UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

KENZIE GOER, individually, and on behalf of all others similarly situated, *Plaintiff,* v. F45 TRAINING HOLDINGS, INC., CHRIS PAYNE, ADAM GILCHRIST, MICHAEL RAYMOND, DARREN RICHMAN, AND MARK WAHLBERG, *Defendants.*	§ § § § § § § § § § § § § § § §	Case No. 1:22-cv-01291 **CLASS ACTION COMPLAINT** **JURY TRIAL DEMANDED**

Plaintiff Kenzie Goer ("Goer" or "Plaintiff"), by and through his attorneys, alleges the following upon information and belief, except as to those allegations in paragraph 15 below, which are alleged upon personal knowledge. Plaintiff's information and belief is based upon, among other things, his counsel's investigation, which includes without limitation: (a) review and analysis of public filings made by F45 Training Holdings, Inc. ("F45" or the "Company") with the United States Securities and Exchange Commission ("SEC"); (b) review and analysis of press releases and other publications disseminated by defendants and other related non-parties; (c) review of news articles, shareholder communications, conference call transcripts, and postings on F45's website concerning the Company's public statements; and (d) review of other publicly available information concerning F45 and the defendants named herein.

I. NATURE AND SUMMARY OF THE ACTION

1. F45 is a fitness franchisor with a business model based on rapid growth through the franchising of low-overhead fitness facilities. The Company was founded in Sydney, Australia in 2013 and, by the time of the Company's July 16, 2021 initial public offering more fully described below, maintained 2,801 franchises in 68 countries.

2. Plaintiff brings this class action on behalf of all persons and entities that purchased or otherwise acquired the common stock ("stock" or "shares") of F45

pursuant and/or traceable to the Company's false and/or misleading Form S-1 Registration Statement and accompanying Prospectus and Supplemental Prospectus (collectively, the "Registration Statement") issued in connection with the Company's July 16, 2021 initial public offering of 18.75 million shares of common stock, priced at $16 per share (the "July 2021 IPO" or the "Offering"), to pursue remedies under Sections 11 and 15 of the Securities Act of 1933 (the "Securities Act").

3. As set forth in the Prospectus issued in support of the July 2021 IPO, the Company asserted that the proceeds would be used, *inter alia*, to repay indebtedness, to complete the purchase of Flywheel indoor cycling studio, to pay bonuses to certain employees, to pay expenses related to the offering, and for working capital and general corporate purposes.

4. In support of the July 2021 IPO F45's Registration Statement professed and represented its advantage over traditional owner-operated fitness facilities both because the franchise model "***has enabled us to open new studios at an accelerated pace versus the owner-operator model***" and because it generated quick revenue for the Company because "[f]or the majority of franchises that we sell, we receive an upfront payment from the franchisee." However, due to the material misstatements and omissions contained therein, Defendants' Registration Statement was false and misleading regarding the Company's revenue stream and its ability to maintain its

rapid expansion business model.[1]

5. In its Prospectus, the Company noted that it intended to emphasize the growth of multi-unit franchisees over single-unit franchisees, stating that as of March 31, 2021, "[a]pproximately 49% of ***Total Franchises Sold are owned by single-unit franchisee owners, with the other 51% owned by multi-unit franchisees."*** The Company stated that "[a]***s we pursue opportunities to develop multi-unit franchise systems with financial partners, we expect the percentage of multi-unit franchisees to increase over time***." However, at the time, the Registration Statement did not disclose that F45 could not maintain new franchise growth because it was offering more favorable payment terms to multi-unit franchisees. The Registration Statement merely represented that "***[t]he upfront establishment fee is payable by the franchisee upon signing a new franchise agreement***…."

