

## Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Short Operating History.** This Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a longer operating history.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.
3. **Out-of-State Dispute Resolution:** The franchise agreement and multi-unit development agreement require you to resolve disputes with us by arbitration or litigation only in the state where our corporate headquarters are located (currently, Georgia). Out of state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with us in the state where our corporate headquarters are located than in your home state.
4. **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.
5. **Mandatory Minimum Advertising Payments.** You must make minimum advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
6. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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.

and several other entities and individuals arising from the Recapitalization and loans made by Blue Owl Capital Corporation to Walker Edison. Blue Owl alleges civil conspiracy in connection with the Recapitalization, that defendants fraudulently induced Blue Owl into making loans in connection with the Recapitalization, and that the dividend constituted a constructive and fraudulent transfer. Blue Owl seeks avoidance and recovery of the loans and dividends made in connection with the Recapitalization, restitution, disgorgement of profits, punitive damages, pre- and post-judgment interest, and recovery of fees and costs. On May 23, 2024, these cases were consolidated. On August 28, 2025, WEH Liquidating, LLC (formerly known as Walker Edison Furniture Company, LLC) filed a Chapter 11 bankruptcy petition in the United States Bankruptcy Court, District of Delaware. The consolidated actions were transferred to Bankruptcy Court. Trial is scheduled for June 2026.

HotBox Enterprises, LLC v. Legendary Sweat, LLC, et al., No. 20GDCV00469 (the “HotBox Lawsuit”), consolidated on March 24, 2021, with Jamie Weeks v. Jessica Mortarotti, et al., No. 20STCV20681 (the “Related Lawsuit”), both filed in the California Superior Court, County of Los Angeles. On June 1, 2020, HotBox Enterprises, LLC (“HotBox”) filed a complaint against LS Opco and related individuals and entities (the “LS Opco Parties”). On the same date, Jamie Weeks, the former owner of LS Opco and our former chief executive officer, filed a complaint against the owners of HotBox (the “HotBox Owners”) and their franchise sales consultant (“Samios”). These cases arose out of a series of business transactions involving the HotBox franchise system in which the LS Opco Parties acquired ownership of the original HotBox business location and the rights to develop additional HotBox businesses. After opening several additional HotBox-branded businesses, a dispute arose, which led to HotBox terminating the LS Opco Parties’ franchise rights and the LS Opco Parties closing and rebranding their HotBox businesses to the SweatHouz brand. HotBox alleged that the LS Opco Parties engaged in unfair business practices and improper acts, breached their contractual obligations and duties of good faith and loyalty, and unlawfully used HotBox’s intellectual property. HotBox sought actual and compensatory damages, disgorgement of profits, injunctive relief, pre- and post-judgment interest, and recovery of fees and costs. The parties to the cases entered into a confidential settlement agreement on February 2, 2022 under which (i) HotBox relinquished its assets to the LS Opco Parties, (ii) HotBox received \$2,700,000 in proceeds, (iii) the parties released each other from all additional claims, and (iv) the lawsuits were dismissed.

Other than ~~this~~these actions, no litigation is required to be disclosed in this Item.

#### **Item 4.**

### **BANKRUPTCY**

Until April 2024, Jeffrey J. Teschke and Kyle Casella, two of our officers, were officers of Honors Holdings, LLC, a multi-unit franchisee of the Orangetheory Fitness brand with its principal business address at 120 Interstate North Parkway SE, Atlanta, GA, 30339. On November 20, 2024, approximately 7 months after Mr. Teschke and Mr. Casella left that company, an involuntary Chapter 7 bankruptcy petition was filed against Honors Holdings, LLC, Case No. 1-24-44875-ess, United States Bankruptcy Court, Eastern District of New York (Brooklyn). The case remains pending.

Other than this action, no bankruptcy is required to be disclosed in this Item.

