

**FRANCHISE DISCLOSURE DOCUMENT**

Ace Pickleball Club Franchise, LLC  
A Nevada limited liability company  
~~1425 Market Boulevard, Suite 200~~33 Mansell Court  
Roswell, Georgia 30076  
Phone: 916-524-2046  
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franchising@acepickleballclub.com



We offer franchises for the operation of businesses operating under the “Ace Pickleball Club” name, which provide pickleball courts and pickleball-related activities and services, including open play, ~~leagues~~memberships, tournaments, and special events, a retail pro-shop, and a café serving grab-and-go food and beverages.

The total investment necessary to begin ~~operation~~operations of an Ace Pickleball Club franchise is ~~\$940,250~~817,750 to ~~\$1,894,240~~4,850. This includes ~~\$475,413~~500 to ~~\$287,663~~500 that must be paid to the franchisor and/or its affiliates.

The total investment necessary to begin operation of an Ace Pickleball Club multi-unit development business ranges from ~~\$1,002,350~~877,750 to ~~\$1,956,950~~2,464,850 for two Ace Pickleball Club businesses to be developed. This includes ~~\$235,500~~ to ~~\$347,500~~120,000 that must be paid to the franchisor and/or its affiliates.

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 for you. To discuss the availability of disclosures in different formats, contact Joe Sexton at ~~1425 Market Boulevard, Suite 200~~33 Mansell Court, Roswell, Georgia, 30076, and or 916-524-2046.

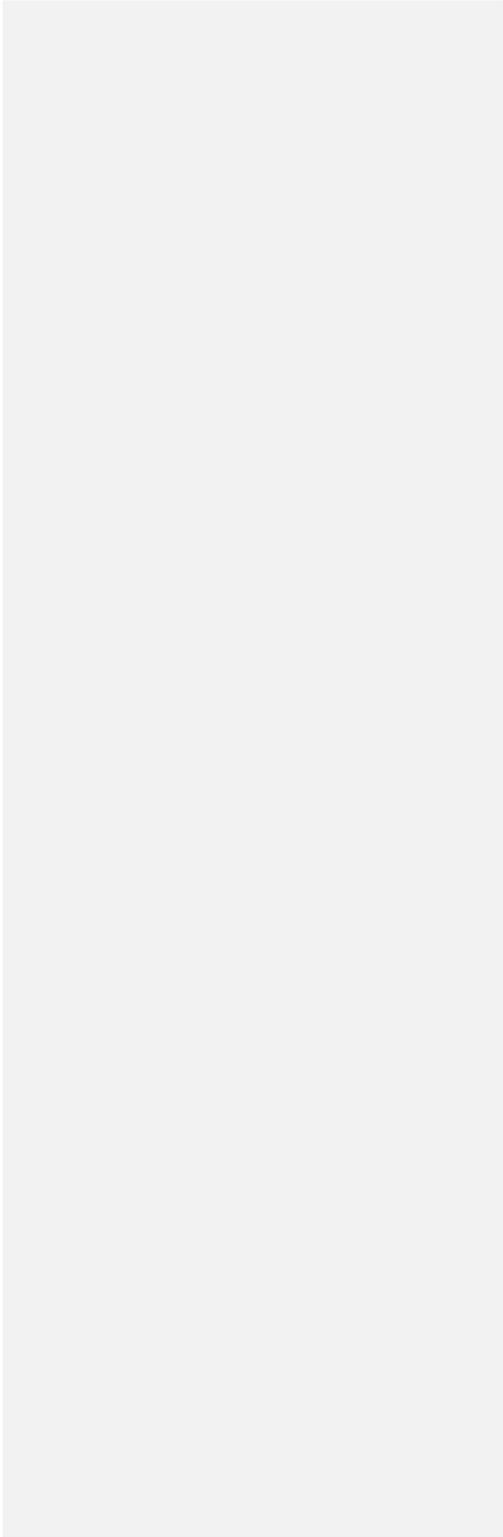
The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise", which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC, 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

**Issuance Date: April 30, 2024**

| 29, 2025.



## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
<b>How much will I need to invest?</b>	Items 5 and 6 describe fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 describes the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Ace Pickleball Club business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be an Ace Pickleball Club franchisee?</b>	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit G.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

### 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 requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Nevada. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Nevada than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that consents to you entering in the franchise agreement and entering into a guarantee, this 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 your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
4. **Short Operating History.** The 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 in a system with a longer operating history.
5. **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.
6. **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 may also experience delays in opening your own outlet.

Certain states may require other risks to be highlighted. If so, check the "State Addenda" (if any) to see whether your state requires other risks to be highlighted.

**ACE PICKLEBALL CLUB FRANCHISE, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

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**LIST OF EXHIBITS:**

- Exhibit A – Franchise Agreement
- Exhibit B – Multi-Unit Development Agreement
- Exhibit C – State Addenda
- Exhibit D – Table of Contents of Operations Manual
- ~~E – List of Franchisees and Former Franchisees~~
- Exhibit E – Franchised Outlets
- Exhibit F – Financial Statements
- Exhibit G – List of Franchise Administrators/Agents for Service of Process
- Exhibit H – Franchisee Acknowledgment Statement

State Effective Dates  
Receipts

## ITEM 1

### **THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this Disclosure Document "Franchisor", "us", "our", or "we" means Ace Pickleball Club Franchise, LLC, the franchisor. "You" and "your" means the person or entity to whom we grant a franchise. If the franchise is owned by a corporation, partnership or limited liability company, "you" and "your" also means the owners of the corporation, partners of the partnership, or members and manager of the limited liability company and their spouses.

#### **The Franchisor**

We are a Nevada limited liability company formed on January 20, 2023. We maintain our principal place of business at ~~1425 Market Boulevard, Suite 200~~ 33 Mansell Court, Roswell, Georgia, 30076. We do not currently conduct business under any name other than Ace Pickleball Club Franchise, LLC.

We offer franchises under the names "Ace Pickleball Club" and "APC" and all related service marks, trademarks, trade dress, trade names, and copyrights and all configurations and derivations as may presently exist or which may be modified, changed, or acquired by us or our affiliates in connection with the operation of Ace Pickleball Clubs (the "Marks").

We began offering franchises in February 2023. We do not have any businesses of the type you will be operating, and we do not engage in any business activities other than franchising Ace Pickleball Clubs and providing services to our franchisees. -Neither we nor any of our affiliates have offered, or currently offer, franchises in other lines of business. -Except as noted below, none of our affiliates have sold any franchises like your Club.

Our agents for service of process are disclosed in Exhibit G.

#### **Our Parent, Predecessors and Affiliates**

Our parent is Ace Pickleball Club, LLC, a Nevada limited liability company, formed on August 11, 2022, and located at ~~1425 Market Boulevard, Suite 200~~ 33 Mansell Court, Roswell, Georgia, 30076. Our parent owns the Intellectual Property (as defined below) and has granted us a worldwide license to grant franchises using the Intellectual Property. Ace Pickleball Club, LLC has never offered franchises in this or any other line of business.

Our affiliate, APBC Management and Support LLC, a Florida limited liability company, was formed on May 19, 2023, and is located at our headquarters. APBC Management and Support LLC provides support services to franchisees, but ~~APBC Management and Support LLC~~ has never offered franchises in this or any other line of business.

APBC Design and Build Advisors LLC, a Nevada limited liability company, is our affiliate formed on August 29, 2023, and is located at our headquarters. APBC Design and Build Advisors LLC provides AV/IT equipment and installation, and club design and layout support to franchisees, ~~but~~ APBC Design and Build Advisors LLC has never offered franchises in this or any other line of business.

~~Through an~~ APC Ad Fund LLC, a Nevada limited liability company, is our affiliate, ~~we~~ formed on February 22, 2024, and is located at our headquarters. APC Ad Fund LLC manages and administers the Advertising Fee. APC Ad Fund LLC has never offered franchises in this or any other line of business.

~~We have operated an,through an affiliates, outlets similar to the franchise offered by this Disclosure Document since May 2023. As of our last fiscal year end, our affiliates operated outlets in Roswell, Georgia; Ft. Wayne, Indiana and Jeffersontown, Kentucky. We may operate other Ace Pickleball Club in Roswell, Georgia, since May 2023.~~concepts, including additional Ace Pickleball Club outlets, in the future.