6. In truth, as of the July 2021 IPO and as the Company would later acknowledge, F45 provided for "modified" payment terms for "large multiunit deals." This would and did ultimately result in material increases to accounts receivable and lower cash flow for the Company. F45's approach to starting new franchises was not sustainable over the long term as the Company was not being, and would not be, repaid by multi-unit franchise owners quickly enough to maintain significant franchise growth. Indeed, in the first and second quarters of 2022, F45

[1] Emphasis added throughout unless otherwise noted.

reported just 117 and 92 new franchise openings, respectively, compared to 96 studio openings in the first quarter of 2020, when the COVID-19 pandemic began. This lackluster pace of growth was accompanied by a massive and unsustainable increase in F45's accounts receivable and a similar, and equally unsustainable, decrease in its cash and cash equivalents. These practices were not sustainable at the time of the IPO. When the Company could no longer sustain this defective business model, its growth rate and revenue plummeted.

7. Then, on July 26, 2022, just a year after the IPO, and just a little more than two months after reiterating its growth targets, F45 issued a press release titled "F45 Training Announces Strategic Update." The press release described "strategic updates to align the Company more closely with macroeconomic conditions and current business trends and prepare for the next phase of studio and membership growth." According to the press release, the Company's "strategic updates" informed the market: (1) of a significant reduction in its financial guidance, from a range of $255 to $275 million to a new range of $120 to $130 million; (2) of a dramatic cut in the number of new exercise studios that it would open in 2022- down approximately 60% (or 350 to 450 new studios, versus 1,000); (3) that a $250 million credit line "will not be available"; (4) that it was letting go of about 110 employees, equaling approximately 45% of its workforce; and (5) that CEO, Adam Gilchrist, had resigned his position as CEO, effective July 24, 2022.

8. Importantly, more adverse news was disclosed in the July 26, 2022, "Strategic Updates." The Company disclosed that for the full-year net franchises sold would be between 350 and 450, a fraction of the prior guidance of 1,500, and that full-year net initial studio openings would be between 350 and 450, compared to the prior guidance of 1,000.

9. As a consequence of its infirm business model and condition, existing at the time of the July 2021 IPO, F45 was also forced to substantially slash guidance for the full-year 2022 revenue to just between \$120 million and \$130 million, compared to the prior guidance of \$255 million to \$275 million, and full-year Adjusted EBITDA between \$25 million and \$30 million, compared to the prior guidance of \$90 million to \$100 million, signaling a dramatic decrease in its business and momentum.

10. The July 26, 2022 adverse disclosures caused the trading price of F45 to plunge over 60%, from a close at \$3.51 on July 26 to close at \$1.35 on July 27, 2022 and representing more than a 78% decline from its offering price of \$16 per share on July 16, 2021 – just slightly more than a year earlier.

II. JURISDICTION AND VENUE

11. The claims asserted herein arise under Sections 11 and 15 of the Securities Act.

12. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and 15 U.S.C. § 77v.

13. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and 15 U.S.C. § 77v. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. In addition, the Company's principal executive offices are in the Judicial District.

14. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

III. PARTIES

15. Plaintiff Goer, as set forth in the accompanying certification, incorporated by reference herein, purchased F45 securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

16. Defendant F45 Training Holdings, Inc., is incorporated in Delaware and headquartered in Austin, Texas. F45's common stock trades on the New York Stock Exchange under the symbol "FXLV."

17. Defendant Adam Gilchrist ("Gilchrist") was Chairman and Chief Executive Officer ("CEO") of F45 prior to the July 2021 IPO until July 24, 2022. Defendant Gilchrist has been a member of the Company's board of directors since 2019, and was a signatory of the Registration Statement filed with the SEC that contained materially untrue and misleading statements and omitted material facts regarding the July 2021 Offering.

18. Defendant Chris Payne ("Payne") was the Chief Financial Officer ("CFO") from June 2018 until November 15, 2022. Payne was a member of the Company's board of directors and Treasurer from March 2019 until November 15, 2022, and was a signatory of the Registration Statement filed with the SEC that contained materially untrue and misleading statements and omitted material facts regarding the July 2021 Offering.

19. Michael Raymond has served as a director of F45's Board of Directors since March 2019 and was a signatory of the Registration Statement filed with the SEC that contained materially untrue and misleading statements and omitted material facts regarding the July 2021 Offering.

20. Darren Richman served as a director of F45's Board of Directors from October 2020 until November 14, 2022 and was a signatory of the Registration Statement filed with the SEC that contained materially untrue and misleading statements and omitted material facts regarding the July 2021 Offering.

