged	As arranged	Approved Vendors
Other Required Studio Components (5, 18)	\$15,000 to \$34,600	As arranged	As arranged	Various
CAD Fee/Engineering, Architect Fees & Pre-Construction Coordination (7, 18)	\$1,200 to \$28,100	As arranged	As arranged	Franchisor, Approved Vendor, and Architect /Engineer

TYPE OF EXPENDITURE (notes)	ESTIMATE AMOUNT OR LOW-HIGH RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Trade Dress Items and Finish Out (8, 18)	\$19,500 to \$53,500	As arranged	As arranged	Approved Vendors
Utility, phone, real estate and real estate lease deposits (9, 18)	\$3,500 to \$84,600	As arranged	As arranged	Landlord and Local Providers
Insurance initial payment (10, 18)	\$400 to \$13,600	As arranged	As arranged	Insurance Provider
Printing, Marketing and Advertising (11, 18)	\$10,000	As arranged	As arranged	Various
Wholesale Goods/Inventory to begin operating (12, 18)	\$20,000	Lump sum	Upon ordering	Franchisor and/or Approved Vendor
Professional Fees (13, 18)	\$1,000 to \$15,000	As arranged	As arranged	Various
Additional funds during startup period, such as for first three months, initial operations, and working capital (14, 18)	\$35,500 to \$54,500	As arranged	As arranged	N/A
Out-of-Pocket initial training expenses, including travel and lodging (15, 18)	\$600 to \$3,500	As arranged	As arranged	Airlines, taxis, hotels, restaurants, etc.
SBA Loan Packaging Fees & Closing Costs (19)	\$0 to \$22,500	As arranged	As arranged	Third party lender
Subtotal	\$258,500 to \$580,350			

TYPE OF EXPENDITURE (notes)	ESTIMATE AMOUNT OR LOW-HIGH RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Leasehold Improvements (6, 18)	\$0 to \$297,400	As Arranged	As Arranged	General Contractor
Totals (2, 16, 17, 18, 19)	\$258,5590 to \$877,750			

Table 2: California and New York Franchise Outlets

TYPE OF EXPENDITURE (notes)	ESTIMATE AMOUNT OR LOW-HIGH RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (1, 2, 18)	\$19,950	Lump Sum	Upon signing of Franchise Agreement	Franchisor
HOTWORX Sauna, Software, and Workout Equipment (3, 18)	\$110,400 to \$184,500	Lump sum	As arranged	Franchisor and/or Affiliate
Other Required Studio Equipment, Software, Staff Uniforms, and Furniture (4, 18)	\$21,500 to \$36,000	As arranged	As arranged	Approved Vendors

**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:

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.

Franchisee's Initials/Date

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:

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.

Franchisee's Initials/Date

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.

REGISTRATION STATE	Effective Date
California	Not Submitted Pending
Hawaii	Not Submitted Pending
Illinois	Not Submitted Pending
Indiana	Not Submitted Pending
Maryland	Not Submitted
Michigan	Not Submitted Pending
Minnesota	Pending
New York	Not Submitted Pending
North Dakota	Not Submitted Pending
Rhode Island	Not Submitted Pending
South Dakota	Not Submitted Pending
Virginia	Not Submitted Pending
Washington	Not Submitted Pending
Wisconsin	Not Submitted 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.