### **The Franchise Offered**

We offer franchises for the operation of Ace Pickleball Clubs that offer pickleball related activities and services, including but not limited to open play, ~~leagues~~memberships, tournaments, and special events. You will do business under the fictitious or assumed name of "Ace Pickleball Club" or any other name that we decide to use in the future. The Ace Pickleball Club you will operate according to the terms of a franchise agreement (the "Franchise Agreement"), which is attached as Exhibit A, is referred to as the "Club." Ace Pickleball Clubs range in size but are typically between 25,000 to 40,000 square feet and feature 8 to 16 pickleball courts. Regardless of the number of pickleball courts, each Ace Pickleball Club will contain a check-in and social gathering area, a pro shop selling pickleball equipment and apparel, and a concession area. All your employees must be thoroughly screened, including conducting background checks for crimes against minors. Our "System" includes a unique, specially developed method of operating Ace Pickleball Clubs using the Marks according to ~~certain~~specific procedures and methods, site evaluation criteria, layouts, advertising, sales and promotional techniques, training, trade secrets, and any other matters relating to the operation of a Club, as they may be periodically changed, improved, modified, and further developed by us or our affiliates.

### **Multi-Unit Development Agreement**

In certain circumstances, we may offer you the right to sign a multi-unit development agreement ("Multi-Unit Development Agreement" or "MUDA") in the form attached as Exhibit B. Under the MUDA, we will assign you a specific area ("Development Area") within which you must open and operate a designated number (minimum of two) of Ace Pickleball Clubs within the specified periods of time as set forth in Attachment 2 to the MUDA ("Development Schedule"). ~~In no event~~You will you not sign a Franchise Agreement for any outlet under the MUDA until we have complied with any applicable waiting periods prescribed by law. You must sign a Franchise Agreement for your first outlet to be developed at the same time you sign the MUDA, and within the times specified in the Development Schedule, you must execute a Franchise Agreement for each subsequent outlet.

Under the Franchise Agreement and MUDA, each of your shareholders, partners or members (and their shareholders, partners or members if they are an entity) who has a 25% or greater interest must sign a Guaranty of your monetary obligations and all other obligations under the respective Franchise Agreement and MUDA (as applicable). Additionally, your Operating Principal Owner (as described in Item 15) must execute the Guaranty.

### **Market and Competition**

~~The~~People of all ages use the facilities and services offered by the Ace Pickleball Clubs ~~are used by people of all ages~~ – the public from kids to seniors - and are not limited to any specific submarket. While the market for pickleball facilities is developing it is competitive. Your Club will compete with other recreation and entertainment facilities, sports facilities, and fitness facilities, including other indoor and outdoor businesses ~~which~~that may feature pickleball courts, most of which are individually or independently owned and operated, as well as outdoor pickleball courts owned and operated by local government agencies (Parks and Recreation Divisions). Other franchises will likely also operate businesses providing indoor and outdoor pickleball facilities that will compete with your customer base. Your Club will operate year-round, and sales are not limited seasonally.

## **Industry Regulations**

There may be regulations specific to the operation of an Ace Pickleball Club in your state that, among other things, require you to maintain a certain ratio between supervisory employees and the number of customers at the Club. You must comply with all local, state, and federal health and sanitation laws and regulations. Building codes and requirements vary in different jurisdictions and you must comply with all local laws as well as federal laws including the Americans with Disabilities Act. You may also be subject to certain health and safety requirements, such as laws requiring you to have an employee on site who is certified in basic cardiopulmonary resuscitation and/or the use of an automated external defibrillator, and requirements for licensing related to teaching and supervising children. Many states and municipalities have laws and regulations regarding fitness center contracts with guests, and some state and local laws may regulate the length and terms of membership contracts, advertising, and limitations on pre-opening sales. You should check with your attorney for advice on complying with applicable law before you purchase a franchise and during the operation of your Club.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### **Joseph Sexton: President**

Mr. Sexton has been our President since inception in January 2023. From December 2021 to November 2022, he was the Senior Vice President of Franchise Development at Oakscale, LLC in Jersey City, New Jersey, and was Senior Director of Franchise Development at Oakscale, LLC in Jersey City, New Jersey, from March 2019 to December 2021. From February 2018 to March 2019, he was the Senior Director of Development at Serendipity Labs, Inc. in Rye, New York.

#### **Vincent Barrios: Chief Development Officer**

Mr. Barrios has been our Chief Development Officer since inception. From June 2013 to January 2023, he was the Senior Director of Park Development at Sky Zone Franchise Group, LLC in Los Angeles, California.

#### **Brianne Carter: Chief Operations Officer**

Ms. Carter has been our Chief Operations Officer since May 2023. From September 2022 to April 2023, she was the Sr. Manager of Training and Development at Sky Zone Franchise Group, LLC in Los Angeles, California. Ms. Carter was Sr. Manager of Innovation Deployment at Sky Zone Franchise Franchise Group, LLC in Los Angeles, California, from May 2016 to September 2022.

#### **Diego Pacheco: Chief Growth Officer**

~~Mr. Pacheco has been our Chief Growth Officer since April 2023. From October 2021 to March 2023, he was Growth Director at JLL Technologies in San Francisco, California. Mr. Pacheco was with Hines Interested Limited Partnership in Houston, Texas, as an Associate from November 2020 to May 2021. After completion of his MBA program in May 2019, from July 2019 to October 2020, he was with Prudential Global Investment Management in San Francisco, California, as an Associate and later Senior Associate in the Acquisitions, Development, and Asset Management group.~~

#### **Jeffrey Jabbour: Controller**

Mr. Jabbour has been our Controller since November 2023. From May 2022 to October 2023, He was the Assistant Controller at Podium Publishing in El Segundo, California. Mr. Jabbour filled various accounting

roles at Sky Zone Franchise Group in Los Angeles, California, from August 2018 to May 2022, with his final role being Assistant Controller.

**Conor Hawks: Vice President of Franchise Development**

Mr. Hawks has been our Vice President of Franchise Development since May 2023. From March 2022 to May 2023, he was Executive Director of Franchise Development for Mathnasium Learning Centers in Los Angeles, California, after having served as International Development Manager for Mathnasium from March 2021 to March 2022. From January 2016 to March 2021, Mr. Hawks was Franchise Development Manager for Crosscourt LLC in Los Angeles, California.

**ITEM 3**

**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**

**BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5**

**INITIAL FEES**

**Franchise Agreement**

Initial Franchise Fee

~~You~~ When you sign the franchise agreement, you will be required to pay us an initial franchise fee of \$60,000 when you sign the Franchise Agreement. The initial franchise fee is deemed fully earned upon execution of your Franchise Agreement and is not refundable under any circumstances.

During our fiscal year ended December 31, 2024, we did not waive or discount any initial franchise fees.

Technology Setup Fee

~~You~~ When you sign the lease for your club, you must pay ~~to~~ us an initial technology setup fee of \$3,500 when you sign the lease for your Club. This fee covers the costs of ~~setup~~ setting up our custom ~~Microsoft~~ Microsoft Teams operating system, ~~setup~~ setting up and ~~installation of~~ installing the POS System, ~~setup of~~ setting up your digital marketing platform, ~~setup~~ setting up and ~~launch of~~ launching your local website, and any other technology we may deem necessary for the operation of your Club. This fee is not refundable under any circumstances.

Computer AV/IT equipment and installation.

You must purchase from our affiliate the AV/IT for your computer system for between \$150,000 and \$250,000, which includes installation.

Pickleball Court Design & Installation

You must use our affiliate, APBC Design and Build, LLC, for your Pickleball Court design and installation services ~~of including court surfaces, court installations~~ surfacing, netting, fencing, padding, and related court design features— ~~such as windscreens.~~ Court design and installation costs will range from ~~\$112,200,000 to \$224,350,000~~ and are nonrefundable under any circumstances.

**Multi-Unit Development Agreement**

If we grant you the right to develop multiple Clubs within a designated Development Area, when you sign the MUDA you are required to pay us a lump-sum development fee of \$60,000 multiplied by the number of Clubs you are granted the right to develop. For example, if you commit to develop two Clubs under a MUDA, the development fee will be \$120,000 (\$60,000 x 2).

The development fee is fully earned when paid and is non-refundable under any ~~circumstances.~~ circumstances. You will be required to execute the Franchise Agreement for the first Club under the MUDA at the same time you execute the MUDA.

There are no other payments to or purchases from us or any affiliate that you must make before your Club opens.