21. Mark Wahlberg has served as a director of F45's Board of Directors since March 2019 and was a signatory of the Registration Statement filed with the SEC that contained materially untrue and misleading statements and omitted material facts regarding the July 2021 Offering.

22. Defendants Gilchrist, Payne, Raymond, Richman and Wahlberg are referred to herein collectively as the "Individual Defendants."

IV. FACTUAL ALLEGATIONS

23. F45 Training Holdings is an Austin, Texas fitness franchisor. F45 went public in a July 16, 2021 IPO in which it issued 18.75 million shares priced at $16 per share.

24. In the Prospectus issued in support of the July 2021 IPO, the Company asserted that the proceeds of the IPO would be used as follows:

> We estimate that the net proceeds from our issuance and sale of shares of our common stock in this offering will be approximately $275.9 million (or approximately $285.2 million if the underwriters exercise in full their option to purchase additional shares from us), after deducting underwriting discounts and commissions and estimated offering expenses payable by us.
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> The selling stockholder will receive approximately $23.3 million in net proceeds from this offering (or approximately $59.3 million if the underwriters exercise in full their option to purchase additional shares from

the selling stockholder), after deducting underwriting discounts and commissions. We will not receive any proceeds from the sale of our common stock by the selling stockholder. We have agreed to pay certain expenses in connection with this offering on behalf of the selling stockholder.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and enable access to the public equity markets for us and our stockholders.

We currently intend to use the net proceeds we receive from this offering as follows:

- approximately $190.6 million to repay indebtedness, including repayment of our Term Facility, Revolving Facility, Subordinated Term Facility and PPP loan;
- approximately $25.0 million to pay the purchase price for our acquisition of certain assets of the Flywheel indoor cycling studio business (see "Certain Relationships and Related Party Transactions — Flywheel Transaction");
- approximately $2.5 million to pay cash bonuses to certain of our employees, including certain of our executive officers, in connection with this offering (see "Certain Relationships and Related Party Transactions — IPO Bonuses" and "Executive Compensation — IPO Bonuses");

- approximately $5.6 million to pay expenses incurred in connection with this offering; and
- the remainder for working capital and general corporate purposes.

25. Actor Mark Wahlberg, an early investor in F45 through his private investment company and eventual director of the Company, was a popular face of F45, even appearing in a full page photo in the Prospectus, captioned "I fell in love with the energy. I fell in love with the sense of community."

26. The Company noted the celebrity-driven nature of its business plan, highlighting the role of Mark Wahlberg in the development of the Company:

> In March 2019, a group led by Mark Wahlberg and FOD Capital LLC, or FOD Capital, a family office investment fund, made a strategic minority investment in F45 Training, providing critical branding and marketing capabilities to supplement the strengths of our management team. ***We expect that Mr. Wahlberg's involvement, leveraging his broad celebrity reach*** (with over 17 million Instagram followers) and well-known affinity for fitness, ***will continue to be a key differentiator in helping us to continue to drive growth***. In addition to Mr. Wahlberg, we have established relationships with Earvin "Magic" Johnson, Jr., David Beckham, Greg Norman, Cindy Crawford and other professional athletes and personalities in order to promote our products.

27. In the Registration Statment, F45 described itself as "one of the fastest growing fitness franchisors in the United States based on number of franchises sold in the United States, focused on creating a leading global fitness training and lifestyle brand." The prospectus highlighted the Company's aggressive growth strategy:

> Soon after the first F45 Training studio opened in Paddington, Australia, our founders focused on using technology to streamline and standardize the F45 Training experience in order to franchise the business. We quickly expanded, initially selling franchises to members of the original studio, after which viral word-of-mouth marketing led to rapid growth, and we opened nearly 200 studios over the following 30 months. In less than eight years, we have scaled our global footprint to 2,801 Total Franchises Sold in 63 countries, including 1,555 Total Studios, of which 1,415 had re-opened following temporary closures related to the COVID-19 pandemic, as of June 30, 2021.
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> ***
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> ***We operate a nearly 100% franchise model that offers compelling economics to us and our franchisees***. We believe our franchisees generally benefit from a relatively low initial investment and low four-wall operating expenses, which in turn can generate strong returns on franchisee investments. The optimized box layout of our studios, which requires as little as approximately 1,600 square feet of training area, contributes to the relatively