#### **Item 5.**

### **INITIAL FEES**

Initial Franchise Fee: You will pay us an initial franchise fee of \$45,000 in a lump sum when you sign the Franchise Agreement. We fully earn the initial franchise fee when we execute the Franchise Agreement. The initial franchise fee is not refundable and is uniformly imposed. In 2025, we charged a

PROVISION	SECTION IN AGREEMENT	SUMMARY
		the offer with certain provisions; if this right is not exercised within 30 days of our receipt of notice of such intention to sell or transfer, then you may sell or transfer in accordance with Item 17(k) through 17(m).
o. Franchisor’s option to purchase franchisee’s business	Franchise Agreement: Section 16.B	We may purchase the assets of your Business for liquidation value upon the expiration of the Franchise Agreement and any successor franchise granted to you, or the termination of the Franchise Agreement by you without cause or by us with cause (each a “Termination Event”), subject to state law. In the case of a Termination Event, we have 30 days from the Termination Event to provide you with written notice of our election to purchase your Business, subject to state law.
	Development Agreement: Not Applicable	Not applicable.
p. Death or disability	Franchise Agreement: Section 13.D	Your death (or the death of any of your owners) constitutes a transfer of the franchise requiring our consent (see Item 17(k) above) and starting our right of first refusal (see Item 17(n) above).
	Development Agreement: Section 5.B	Neither the Development Agreement nor any ownership interests in you may be transferred without our prior written consent.
q. Non-competition covenants during the term of the franchise	Franchise Agreement: Section 8	<u>Subject to applicable state law</u> , <del>N</del> either you, nor any of your owners or their immediate family members, may have any involvement, directly or indirectly, in a “Competitive Business,” wherever located or operating (except for any equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange). “Competitive Business” means any business (other than an authorized Business): (i) that offers products and services that are the same as or substantially similar to those offered at Businesses; (ii) whose core offerings include mind and body wellness services, experiences, therapies and treatments that are substantially similar to those that are then being provided by Businesses; (iii) whose concept, business model or method of operation is similar to that of a Business or any other wellness businesses operated, franchised or licensed by us or our affiliates; or (iv) that grants franchises or licenses for the operation of any of the foregoing or provides services to the franchisor or licensor of any of the foregoing. You may neither interfere with vendor, supplier, or consultant relationships nor engage in activities that would harm the Marks or System. <u>Subject to applicable state law</u> .
	Development Agreement: Not Applicable	Not applicable.
r. Non-competition covenants after the	Franchise Agreement: Section 16.A	<u>Subject to applicable state law</u> , <del>Y</del> you may not have any involvement, directly or indirectly, in a Competitive Business for 2

PROVISION	SECTION IN AGREEMENT	SUMMARY
franchise is terminated or expires		years within 10-mile radius of the premises of your Business or any Business in existence or under construction at time of termination or expiration of Franchise Agreement. You may neither interfere with vendor, supplier, or consultant relationships nor engage in activities that would harm the Marks or System. <a href="#">Subject to applicable state law.</a>
	Development Agreement: Not Applicable	Not applicable.
s. Modification of the agreement	Franchise Agreement: Section 19.B	No modifications except in writing and signed by both you and us.
	Development Agreement: Section 10.A	No modifications except in writing and signed by both you and us.
t. Integration/merger clause	Franchise Agreement: Section 19.G	Only the written terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representation or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. However, nothing in the Franchise Agreement is intended to disclaim the representations we made in the Disclosure Document that we furnished to you.
	Development Agreement: Section 10.F	Only the written terms of the Development Agreement and other related written agreements are binding (subject to state law). Any representation or promises outside of the Disclosure Document and Development Agreement may not be enforceable. However, nothing in the Development Agreement is intended to disclaim the representations we made in the Disclosure Document that we furnished to you.
u. Dispute resolution by arbitration or mediation	Franchise Agreement: Section 18.A	We and you must arbitrate all disputes at a location in or within 50 miles of our or, as applicable, our successor's or assign's then-current principal place of business (currently, Atlanta, Georgia) (subject to state law).
	Development Agreement: Section 13.A	We and you must arbitrate all disputes at a location in or within 50 miles of our or, as applicable, our successor's or assign's then-current principal place of business (currently, Atlanta, Georgia) (subject to state law).
v. Choice of forum	Franchise Agreement: Section 18.C	You must sue us in the state of our or, as applicable, our successor's or assign's then-current principal place of business (currently Atlanta, Georgia) (subject to state law).
	Development Agreement: Section 9.C	You must sue us in the state of our or, as applicable, our successor's or assign's then-current principal place of business (currently Atlanta, Georgia) (subject to state law).
w. Choice of law	Franchise Agreement: Section 18.B	Georgia law (subject to state law).