**ITEM 6**

**OTHER FEES**

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Royalty Fee (Note 1)	7% of Gross Sales	Payable monthly on the first of each calendar month for the previous month	Payments must be made via electronic funds transfer (EFT)
Advertising Fund Fee (Note 1)	1% of Gross Sales, <u>not to exceed 2%</u>	Payable monthly on the first of each calendar month for the previous month	Payments must be made via electronic funds transfer (EFT).
Transfer Fee - Franchise Agreement	\$30,000	Prior to transfer	Payable when you transfer your Franchise Agreement, the assets of your Club, or your ownership
Transfer Fee – Multi-Unit Development Agreement	\$25,000 per each undeveloped unit under the Development Schedule	Prior to transfer	Payable when you transfer your Multi-Unit Development Agreement or your ownership
Renewal Fee - Franchise Agreement	\$15,000	Upon execution of renewal franchise agreement	Payable when you renew the Franchise Agreement
Additional Training (Note 2)	\$500 per day, plus expenses	Upon demand	Payable to us for additional training we periodically

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			provide or require. You must pay for any travel, meal, incidental, and lodging expenses incurred by persons conducting the training program and attending the training program.
Additional Assistance (Note 2)	\$500 per day, plus expenses	Upon demand	Payable to us for additional assistance you request or that we require for you. You must pay for any travel, meal, incidental, and lodging expenses incurred by persons conducting the additional assistance.
Audit (Note 3)	Actual costs of the audit, including expenses	Upon demand	Payable if we find, after an audit or review, an understatement of Gross Sales of 2% or more
Interest on Late Payments (Note 3)	18% annually or highest rate allowed by law, whichever is less	Upon demand	Payable on all overdue amounts. Interest accrues from the original due date until payment is received in full.
Late Report Fee (Note 3)	\$100, plus \$100 for each time increment the report is late	Upon demand	Payable on your failure to timely send us financial reports when due. We may waive this fee if the report is late due to technical or communications errors.
Testing for Alternate Supplier Approval	Actual cost of testing	Upon demand	Only if you propose a supplier to us for approval
Technology Fee (Note 4)	\$750	Monthly	Payable to us. Subject to increase but will not increase more than 10% annually.
Taxes (Note 5)	Actual costs	Upon demand	Payable to us
Annual Convention	Up to \$1,000 per person, plus expenses	15 days before convention begins	The cost of the convention does not include travel, lodging, meals, or wages for attendees. If payment is not received by the required deadline, the fee will be

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			automatically debited from your bank account.
Space Planning Fee	\$350 per floor plan	Upon delivery of the Space Plan	We will provide the first three Space Plans at no cost to you. We will charge you this fee for each additional Space Plan after the third.
Insurance	Actual costs to procure insurance, plus a 10% administrative fee for our services in procuring the insurance	Upon demand	Payable to us only if you fail to maintain the minimum insurance we require and we choose to procure the required insurance for you.
Indemnification	Actual cost	Upon demand	Payable to reimburse us for our losses due to your breach of the Franchise Agreement or any other action or inaction by you or any other person (including, employees, agents, officers) relating to your Club.
Attorneys' Fees for Review of Club Waivers	Actual costs	As incurred	If applicable to your state, all franchisees located within the particular state will share the costs for the attorney to review the Club Waivers for that state.

—Except as otherwise indicated, all fees are imposed by and are payable to us or our affiliates. All fees are non-refundable. All fees are uniformly imposed.

**Note 1 - Royalty Fee and Advertising Fee.** Royalty Fees and Advertising Fees are due and payable monthly on the first of each calendar month for the previous month. If the payment date falls on a holiday, the fees will be due on the next business day. Any payment or report not received by us by the date due will be deemed overdue. "Gross Sales" means the total amount of all sales of products, services, programs and merchandise sold from, through, or in connection with the Club, whether for cash, on credit, barter or otherwise, but not including applicable sales, use or service taxes, properly documented refunds to customers, or properly documented promotional discounts (i.e., coupons). Gross Sales do not include gift card purchases, at the time of purchase, but Gross Sales do include the redemption amount of purchases made by gift card. You will comply with the procedures in the Manual or as otherwise communicated for any electronic funds transfer program. You will perform the acts and sign the documents, including authorization forms that we, your bank, and our bank may require to conduct payment by electronic funds transfer, including authorizations for us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of Royalty Fees and Advertising Fees and other amounts, including interest payable to us. In addition, you will pay all costs associated with using an electronic funds transfer payment program. If you do not report Gross Sales to us on time and according to the procedures set forth in the Franchise Agreement and the Manual, in

addition to any applicable late charge, we have the right to debit your account an estimated amount equal to the fees due and payable to us according to the most recent reports you sent to us.

**Note 2 - Training and Assistance Fees.** We will charge you the additional training fee for any additional training we provide to you, your managers, or employees after we have provided the minimum required training as detailed in Item 11. We will charge you the additional assistance fee for any continuing advisory assistance we provide to you if you request it or if we deem it required.

**Note 3 - Audit, Interest, and Late Report Fees.** You must reimburse us for the actual cost of the audit or review, including expenses (salaries, professional fees, travel, meals, and lodging), plus any understated amount with interest. If you under-report your Gross Sales, in addition to paying us the amount of unpaid Royalty Fees and Advertising Fees, you must pay interest on the unpaid amounts. If you fail to send us your weekly reports when due, we can charge you the late report fee, plus \$100 for each day your report is late. If you fail to send us a report that is due on a quarterly basis or annual basis, we can charge you the late report fee, plus \$100 for each month your report is late.

**Note 4 - Technology Fee.** You must pay us this monthly fee to cover the costs of our custom Microsoft Teams operating system, POS System, digital marketing platform your local website, and any other technology we may deem necessary for the operation of your Club.

**Note 5 - Taxes.** You must pay us the amount of any state or local sales, use, gross receipts, or similar tax that the state or local government authority imposes on fees which you pay to us, without offset or deduction of any kind. This does not include income-type taxes which a state or local government imposes on our income.

**ITEM 7**

**ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT					
TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$60,000	<del>\$60,000</del>	Lump sum	Upon signing the Franchise Agreement	Us
Lease & Security Deposits (Note 1)	<del>\$31,250</del> \$31,250	- \$100,000	As arranged	Upon signing the lease	Landlord
Leasehold Improvements/ Architect (Note 2)	\$0	<del>\$3751,120,000</del> -\$1,000,000	As arranged	Before opening	Landlord, architect, construction company
Signage	<del>\$33,000</del> -\$50,000	<del>\$80,000</del>	As arranged	Before opening	Vendors

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YOUR ESTIMATED INITIAL INVESTMENT					
TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Pickleball Court Design & Installation (Note 3)	<del>\$112,000</del> 0- <u>\$22420</u> 0,000	<u>\$350,000</u>	As arranged	Before opening	Our affiliate
Furniture/Fixtures (Note 4)	<del>\$15,000</del> - <u>\$3025,000</u>	<u>\$50,000</u>	As arranged	Before opening	Vendors
Computer Equipment/Hardware/IT/AV (Note 5)	<del>\$10,000</del> - <u>\$12150,000</u>	<u>\$250,000</u>	As arranged	Before opening	<del>Vendors</del> Our affiliate
Equipment and Supplies (Note 6)	<del>\$100,000</del> 0- <u>\$15025,000</u>	<u>\$50,000</u>	As arranged	Before opening	Vendors
Grand Opening Advertising (Note 7)	<del>\$2535,000</del> 00	<u>\$35,000</u>	As arranged	50% before opening and balance in the first month of operations	Advertising suppliers
Local Advertising (Note 7)	\$18,000	<u>\$18,000</u>	As arranged	Minimum of \$6,000 per month in 2 <sup>nd</sup> , 3 <sup>rd</sup> , and 4 <sup>th</sup> months of operation	Advertising suppliers
Licenses, Dues, Utility Deposits, etc.	\$6,000 - <u>\$7,000</u>	<u>\$7,000</u>	As required	Before <del>Opening</del> opening	Government Agencies and Organizations
Inventory (Note 8)	\$13,000 - <u>\$15,850</u>	<u>\$15,850</u>	As arranged	Before <del>Opening</del> opening	Vendors and suppliers
Travel Expenses/Pre-Opening Salaries (Note 9)	\$10,000 - <u>\$12,500</u>	<u>\$12,500</u>	As arranged	Before <del>Opening</del> opening	Airlines, hotels, etc.
Professional Fees	\$6,000 - <u>\$8,000</u>	<u>\$8,000</u>	As arranged	Before <del>Opening</del> opening	Attorney, accountant

YOUR ESTIMATED INITIAL INVESTMENT					
TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Technology Setup Fee	\$3,500	\$3,500	Lump sum	Monthly Upon signing the lease	Us
Insurance Deposit (Note 910)	<del>\$2,500</del> -\$45,000	\$10,000	Lump Sum	Before Opening	Insurance agent
Additional Funds – three months (Note 1011)	<del>\$120,000</del> 0-\$175,180,000	\$235.00	As incurred	As incurred	Employees, suppliers, utilities, etc.
<b>TOTAL (Note 112)</b>	<del>\$940,250 - \$1,894,817.750</del> <b>\$2,404,850</b>				

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None of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable. We do not finance any portion of your initial investment.