low initial investment and operating costs of our franchisees, and allows our studios to be located in a wide array of attractive prospective retail locations. We believe ***this flexibility will enable us to capitalize on our estimated long-term global opportunity of over 23,000 studios***. Based on the Franchise Survey conducted prior to the COVID-19 pandemic, we estimate that ***a typical F45 Training franchise in a normalized operating environment requires an aggregate initial investment of approximately $315,000 and, in its third year of operation can produce average EBITDA margins in excess of 30% and average cash-on-cash returns in excess of 33%***.

We believe our franchise model is attractive due to its potential for asset-light growth, strong profitability and robust cash flow generation, and has ***helped to facilitate our rapid growth and strong financial performance prior to the COVID-19 pandemic. Despite challenges posed by the COVID-19 pandemic, we grew our footprint and experienced minimal permanent closures during 2020, which we believe underscores the resilience of our business model. Between 2018 and 2020 we grew our Total Franchises Sold at the annual rate of 33% and our Total Studios at the rate of 34%. From June 30, 2020 to June 30, 2021, our Total Franchises Sold increased by 36% and our Total Studios increased by 22%***.

28. The Company further asserted that its "asset-light business model" served to encourage rapid expansion:

> ***Predictable, Asset-Light Model Driving Rapid Growth***
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> As a franchisor, we have employed an economic model that, other than due to the unprecedented global shutdown of our network due to the COVID-19 pandemic, has been predictable, asset light and cash flow generative and ***has enabled us to open new studios at an accelerated pace versus the owner-operator model that is common in the studio fitness landscape. For the majority of franchises that we sell, we receive an upfront payment from the franchisee***, which varies by geography. Once a new studio has opened, we receive contractual, recurring franchise fee revenue streams that provide us with a high degree of revenue visibility. During the most challenging months of the COVID-19 pandemic, we offered franchisees temporary relief from contractual franchise fees. As our network of total studios grows, we expect recurring revenue as a percentage of total revenue to increase.
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> Given our model is nearly 100% franchised, we have also been able to maintain a strong margin profile. For the quarter ended March 31, 2021, we reported operating margin and Adjusted EBITDA margin of (16.7)% and 29.0%, respectively. For the quarter ended March 31, 2020, we reported operating margin and Adjusted EBITDA margin of 5.4% and 10.5%,

respectively. For the year ended December 31, 2020, we reported operating margin and Adjusted EBITDA margin of (6.3)% and 30.9% respectively. For the year ended December 31, 2019, we reported operating margin and Adjusted EBITDA margin of (9.4)% and 33.1%, respectively.

29. The Company also asserted that its low-cost, low-overhead model would support franchise growth:

Attractive Franchisee Return Profile

Our franchise model has the ***potential to generate strong returns for franchisees as a result of a relatively low initial investment and favorable operating cost structure driven by our purpose-built studio design and proprietary technology-enabled ecosystem***. We believe that our scale provides us with cost advantages that allow us to offer our equipment to our franchisees for a significantly lower cost than if they were to acquire it on their own. We recommend that our franchisees typically staff one lead trainer and at least one assistant trainer during business hours. We also provide ongoing back-office support through our customer relationship management capabilities to assist with day-to-day booking and operation of the business. We believe ***the modest initial investment, combined with limited staffing needs, creates the potential for strong financial performance and expands the universe of potential franchisees***.

Prior to the COVID-19 pandemic and based on data collected through our booking systems and the Franchise Survey, we estimate that in a normalized operating environment, a typical F45 Training franchise requires an aggregate initial investment of approximately $315,000, which includes all of the required studio equipment contained in the World Pack, and, in its third year of operation can produce an AUV of approximately $354,000, average EBITDA margins in excess of 30% and average cash-on-cash returns in excess of 33%.