**Note 1 - Lease and Security Deposit.** The ideal size of your Club to include 8 to 16 courts should range between 25,000 and 40,000 square feet. In most cases, the landlord will require a security and/or rental deposit. Usually, the landlord will require you to pay the equivalent of at least one month's rent. Rental rates or deposits on an unknown location cannot be predicted in advance. However, the deposit will most likely depend on the size and location of the Club. These costs will vary greatly depending on the area where the Club will be located. This line item in the table represents a range from one month's rent to three month's rent as a security deposit plus your first month's rent. The low range in this table represents the least expensive deposit for the Club and the high range represents the most expensive deposit for the Club. In most cases, franchisees rent rather than purchase property. This estimate assumes you will rent. If you purchase the property, your initial expenses will dramatically increase.

**Note 2 - Leasehold Improvements and Architect Fees.** Leasehold Improvements and Architect Fees. When you select a site has been selected by you and approved by us and we approve it in writing, you will contract with an architect we have approved. The approved architect will provide you with a preliminary layout and suggestions for the design of a typical Club and then produce a full set of architectural and engineering design plans. You that will then need the services of a local licensed architect be submitted to detail the layout into construction plans. You will pay for the local architect's services directly. This also includes the cost of fencing around the courts which can be installed by a local contractor the city for building permits.

The cost of construction, improvements, or building varies widely by the size of the space, the existing improvements, and local construction rates. For example, if the electrical outlets, bathrooms, or heating/cooling have not been completed already at the space, your costs for leasehold improvements will increase. Sometimes The low end of your estimated initial investment range assumes you may will receive a construction tenant improvement allowance from the landlord. A tenant improvement allowance is common but not guaranteed and can range between \$1 and \$55 per square foot. The high end of your estimated initial investment range assumes no tenant improvement allowance from the landlord and if so, the costs may be reduced accordingly.

The cost of leasehold improvements in the above table does not include expenses related to other line items in the table like "Furniture/Fixtures", "Pickleball Courts and Installation", or "Equipment and Supplies". Until a specific site is located and evaluated, a reliable estimate of costs cannot be projected. However, we strongly suggest that the leasehold improvements and architect fees fall within this range. In some cases they may be significantly higher or lower depending on lease negotiations with local landlords. ~~We provide the first three Space Plans to you at no additional cost.~~

**Note 3 – Pickleball Court Design & Installation.** The low range includes the cost of eight pickleball courts and the high range includes the cost of 16 pickleball courts including materials, installation, labor, shipping and handling, insurance, engineering, and tax for the court surfacing, netting system, fencing, padding and windscreens. These costs can fluctuate based on the square footage of each pickleball court. You must purchase the courts and the installation from our affiliate or designated contractor.

**Note 4 - Furniture/Fixtures.** This range includes furniture, storage racks, lockers, kiosk, displays, slat wall, line dividers, etc. You must purchase these items from approved suppliers. ~~This range assumes that these items being purchased are new and the costs include installation.~~

**Note 5 - ~~Computer Equipment/Hardware~~ -IT/AV.** The POS System you must purchase is described in Item 11. - You are required to purchase and install the approved POS system. ~~Also included in this range is the cost of the register and network, audio / visual / IT system, TV monitor displays and video surveillance system.~~ Additional computer stations and certain additional extra low voltage equipment will determine the amount of this line item, which will be based on the overall square footage of the club and number of courts. You must purchase the hardware and the installation from our affiliate or designated contractor.

**Note 6 - Equipment and Supplies.** These amounts represent ~~audio visual system, TVs,~~ clocks, concession equipment and supplies, cleaning supplies and equipment, first aid equipment, filming and photography equipment, telephone system, ~~video surveillance camera system/security system,~~ radios and uniforms. -All of the costs assume these items are new and include any installation which is required.

~~———— Your security camera system must monitor all pickleball courts, including recording equipment to record and store video records of injuries for a minimum of 365 days (ready access storage). Additionally, the video system specification must allow us and our insurance carrier to have direct access to your security cameras and video storage (365 days history) at all times.~~

**Note 7 - Grand Opening Advertising & Local Advertising.** As explained in Item 11, you must spend a minimum of ~~\$2535,000~~ (depending on the area where your Club is located) for grand opening advertising and sales promotions around the opening of your Club. You must spend a minimum of 50% of this expenditure before you open your Club and the remainder in the first month of your Club's operations. In your Club's second, third, and fourth months of operations, you must spend at least \$6,000 per month on local advertising for your Club.

**Note 8 - Inventory.** These amounts represent the cost of your inventory including apparel, pickleball paddles, ~~other~~ various other merchandise, balls, supplies, concessions, and uniforms.

**Note 9 – Note 9 – Travel Expenses/Pre-Opening Salaries.** This amount is for transportation, lodging and meals for 2 persons attending our onboarding program and initial training program. Costs and will vary in relation to travel expenses for air fare, lodging, meals, seasonality, and the geographic area from where you are traveling.

**Note 10 – Insurance.** These amounts represent a two-month deposit of the annual premium for the required insurance. Many insurance companies will require you to pay this amount before opening and allow you to pay the remainder in monthly payments for an additional 10 months. Typically, the annual premiums will range

from \$1020,000 to \$2540,000 depending on the size of your club. Insurance premiums are subject to increase at any time based on market conditions and certain states may have higher premiums.

**Note 4011 - Additional Funds – Three Months.** This item estimates your initial startup expenses during the initial period of the operation of your Club, which we estimate is three months. These expenses include payroll, benefits, utilities, additional inventory requirements, supplies, etc., but do not include Royalty Fees and Advertising Fees and do not include an owner's salary or draw or any expenses which are listed in the above chart. These figures are estimates, and you may have additional expenses to start the business. These figures were based on the experience of our management team supporting the opening and operating of similar entertainment and sports facility businesses with similar real estate size and requirements, and the expenses may differ in other parts of the country. Your costs will depend on factors like how closely you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and sales level reached during the initial period.

**Note 4112 - Total.** Costs and expenses can vary depending on factors like local real estate values, cost of labor and supplies. None of the fees listed in this Item are refundable. Your financial condition and arrangements negotiated and the business decisions made by you will also affect these costs. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

———We do not offer, either directly or indirectly, financing to you for any items. (See Item 10 of this document.) The availability of financing will depend upon various factors like the availability of financing generally, your credit worthiness, other security that you may have, and the requirements of lending institutions concerning the type of business to be operated by you.

**YOUR ESTIMATED INITIAL INVESTMENT  
MULTI-UNIT DEVELOPER – DEVELOPMENT OF THREE CLUBS**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee (Note 1)	\$120,000	Lump Sum	When MUDA is signed	Us
<del>Vehicle three months (Note 2)</del>	<del>\$2,100</del>	<del>As arranged</del>	<del>As arranged</del>	<del>Third Parties</del>
Other Expenditures for first Club (Note 3)	<del>\$880,250 -</del> <del>\$1,834,757.750 -</del> <del>\$2,344,850</del>	See first table	See first table	See first table
<b>Total</b>	<del>\$1,002,350 -</del> <del>\$1,956,950</del> <del>\$877,750 -</del> <del>\$2,464,850</del>			

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———In general, none of the expenses listed in the above chart are refundable. We do not finance any portion of your initial investment.

**Note 1 - Development Fee; Initial Franchise Fee.** These fees are discussed in Item 5. Our estimate assumes you will develop two Clubs. If you choose to develop additional Clubs, your development fee will increase by \$60,000 for each additional Club you commit to develop.

~~**Note 2 - Vehicle.** We expect that you will need a vehicle to view potential sites, oversee the build-outs, supervise multiple locations, etc. Our estimate includes three months of expenses for gas, maintenance and vehicle payments.~~

~~**Note 3**~~**Note 2 - Other Expenditures.** These are the estimates to build out your first Club. Costs associated with building out additional Clubs are subject to factors that we cannot estimate or control, such as inflation, increased labor costs, or increase materials costs. These estimates are assuming you are opening Clubs between 25,000 to 40,000 square feet. These amounts will increase if the Clubs you are opening are larger than 40,000 square feet.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate the Club according to our System and the operational standards as we may establish from time to time, which includes purchasing all products, services, supplies, inventory, equipment, and materials required for the operation of the Club from manufacturers, suppliers or distributors we approve.

#### Approved Suppliers

Our supplier specifications and standards are described in our Operations Manual (the "Manual") or on our company intranet site. Suppliers must demonstrate their ability to supply franchisees' needs in a timely and reliable manner and their products must meet our specifications and standards as to quality and appearance. In some instances, we, or our affiliates, may be approved suppliers or the sole approved suppliers for certain products (e.g., for pickleball courts, posts, netting systems, court technology, computer software, hardware, food and beverage items, and merchandise). Our list of approved and required suppliers may be designated in the Manual or will otherwise be provided to you. We may modify our list of approved brands, products and suppliers in our discretion, and will notify you of any modification by updates, memoranda or by supplements to the Manual. We have imposed these requirements to assure quality and uniformity of services and products sold to guests. You must also purchase computer software and hardware in accordance with our specifications and from approved suppliers.

If you wish to purchase or lease any goods, products, equipment or supplies, from a supplier not approved by us as meeting our specifications, you must first notify us in writing. We may require you to submit sufficient information and samples to determine whether these goods, products, equipment, supplies or supplier meet our specifications. With respect to the samples you provide, we may require that such samples from alternate suppliers be delivered to us or to a designated independent testing laboratory (or other place we determine) for testing before approval and use, and, in conjunction with such testing, we may also require you to pay our actual costs incurred for any testing. Our standards and specifications may impose minimum requirements for delivery, performance, design and appearance. We will advise you within 60 days whether these goods, products, equipment, supplies or supplier meet our specifications (if approval is not received within 60 days, this constitutes non-approval). If the alternate supplier meets our specifications, we will permit you to contract with the alternate supplier. We periodically establish procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers. Our criteria for suppliers of specific products are available upon your written request. We may revoke our approval of a supplier at any time in our sole discretion. We have no obligation to approve any request for a new supplier, product, or service.

Currently, we or our affiliate are approved suppliers of your pickleball court design and installation and setting up and intalling computer, POS, and AV/IT equipment at your Franchised Business. The following officers listed in Item 2 have an ownership interest in our parent, Ace Pickleball Club, LLC: Joseph Sexton, Brienne Carter, Jeffrey Jabbour, and Vincent Barrios. Vincent Barrios has an ownship interest in VB Consulting, LLC which is one of our approved suppliers. None of our officers has an ownership interest in any other approved supplier.

We and our affiliates may derive revenue from your required purchases in connection with the operation of Clubs in the future. For the fiscal year ended December 31, ~~2024~~2023, we ~~did not earn~~and our affiliates earned revenue from ~~franchisees~~franchisees required purchases ~~as we did not have any franchisees in operation.~~

~~Joseph Sexton and Vincent Barrios have an interest in our parent, Ace Pickleball Club, LLC, and in our affiliates, APBC Management and Support, LLC and APBC Design and Build, LLC. None of our officers have an interest in any other approved supplier, but we retain the right to do so in the future amount of \$2,836,126 or 55% of our total revenue of \$5,145,977.~~

There are currently no purchasing or distribution cooperatives.

We may receive discounts, rebates, commissions, promotional allowances, and other benefits if you buy items from certain suppliers we designate based on the quantities of products you and other franchisees buy. We and our affiliates reserve the right to negotiate with various vendors for quantity discount contracts which may include rebates under these contracts. We reserve the right in the future to affiliate ourselves with suppliers, and/or receive revenues from purchases made by franchisees. During our last fiscal year ended December 31, ~~2024~~2023, we ~~earned revenue of \$107,501 from 2023, there were no designated suppliers from whom we received payments based on franchisee purchases.~~ These revenues have not yet been collected.

The purchase of products from approved sources will represent approximately 90% to 95% of your overall product purchases in opening the franchise and ~~70%~~90% to ~~80%~~95% of your overall product purchases in operating the franchise.

We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of products or services or use of particular suppliers, but you must use only approved suppliers.

### **Insurance**

In addition to the purchases or leases described above, you must buy and maintain, at your own expense, insurance coverage that we require and to meet the other insurance-related obligations, all of which are described in detail in Section VII.J of the Franchise Agreement. The cost of coverage will vary depending on the insurance carrier's charges, the state where your Club is located, terms of payment, and your history. All insurance policies must name us and our affiliates as additional insured parties.

Currently, we require the following insurance and minimum coverages: (1) workers compensation at \$500,000 per accident, \$500,000 disease policy limit, and \$500,000 disease limit per employee; (2) comprehensive general liability coverage of at least \$1,000,000 per occurrence and \$2,000,000 aggregate; ~~and~~ (3) excess or umbrella liability insurance of at least \$2,000,000 and (4) employer practices liability insurance that names Franchisor as co-defendant in the amount of \$1,000,000, for employment wrongful acts, including third party liability for harassment and discrimination of non-employees. You must use an "A" AM Best rated carrier for your liability and excess coverage.

**ITEM 9**

**FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the Franchise Agreement (FA) and Multi-Unit Development Agreement (MUDA). It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT <i>(References to MUDA in italics)</i></b>	<b>ITEM IN DISCLOSURE DOCUMENT</b>
(a) Site selection and acquisition/lease	Section II  <i>Section I</i>	Items 6 and 11
(b) Pre-opening purchases/leases	Sections II and V.B, VII.E	Item 5 and 8
(c) Site development and other pre-opening requirements	Sections II and VII.A and B	Items 6, 7, 11
(d) Initial and ongoing training	Section VI	Item 11
(e) Opening	Section VII.B	Item 11
(f) Fees	Section IV  <i>and Section IV</i>	Items 5 and 6
(g) Compliance with standards and policies/Operations Manual	Sections VII.D and XIII	Item 11
(h) Trademarks and proprietary information	Sections VIII and IX	Items 13 and 14
(i) Restrictions on products/services offered	Sections VII.E	Item 16
(j) Warranty and customer service requirements	Section VII.E	Item 16
(k) Territorial development and sales quotas	Section I  <i>Section, Sections I and II</i>	Item 12
(l) Ongoing product/service purchases	Sections VII.E and XII	Item 8
(m) Maintenance, appearance and remodeling requirements	Section VII.O	Item 11
(n) Insurance	Section VII.J	Items 7 and 8
(o) Advertising	Section V	Items 6, 7 and 11
(p) Indemnification	Section XV	Item 6
(q) Owner's participation/management/ Staffing	Section VII.I and XV.A	Items 11 and 15
(r) Records/Reports	Section VII.L	Item 6
(s) Inspections/audits	Sections VII.K	Items 6 and 11
(t) Transfer	Section XIV  <i>Section IV</i>	Item 17
(u) Renewal	Section III	Item 17
(v) Post-termination obligations	Section XI.C	Item 17
(w) Non-competition covenants	Section X	Item 17
(x) Dispute Resolution	Section XVI	Item 17

OBLIGATION	SECTION IN FRANCHISE AGREEMENT <i>(References to MUDA in italics)</i>	ITEM IN DISCLOSURE DOCUMENT
	<i>and Section VIII</i>	

**ITEM 10**

**FINANCING**

We do not offer direct or indirect financing. We do not guarantee any note, lease, or obligations on your behalf.

**ITEM 11**

**FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

**Except as listed below, we are not required to provide you with any assistance.**

**Pre-Opening Obligations**

1. Grant you the right to use our Intellectual Property in connection with the operation of your Club to be located at the Site. (Franchise Agreement - Section I).
2. Designate your "**Assigned Territory**" (as further described in Item 12) at the time you sign your Franchise Agreement. (Franchise Agreement - Section I).
3. Provide you with site selection criteria for your Club (as further described below). (Franchise Agreement - Section II).
4. Approve or disapprove the location of your Club (as further described below). (Franchise Agreement - Section II).
5. Provide you the ~~first three~~ Space Plans to you (as further described below). (Franchise Agreement - VII.A).
6. Provide ~~both an onboing meeting~~, an initial training program and training program for new management post-opening (management turnover) at such time and place that we designate for the operation of the Club to you, your designated Club managers (as further described in Item 11). (Franchise Agreement - Section VI.A).
7. Loan you a copy of the Manual (as further described below). (Franchise Agreement - Section XIII).