30. In the Prospectus, the Company noted that going forward, it intended to focus growth on multi-unit franchisees:

Franchising Strategy

We utilize an attractive franchise model that has allowed us to scale our business rapidly. As of June 30, 2021, we had a global network of 2,801 Total Franchises Sold, including 1,555 Total Studios, of which 1,415 had re-opened following one or more temporary COVID-related closures. ***Approximately 49% of Total Franchises Sold are owned by single-unit franchisee owners, with the other 51% owned by multi-unit franchisees. As of March 31, 2021, our largest franchisee owns 24 franchises, representing approximately 1% of our Total Franchises Sold. As we pursue opportunities to develop multi-unit franchise systems with***

> ***financial partners, we expect the percentage of multi-unit franchisees to increase over time***.

31. But while the Company represented that "***[f]or the majority of franchises that we sell, we receive an upfront payment from the franchisee,***" the Company failed to disclose that, in fact, it was providing special, extended payment terms to some multi-unit franchise owners. This was not revealed until May 16, 2022, when, during a conference call following the issuance of a press release discussing earnings, John William Ivankoe, an analyst with JP Morgan Chase & Co. dug into the growth of the Company's accounts receivable:

> JOHN WILLIAM IVANKOE, SENIOR RESTAURANT ANALYST, JPMORGAN CHASE & CO, RESEARCH DIVISION: I have a couple of balance sheet and cash flow statements. And hopefully, I'll hit on some strategic stuff as well. First, in the quarter, around $45 million of accounts receivable, and that was relative to franchise revenue, which I think was around $50 million. Could you walk through what's the normal payment term for a royalty for equipment as we kind of think about managing at least that side of the balance sheet? And I guess, would you have expected accounts receivable to be a lower percentage of revenue as you finish the first quarter?

CHRISTOPHER E. PAYNE: Yes. Thanks, John, and good morning or good afternoon wherever you are. You're quite right. ***Typically, a world pack is payable on delivery. Obviously, when we're entering into these large multiunit deals, we do enter into slightly modified payment terms. So some of that accounts receivable increase is attributed to world packs that we've delivered to our larger multiunit partners, and that's probably equated to the lion's share of the increase on Q4***.

As it relates to franchise revenue, nearly all of our studios that are open are fully paying their fees, which has been a big improvement, obviously, coming out of the pandemic. In terms of what the payment terms actually are, a franchisee is paying their franchise fees in each month. So a franchisee's franchise fee for the month of March, for example, are payable on the 15th of March. I hope that addresses your AR question.

JOHN WILLIAM IVANKOE: It does, but it doesn't change the fact that AR does look very elevated relative to revenue. ***Would you expect that ratio to improve in coming quarters or they're just based on how the payment timing is with some of your larger operators to stay elevated***?

CHRISTOPHER E. PAYNE: Yes. It definitely will. So ***that money is going to return to us in the very near future***. So we gave a runway of around 3 to 6 months in some cases to pay off the full balance of the equipment. Obviously, they wanted to secure the equipment because these developers have very aggressive opening time lines that they're really sticking to, and that gets us really excited. So we wanted to help facilitate that. Obviously, that backlog is 2,200. That's made up of 1,700 of those are those larger multiunit or top-tier multiunit. There are 45 franchisees that we're really excited to support and continue to grow this network.

32. The questions from John Ivankoe evidenced significant concern over the growth of accounts receivable which, as noted below, was reflected in a sharp decrease in cash and equivalents. In the first quarter of 2021, F45's accounts receivable had exploded to $45.2 million, having almost tripled over the last three quarters, as, unbeknownst to investors, the Company agreed to defer payment of the upfront franchise fee for some multi-franchise owners:

Quarter	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Accounts Receivable (in millions)	$12.68	$15.33	$27.79	$45.20	$40.38

33. At the same time, F45's cash and cash equivalents collapsed, as the Company effectively fronted money for new franchise openings in an attempt to prop up growth:

Quarter	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Cash and Equivalents (in millions)	$16.60	$52.62	$42	$13.99	$8.48

34. As a result of these fronted costs, which had caused F45's cash and equivalents to plummet below pre-IPO levels, the Company was left in the position of being unable to continue a pace of new franchise openings that would match, much less exceed, pre-IPO levels.