**Obligations After Opening**

1. Administer the Advertising Fund (as described below). (Franchise Agreement - Section V).
2. Provide one of our representatives to assist you in the opening of the Club for at least three days when the Club opens for business. We reserve the right to charge you a fee if additional on-site training is required. (Franchise Agreement - Section VI.B).

3. Furnish you, at your request and as we deem appropriate, with additional guidance and assistance, and refresher training programs. We reserve the right to charge you a fee for attendance at a refresher training program. (Franchise Agreement - Section VI.C).

4. At such times as we designate, conduct inspections of the Club premises and audit the Club business operation, including all books and records. (Franchise Agreement - Section VII.K).

5. Periodically update and continue to loan to you one copy of our Manual (Franchise Agreement - Section XIII).

### Multi-Unit Development Agreement

The MUDA grants you the right to develop multiple Ace Pickleball Clubs operating under separate Franchise Agreements for each Ace Pickleball Club. Therefore, we have no ongoing obligations such as training or operational assistance to you under the MUDA. All ongoing and future obligations to you in opening your locations will be provided in any Franchise Agreement between you and us, including our standard site selection criteria.

### Site Selection and Opening

You select the site for your Ace Pickleball Club location. We will provide you with our standard site selection criteria or an on-site evaluation of your proposed sites, as we deem appropriate. You must verify to us that your site complies with our site selection criteria. If we do not accept a site you propose, you may propose another site. We do not select or endorse your site. We reserve the right to engage a national or regional commercial services brokerage team (CBRE, JLL, etc.) and/or local broker on your behalf to assist or lead the site selection process.

Before you lease or purchase any site for an Ace Pickleball Club location, you must submit to us certain information related to the site. We will review the site information and determine whether we approve or object to the site you propose. Factors we deem appropriate include the general location and neighborhood, demographic information, traffic patterns, parking, access, visibility, location of other competing facilities, size, configuration, appearance and other physical characteristics of the site.

We estimate the time from the date you sign the Franchise Agreement to the date you open your Ace Pickleball location to be between 9 and ~~12~~15 months. However, this time estimate may vary depending on numerous factors including, entitlements and permits, construction schedules and financing. You must sign a lease for a location we approve within six months of your signing the Franchise Agreement. If you and we cannot agree on a suitable location for your franchise and you do not have a signed lease or purchase a location within ~~six months of~~ 9 months of your signing the Franchise Agreement, we may terminate the Franchise Agreement, unless we have agreed with you to extend the amount of time for you to open the franchise location. Your Ace Pickleball location must be open and operating within ~~12~~15 months after you sign the Franchise Agreement or we may terminate the Franchise Agreement and retain your initial franchise fee.

Our affiliate, APBC Management and Support LLC, orders, delivers, and installs the required POS System at your Club. Our affiliate, APBC Design and Build Advisors LLC, ~~assists~~ assists in the ordering and delivery and ~~conducts~~ oversees the installation of the pickleball courts court surfacing, fencing, padding, lighting, A/V, IT and any other low voltage requirements at your Club. ~~We and our affiliates do not provide any other assistance with equipment, signs fixtures, opening inventory, and supplies.~~

You may open a Unit under a MUDA only by signing a Franchise Agreement for that Unit. You will sign a Franchise Agreement for the first Unit at the same time you sign the MUDA. The location for each Ace

Pickleball Club developed under the MUDA will be determined and approved in accordance with our then-current site criteria.

## **Manual**

The table of contents of the Manual is attached to this Disclosure Document as Exhibit D. Our Manual contains approximately ~~425~~139 pages.

## **Advertising**

### Advertising Fund

We have established an Advertising Fund to which you must contribute 1% of Gross Sales each month, not to exceed 2% of Gross Sales. The Advertising Fund may be used for advertising on television, radio, online and social media, direct marketing mailings, the newspaper and for any tournaments or events that we feel are appropriate. We have the right to determine the type of advertising and the media in which it will appear and to utilize third party advertising vendors for advertising. We have the sole right to formulate and make policy decisions concerning every aspect of the advertising and franchise expansion program, consistent with applicable law. (Franchise Agreement - IV.C; and V)

We agree that all Advertising Fees will be used for the payment of all costs associated with the creation, production, distribution, media placement and administration of local, state, regional or national advertising programs and for any taxes incurred on this Advertising Fund. In addition, the Advertising Fund can be used to pay administrative expenses, including, without limitation, material, services, salaries and overhead incurred by us or our Affiliates, in connection with administering the Advertising Fund.

You acknowledge that the Advertising Fund may not benefit you proportionately to the Advertising Fees you paid, that advertising may benefit some geographic areas more than others, and that we are not obligated to spend any amount on advertising in your area or other territories separate from the Advertising Fund. We do not have to spend the Advertising Fees during any specific time period. Advertising may be handled by the outside advertising agency which we select or in-house.

We will not use the Advertising Fund for the sale or attempted sale of new franchises.

We are under no obligation to continue selling or offering franchises. We have the sole right to formulate and make policy decisions concerning every aspect of the advertising and franchise expansion program, consistent with applicable law. Unaudited financial statements of the Advertising Fund will be made available to franchisees annually on request. If we do not use all of the funds in a particular fiscal year, the remaining funds will be carried over to the next fiscal year and be included in that year's advertising budget. We are entitled to reimbursement from the Advertising Fund to cover our administrative and overhead expenses associated with operating the Advertising Fund. All franchisees and any affiliate-owned Ace Pickleball Clubs will contribute to the Advertising Fund on an equal basis.

In our last fiscal year ended December 31, ~~2023~~, 2024, ~~no~~ Advertising Fund contributions from franchisees were required, made, or \$28,887.62 and the Fund operated at a deficit for the year. Advertising Fund contributions were expended, as follows:

- 48% was spent on asset creation
- 27% was spent on digital advertising
- 21% % was spent on consulting
- 4% was spent on administrative expenses

### Advisory Council

We may form a Franchise Advisory Council (FAC) that works with us to improve the System, including the products and services offered, advertising campaigns, and other matters of interest to us and our franchisees. We will have the right to form, change, merge or dissolve any advisory council at any time.

#### Grand Opening Advertising

In addition to the other advertising expenditures you must make, you must conduct a grand opening advertising and sales promotion program for your Club, and you must spend a minimum of \$2535,000 for this program. You must spend a minimum of 50% of the Grand Opening Advertising Amount before your Club opens for business and the remainder during the first month of operations. If requested by us, you must also provide to us, within three months after the opening of the Club, proof of your grand opening advertising and sales promotion expenditures in the form and including the details and copies of the advertising and materials and receipts, as we request. (Franchise Agreement - V.B)

#### Your Own Advertising

You must spend certain amounts for advertising and promotion of your Club in addition to the Grand Opening Advertising described above and the required Advertising Fund contributions. In the second, third, and fourth month in which your Club is open, you must spend a minimum of \$6,000 per month on local advertising. After your fourth month, you must spend a minimum of 2% of your Club's monthly Gross Sales on local advertising on a quarterly basis. After you have reached your maximum membership capacity as determined by us, the minimum advertising spend will be reduced to 1%.

We may provide a third-party mandatory marketing platform for all approved marketing resources. You must have proof of your expenditures if we request to review your books and records. If you develop advertising for your own use, you must submit it to us for our prior consent at least 10 days before you plan to use them. Unless we notify you that the proposed materials are disapproved, the materials are considered approved. You may not advertise or use the Marks in advertising or other form of promotion without the appropriate copyright, trademark, and service mark registration symbols for those Marks which are registered, nor may you use them in a manner which would misuse or dilute the Marks or damage the goodwill associated with the Marks. All advertising and promotional materials you use must be completely factual, comply with all applicable laws and conform to the highest standards of ethics and quality. We reserve the right to require you to include certain language in your local advertising materials, such as "Franchises Available" and our website address and telephone number.

We or our affiliates may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, LinkedIn, Yelp, Instagram, Pinterest, TikTok, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, or other means of digital advertising on the internet or any electronic communications network (collectively, "Digital Marketing") that are intended to promote the Marks, your Club, and the entire network of Ace Pickleball Clubs. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Club. Unless we consent otherwise in writing, you and your employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the Club or the network. You may not separately register any domain name, create any username, or operate any web site containing any of the Marks without our written approval. If we do permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. We may withdraw our approval for any Digital Marketing at any time. (Franchise Agreement – Article VIII.E)

### Advertising Cooperatives

As of the date of this Disclosure Document, there are no advertising cooperatives in the System. We have the right to establish or approve local and/or regional advertising cooperatives for businesses in your local or regional areas, covering such geographical areas as we may designate from time to time. Each cooperative will be organized and governed in a form and manner, and begin operating on a date, we determine in advance. You must participate in any such cooperative and its programs and abide by its by-laws. If your Club is within the territory of an existing cooperative at the time your Club opens for business, you must immediately become a member of the cooperative as will all businesses, franchised or company-owned, located in such territory. If a cooperative applicable to your business is established during the term of our Franchise Agreement, you must become a member no later than 30 days after the date approved by us for the cooperative to commence operation.

### **Computer System**

You must use the computer and technology systems we require ("POS System"), which is pickleballsoftware.com. You will need to enter into an agreement with us to obtain the right to use the customized software we have developed. The cost of using the customized software is included in your ongoing Technology Fee. The hardware will range from \$10,000 to \$12,000. The hardware includes one back-office computer and two to three POS stations (receipt printer, credit card terminal, barcode scanner). All are required purchases. Neither we nor any of our affiliates will provide you with any ongoing maintenance, repairs, upgrades, or updates for the POS System. Any updates and upgrades to the POS System will be provided to you by the software vendor, and you will be required to accept these upgrades and updates to the POS System to maintain continued use of the software. Any costs associated with these updates, upgrades, and required maintenance will be covered by the Technology Fee, which is subject to increase by the software vendor. We do not anticipate any increase to the Technology Fee related to updates or upgrades, but if one is assessed, it will increase no more than 10% in any year.

You must also purchase and install a surveillance camera system for your building security, unless applicable law does not permit you to install a surveillance camera system. We may require you to purchase this system from a single approved vendor. The price of the surveillance camera system ranges from \$10,000 to ~~\$20~~24,000. Your surveillance system must be in good working order at all times and must cover all angles of your pickleball courts and the club (inside and out). Additionally, the system must contain ~~365~~30 days of storage capacity. All recorded injuries must be downloaded and retained separately, and a copy of the video must be provided to us on our request.

We may revise our specifications for hardware and software as we determine necessary to meet the needs of the System and there is no contractual limitation on our ability to require the hardware or software to be changed, improved or upgraded. We reserve the right to require different or additional software programs and hardware at any time in the future and you must pay for the cost of any new, modified or updated programs and the hardware. There is no limitation in the Franchise Agreement on either our right to require you to obtain updates or upgrades or the cost of any updates or upgrades.

The types of business information which will be collected by the POS System will be sales reports, scheduling of events and programs, labor functions, all on a daily, weekly and monthly basis. It will also include gathering customer information. In addition, the POS System can provide customized reports if we request this information. We will have the right to have independent access to all information or data in the POS System and the surveillance system, and there are no limitations on our rights to do so. We will also have the right to use and publish the information we collect from your POS System in our discretion, including for purposes of disclosure in our Franchise Disclosure Document. We are not obligated to provide or to assist you in obtaining the above item or services. In the future, you may be required to change, upgrade or modify the type of computer hardware and software you must use at your expense.

**Training**

All of the designated training for franchisees is mandatory and must be completed to our satisfaction after you have signed the Franchise Agreement and ~~before you are approved by the Operations~~ operations team approves you to open your Club. If your Club managers and/or Operating Principal Owner (as described below) fail to complete the training program to our satisfaction, we may elect to postpone the opening of the Club, or terminate the Franchise Agreement and keep the entire initial franchise fee. If you are already an Ace Pickleball Club franchisee, the training program may be required, at our sole discretion, for any additional Clubs you commit to open and for new management hired for your existing clubs (management turnover).

Once a lease has been signed and prior to construction, we will provide a mandatory onboarding program to all new franchisees and your Operating Principal Owner. This program will take place in Roswell, GA for 1-2 days at our office and at our Training Club. We will not charge a fee for this program, but you will be responsible for all attendees cost of attend, including transportation, lodging, meals and other expenses.

Once your club is under construction, we will provide an initial training program for the operation of the Club for your Operating Principal Owner and the Club managers. The initial training program will take place at one of our certified Clubs and will last anywhere from five to seven days. Our Training Club is located in Roswell, Georgia. We do not charge for the initial training program, but you must pay for the wages, travel, and living expenses for ~~you~~ yourself and your employees. Training will be conducted for your Club managers and/or Operating Principal Owner after the Franchise Agreement has been signed and while your Club is being developed. Training is provided on a regular basis and a training schedule is provided on our intranet. Additional training requirements may be added to the schedule on an as-needed basis. You must open the club with a minimum of two approved managers that have completed and been certified as having completed our training program. You will not be permitted to open the Club unless there are at least two trained and certified managers in place.

We will, at our expense, also provide on-site, opening assistance, consisting of at least one to two persons, for a minimum period of three days at your Club's location when it opens. If you are purchasing your second or later Ace Pickleball Club, the initial training and the on-site opening assistance may not be required, at our sole discretion.

**TRAINING PROGRAM**

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Ace Pickleball Club Culture	3.5	1.0 (Ongoing)	Ace Pickleball Club Academy (Online) & Training Club
General Club Policies and Operations	1.5	1.0	Ace Pickleball Club Academy (Online) & Training Club
Responsibilities of a Member Specialist	2.0	4.5	Ace Pickleball Club Academy (Online) & Training Club
Responsibilities of a Manager-on-Duty	3.5	8.5	Ace Pickleball Club Academy (Online) & Training Club
Providing the Optimal Playing Experience	1.0	1.0 (Ongoing)	Ace Pickleball Club Academy (Online) & Training Club

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Events & Programs	3.0	4.0	Ace Pickleball Club Academy (Online) & Training Club
Technology	4.0	6.0	Ace Pickleball Club Academy (Online) & Training Club
The Member Specialist Lifecycle	3.0	1.0 (Ongoing)	Ace Pickleball Club Academy (Online) & Training Club
Training & Coaching Your Member Specialists	1.5	1.0 (Ongoing)	Ace Pickleball Club Academy (Online) & Training Club
Maintenance & Cleanliness	2.5	4.5	Ace Pickleball Club Academy (Online) & Training Club
Risk Management	1.5	1.0 (Ongoing)	Ace Pickleball Club Academy (Online) & Training Club
Marketing	1.5	2.0	Ace Pickleball Club Academy (Online) & Training Club
Sales Best Practices	<del>1.5</del> 4.0	4.5	Ace Pickleball Club Academy (Online) & Training Club
<b>TOTAL</b>	<del>28</del> <b>32.5</b>	<b>40</b>	

Please Note: some subjects may be intermingled and time periods and subject matter may be subject to change. The hours listed for On-the-Job will typically include more than one subject matter. It is the nature of this business that all aspects of training are integrated. The above are estimated times.

Training will be conducted under the direction of Brianne Carter, whose credentials are outlined in Item 2 of this Disclosure Document, and our ~~Manager~~ Director of Learning and Development, Chloe John. Ms. John has five years' experience leading training. She has played prominent roles in developing and implementing training programs for Sky Zone Trampoline Parks, Six Flags, Universal Orlando, and Walt Disney World. In 2023 and 2024, Ms. John was ~~named~~ named to the "Thirty Under 30" by The Learning Leaders Conference, alongside training leaders from Amazon, Capital One, and Johnson & Johnson.

The training programs are provided by our professional training team. The experience of our training team and the instructors in the field that is relevant to the subject taught and our operations is between one and ten years. We reserve the right to make changes in our training staff as we deem necessary and advisable without prior notice.

We may also provide refresher programs to experienced managers. These programs are not mandatory at this time, but may be in the future. If you hire a new manager, he or she may be required, at our sole discretion, to satisfactorily complete the training program before managing your Club. We may charge a fee for the training and you must pay for the employee's travel, lodging, meals, personal expenses and salary. We may elect to charge a fee for any training provided after the opening of the Club. You or your employees must pay the compensation of the trainee as well as the trainee's travel, lodging and personal expenses. The location, duration, and content of these programs have not been determined yet.