35. On March 14, 2022, before the market opened, the Company reported results for the fourth quarter and full year 2021. The Company reported GAAP EPS for 2021 of -$2.99, a miss of $0.55 and further reported revenue of $134.02 million, missing forecasted revenue by $0.71 million. Despite these missed estimates, CEO Gilchrist further assured investors that the Company was on track to hit its growth targets for the year:

> I am delighted with our terrific Q4 and full-year results – we completed the year with record revenues and Adjusted EBITDA, we set a record sales pace of over 1,000 franchise sales for the full year, and we opened over 300 franchises globally during the year. We demonstrated our ability to execute on our growth strategies and have shown that both we and our franchisees can achieve great successes despite lingering impacts of the COVID-19 pandemic….

Gilchrist further assured investors that:

> I am confident that we have the right strategies in place to continue to drive our success. . . . we have developed an incredible relationship with real estate partners that will optimize our real estate strategy to drive new studio openings and reduce the time from sale to opening, we are working on innovative franchisee financing solutions to help drive our sales pace and accelerate our new studio openings, and we have ordered approximately 1,200 equipment world packs to ensure we can meet our targets in 2022. As I have said before, ***our goal is to be the world's fastest growing franchisor, and I believe our ability to achieve this goal has never been stronger***.

36. On May 16, 2022, F45 reported results for the first quarter of 2022, reporting GAAP EPS of $0.03, missing estimates by $0.09. The Company also reported revenue of $50 million, a miss of approximately $0.42 million. But CEO Gilchrist put a positive spin on the results, assuring investors that "we are reaffirming full-year guidance for 1,000 openings, which will be weighted to Q3 and Q4, as well as guidance for total revenue and Adjusted EBITDA."

37. On May 16, 2022, the Company also announced a "first-of-its-kind financing facility," with Fortress Investment Group, which would provide $150 million in franchise financing. Gilchrist described the financing as "a new bespoke financing solution tailored to the specific needs of our franchisees, [by which] we

have taken proactive measures to assist our franchisees in executing on their growth ambitions while creating even greater visibility in our own business."

38. The Registration Statement was materially false and/or misleading because it misrepresented and failed to disclose material adverse facts pertaining to the Company's business, operations, and prospects. Specifically, F45's rapid growth strategy was unsustainable, reliant on, *inter alia*, franchisees opening multiple locations in a short period of time and/or dependent on franchisees who required near 100% financing of their operations in order to open for business, a model that was, at the time of the July 2021 IPO, unsustainable.

The Truth Comes Out

39. On July 26, 2022, just a year after the IPO, and just a little more than two months after reiterating its growth targets, F45 issued a "Strategic Update" to "align the Company more closely with macroeconomic conditions and current business trends and prepare for the next phase of studio and membership growth.

40. The Company announced that "President, CEO, and Chairman of the Board of Directors Adam J. Gilchrist has stepped down. This transition will allow his successor to establish and execute new opportunities amid changing macroeconomic and business conditions. Mr. Gilchrist will remain on the Board as a director and the Board of Directors will appoint a new Chairman."

41. The Company further disclosed a "Strategic Reorganization and Cost Reduction Plan" under which the Company slashed the growth estimates it had touted just two months earlier and contradicted assertions in the Registration Statement:

> Amid ongoing macroeconomic uncertainty, F45 initiated a comprehensive review of its strategic and financial priorities in order to best position the Company to succeed and grow sustainably over the long term. As a result of this review, ***the Company is realigning its corporate operations around an updated growth outlook that prioritizes profitability and cash flow generation***. This includes ***reducing operational expenses and strategically streamlining corporate functions***, including reducing global workforce by approximately 110 employees. Following these reductions, the Company expects SG&A expenses to be approximately $15 million to $20 million per quarter, which is approximately 40% to 50% less than SG&A expenses during the first quarter of 2022.
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> "We are taking the necessary steps to right-size our business in light of shifting macroeconomic and business conditions," said Chris Payne, CFO of F45. He continued, "***While we expect growth to continue, market dynamics are having a greater than expected impact on the ability of franchisees to obtain capital to develop new F45 locations***. In addition, recent ***share price***

performance has made it challenging for franchisees to utilize financing facilities announced earlier this year. While reducing corporate headcount was an incredibly difficult decision, acting proactively to realign our resources is an important step to enable the Company to remain on track for long-term, sustainable success. Additionally, we believe that once these cost reductions are fully realized, the Company will be able to generate positive free cash flow on a normalized basis. Despite the headwinds, F45's business fundamentals remain strong, and we are as excited as ever to continue bringing the world's best workout to a growing base of members every day."

42. As a result of this "Strategic Reorganization" the Company also slashed its outlook for the year:

> Following F45's comprehensive review of its strategic and financial priorities, the Company is providing revised guidance for full-year 2022.
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> > The revised guidance assumes that the $250 million of growth capital provided by two previously announced franchise financing facilities, which F45 had arranged for franchisees to open additional studios, will not be available despite strong demand from franchisees.
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> > - ***Full-year net New Franchises Sold between 350 and 450, compared to the prior guidance of 1,500.***

- ***Full-year net Initial Studio Openings between 350 and 450, compared to the prior guidance of 1,000.***
- Full-year revenue between $120 million and $120 million, compared to the prior guidance of $255 million to $275 million.
- Full-year Adjusted EBITDA between $25 million and $30 million, compared to the prior guidance of $90 million to $100 million.
- Full-year free cash flow guidance withdrawn.

43. F45's separation agreement with Gilchrist was very generous:

Under the terms of the Separation Agreement, Mr. Gilchrist will be eligible to receive the following payments and benefits, subject to certain agreed conditions set forth in the Separation Agreement: (i) a one-time cash payment of $4,800,000; (ii) commencing on August 1, 2022, payment by the Company of a 12-month lease of Mr. Gilchrist's residence in Florida, with an annual lease amount of up to $1,200,000; (iii) reimbursement for COBRA premiums for Mr. Gilchrist and his covered dependents for up to eighteen months; (iv) relocation expenses up to $20,000; (v) reimbursement of legal fees related to the Separation Agreement; and (vi) a one-time cash payment of $1,000,000. As a non-employee member of the Board, as of the separation date, Mr. Gilchrist will be eligible to receive compensation pursuant to the Company's non-employee director compensation program, as described in the Company's Proxy Statement for the year ended December 31, 2021, filed with the SEC on May 2, 2022.

44. The revelations included in the July 26, 2022 Press Release stunned the market, causing investors to flee the stock. After closing at $3.51 on July 26, 2022, the trading price of F45 fell $2.16 to close at $1.35 on July 27, 2022, a drop of more than 60% on heavy volume of 31.8 million shares.

45. Subsequent to the revelations of July 26 2022, on Monday, November 21, 2022, the Company announced that CFO Chris Payne had resigned from F45, effective November 15, 2022. Payne attributed the resignation "to address recent and urgent family matters in Australia."

V. CLASS ACTION ALLEGATIONS

46. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of the Class. Excluded from the Class are Defendants, directors, and officers of the Company, and their families and affiliates.

47. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide

substantial benefits to the parties and the Court. As of September 30, 2022, F45 had 97,315,803 shares of common stock outstanding, owned by thousands of persons.

48. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class that predominate over questions that may affect individual Class members include:

a. whether Defendants violated the Securities Act;

b. whether Defendants omitted and/or misrepresented material facts;

c. whether Defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

d. whether the Individual Defendants were negligent in issuing the Registration Statement;

e. whether the offering price of F45 common stock in the July 2021 IPO was artificially inflated; and

f. the extent of damage sustained by Class members and the appropriate measure of damages.

49. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class sustained damages arising from defendants' wrongful conduct.

50. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests that conflict with those of the Class.

51. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

COUNT I

Violation of Section 11 of the Securities Act of 1933 Against All Defendants

52. Plaintiff repeats and incorporates ¶¶ 1-52 as if fully set forth herein. This Section 11 claim does not sound in fraud and does not rely on fraudulent misconduct to support the claim under the Securities Act of 1933. This count is predicated upon the Defendants' liability for making untrue statements and omissions of material fact in the Registration Statement of the July 2021 IPO.

53. This claim is brought against F45, which is strictly liable for the untrue Registration Statement, and the Individual Defendants pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k, on behalf of all proposed Class Members who

purchased or otherwise acquired F45 common stock pursuant to or traceable to the Registration Statement for said Offering, and were damaged thereby.

54. At the time of the July 2021 IPO, its applicable Registration Statement contained untrue statements of material fact, omitted facts necessary to make the statements made therein not misleading, and failed to disclose required material information, as set forth above.

55. The Company is strictly liable for its violations of the Securities Act. Each of the Individual Defendants are unable to establish an affirmative defense based on a reasonable and diligent investigation of the statements contained in the Registration Statement. Alternatively, and without prejudice to the foregoing, none of the Individual Defendants herein made a reasonable investigation or possess reasonable grounds to believe that the statements contained in the Registration Statement were true and not misleading, and that there were no omissions of any material fact. Accordingly, the Individual Defendants acted negligently, and they and F45 are liable to Plaintiff and the other members of the Class who purchased or otherwise acquired the common stock in or traceable to the Registration Statement for the July 2021 IPO.

56. Plaintiff and other members of the Class purchased F45's common stock issued pursuant to or traceable to the Registration Statement.

57. Plaintiff and members of the Class did not know, or in the exercise of reasonable diligence could not have known, of the untrue statements and omissions of material fact contained in the Registration Statement when they purchased or otherwise acquired the common stock of F45.

58. Plaintiff and other members of the Class who purchased the common stock pursuant to the Registration Statement suffered substantial damages as a result of the untrue statements and omissions of material facts in the Registration Statement, as they either sold these shares at prices below the July 2021 IPO prices or still held shares as of when the prices and trading value of the common stock they so purchased were below said Offering prices and values.

59. This claim is brought within the applicable statute of limitations. The adverse truth did not begin to be revealed, albeit only partially, more than one year from the assertion of this action against each of the Defendants.

60. By reason of the foregoing, the Defendants named in this Count have violated Section 11 of the Securities Act.

COUNT II

Violation of Section 15 of the Securities Act of 1933 Against the Individual Defendants

61. Plaintiff incorporates paragraphs 1-60 above as if fully set forth herein.

62. By reason of their control over F45, the Individual Defendants were able to: (i) gain access to all F45 reports, agendas and other information available to them as C-Suite Executives and/or members of the F45 Board of Directors; (ii) participate in the preparation and dissemination of the materially misstated Registration Statement which they executed; and (iii) otherwise exercise control over F45's public filings and July 2021 IPO.

63. The Individual Defendants conducted and participated, directly and indirectly, in the conduct of F45 business affairs, including said offering.

64. As officers and/or directors of a company engaging in offerings of its securities, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to F45 business, financial condition, results of operations and internal controls. These Defendants participated in the preparation and dissemination of the Registration Statement, and otherwise participated in the process necessary to conduct said Offering. Because of their positions of control and authority as senior officers and/or directors of F45, these Defendants were able to, and did, control the contents of the Registration Statement, which they each signed, which contained materially untrue information and failed to disclose material facts.

65. By reason of the aforementioned conduct, the Individual Defendants are liable under Section 15 of the Securities Act of 1933, jointly and severally with

and to the same extent as F45. The Individual Defendants are liable under Section 11 of the Securities Act, to Plaintiff and members of the Class who purchased or otherwise acquired the common stock of F45 issued pursuant to the Registration Statement in connection with the July 2021 IPO.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

a. Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined herein;

b. Awarding Plaintiff and the other members of the Class damages in an amount which may be proven at trial, together with interest thereon;

c. Awarding Plaintiff and the other members of the Class pre-judgement and post-judgement interest, as well as their reasonable attorneys' and experts' witness fees and other costs; and

d. Awarding such other relief as this Court deems just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: December 8, 2022

Respectfully submitted,

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**Pro Hac Vice Applications to be filed*

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