**ITEM 12**  
**TERRITORY**

Franchise Agreement

The Franchise Agreement grants to you the right to own and operate a Club at a specific location. You may not conduct the business of your Club at any site other than the premises or relocate your Club without our prior written consent. The Franchise Agreement does not provide you with any options, rights of first refusal or similar rights to acquire additional franchises. Unless you have signed our MUDA, we may, but have no obligation, to consider granting you the right to establish additional Ace Pickleball Clubs under other franchise agreements provided you are in compliance with the Franchise Agreement and propose to open another Ace Pickleball Club in an area and at a location we approve.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You will receive a Protected Territory, except for the circumstances set forth below. Your Protected Territory will be based on a list of contiguous zip codes; county, other municipal or natural boundaries or other territory delineations we may utilize. Your Territory will be defined and attached to your Franchise Agreement as Attachment 1. If you do not yet have a location at the signing of the Franchise Agreement, you will receive a non-exclusive site search area listed in Attachment 1. Typically, but not in all cases, each Protected Territory granted under a Franchise Agreement will encompass a population of at least 100,000 people. We use third party analytics tools for purposes of determining population density. We reserve the right to modify a Protected Territory provided the modified Protected Territory encompasses a population of at least 100,000 people. If you want to relocate your outlet, we will evaluate your suggested new location in the same way as we evaluate requests for new locations. If you want to open another location, you will have to apply to us to enter into another Franchise Agreement with us and if you want to acquire rights to develop several new locations you will have to apply to us to enter into a MUDA.

Specifically, except for rights expressly granted to you under your Franchise Agreement, we retain all our rights with respect to the Marks, the System and Clubs anywhere in the world, and the right to engage in any business whatsoever, including the right to do the following:

1. operate, and grant to others the right to operate, competitive businesses offering similar or identical products, services, and classes and using the System or elements of the System (a) under the Marks anywhere outside of your Protected Territory or (b) under names, symbols, or marks other than the Marks anywhere, including inside and outside of the Protected Territory;
2. offer to sell, or sell and distribute, any products or services under any trade names, trademarks, service marks or trade dress, including the Marks, anywhere through any distribution channels or methods, which may include retail stores, wholesale, and the internet (or any other existing or future form of electronic commerce); and
3. acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere or business conducted anywhere, including in the Protected Territory, (a) permit the other businesses to continue to operate under another name, and/or (b) permit the businesses to operate under another name and convert existing Ace Pickleball Clubs to the other name.

There is no restriction on us or any other party to solicit or accept orders through alternate distribution channels from inside your Protected Territory, and we are not required to pay you any compensation for such solicitations. We may use other channels of distribution, such as the internet, catalog sales and other direct

marketing sales and such channels of distribution may be used by us in your Protected Territory, both using the Marks and other trade and service marks.

You may not use the internet, catalog sales or other direct marketing for the sale of Ace Pickleball Club branded merchandise or any products or services other than for the sale of memberships, leagues, tournaments, events, and other programs approved to be offered at Ace Pickleball Clubs. In addition, you may not use, reference or promote the Ace Pickleball Club Marks or System in connection with any current or future form of social media networks or platforms, including, without limitation, Facebook, Twitter, LinkedIn and so on without our prior approval and only in conformance with our Methods of Operation.

#### Multi-Unit Development Agreement

The MUDA grants you the right to develop multiple Ace Pickleball Clubs in a specific Development Area as detailed in an Attachment to the MUDA. The Development Area is typically described in terms of municipal or county boundaries, contiguous zip codes, or as a specified trade area in a municipality, and will encompass a population of at least 200,000 people. The location for each Ace Pickleball Club developed under the MUDA will be determined and approved in accordance with our then-current site criteria.

Your Development Area is exclusive to you. As long as you are not in default under the MUDA or any Ace Pickleball Club Franchise Agreement with us, during the term of the MUDA, and as long as you are in compliance with the Development Schedule, we will not operate or grant a franchise to any other person or entity to operate an Ace Pickleball Club within the Development Area. This exclusivity is not dependent upon achieving certain sales volumes, market penetration, or any other contingency. If you fail to meet any of your obligations under the MUDA, including compliance with the Development Schedule, or breach any Franchise Agreement executed by you under the MUDA, we may terminate your right to develop, open, and operate outlets within the Development Area; however, the termination of the right to develop your Development Area will not terminate any rights granted under the Franchise Agreements then in effect between you and us in which you are in compliance.

After the expiration or termination of the MUDA, we may own, operate, and grant franchises to others to operate Ace Pickleball Clubs anywhere, without restriction, including in your Development Area, except for within any Territory under your currently effective Franchise Agreement(s) with us. After the final outlet under your MUDA has opened, we may, but have no obligation, to consider granting you the right to establish additional Ace Pickleball Clubs under other franchise agreements provided you are in compliance with all of your current Franchise Agreements and propose to open additional Ace Pickleball Clubs in an area and at locations we approve.

Except for those rights expressly granted to you under your MUDA, we retain all our rights with respect to the Marks, the System and Clubs anywhere in the world, and the right to engage in any business whatsoever, including the right to do the following:

1. To open or acquire and operate or license or franchise others to open and operate businesses within the Development Area and outside of the Development Area which operate under trademarks or service marks different from the Marks or operate under a system that is different from the System.
2. To operate, or license or franchise others to operate Ace Pickleball Clubs anywhere outside of the Development Area.
3. To be acquired, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere or business conducted anywhere, including in the Development Area, (a) permit the other businesses to continue to operate under another name,

and/or (b) permit the businesses to operate under another name and convert existing Ace Pickleball Clubs to the other name.

4. To develop, merchandise, promote, sell, and license others to sell products or programs bearing the Marks through other channels of distribution within and outside of the Development Area including but not limited to at special events, tournaments, contests, through temporary locations, and through alternative distribution channels such as the internet, social media, catalog sales, and/or telemarketing.

5. To engage in all other activities not expressly prohibited by the MUDA.

We are not required to pay any compensation to you if we exercise any of the rights specified above inside your Development Area. There is no restriction on us or any other party to solicit or accept orders through alternate distribution channels from inside your Development Area.

You may not use the internet, catalog sales, or other direct marketing for the sale of Ace Pickleball Club branded merchandise or any products or services other than for the sale of memberships, leagues, tournaments, events, and other programs approved to be offered at Ace Pickleball Clubs. In addition, you may not use, reference, or promote the Ace Pickleball Club Marks or System in connection with any current or future form of social media networks or platforms, including, without limitation, Facebook, Twitter, LinkedIn, etc. without our prior approval and only in conformance with the System and the Manual.

### ITEM 13

#### TRADEMARKS

We will grant you the right to operate your Club under the name of "Ace Pickleball Club". You may also use our other current or future ~~Marks~~marks to operate your Club, if we permit you to do so.

Our parent, Ace Pickleball Club, LLC, owns the following principal ~~Mark~~marks ("Marks"). Our parent has applied for registration of the following ~~Mark~~Marks on the Principal Register of the US. Patent and Trademark Office ("USPTO"):

Mark	Application Date	Serial Number	Registration Date	Registration No.
Ace Pickleball Club	01/05/2023	<u>97742,33497742331</u>	Pending	Pending
	<u>05/31/2023</u>	<u>98021061</u>	<u>Pending</u>	<u>Pending</u>

We do not have a federal registration of ~~our principal trademark~~the Marks. Therefore, ~~our trademark~~does ~~the Marks~~do not have many legal benefits and rights as a federally registered trademark. If our right to use the ~~trademark~~Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Our parent intends to file all affidavits, make all applicable filings, and renew all registrations for the Marks when they become due and to retain its rights in the Marks.

We have entered into a license agreement, effective January 31, 2023, with our parent for a 100-year term, which grants us the right to use, promote, and license the Marks in connection with the grant of franchises

to franchisees. If there is a default that is not cured under this license agreement between our parent and us, you will still be able to use the Marks and System until the end of the term and any renewal term of your Franchise Agreement. There are no other agreements currently in effect which significantly limit our right to use or license the use of the Marks in any manner material to the franchise.

You must follow our rules and our quality control standards when you use the Marks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You must also operate your franchise in a high quality manner and adhere to all applicable laws and regulations. You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You cannot use the Marks (or any marks or names confusingly similar to the Marks) as an Internet domain name or in the content of any website. You will not register or attempt to register any of the Marks (or any marks or names confusingly similar to the Marks).

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or any claim by any person of any rights in any Mark. We will have the sole discretion to take action as we deem appropriate and the right to exclusively control any litigation or administrative proceedings arising out of any infringement, challenge or claim. You must sign any and all instruments and documents, provide any assistance, and take any action that may be necessary or advisable to protect and maintain our interest in any litigation or other proceeding or otherwise to protect and maintain our interest in the Marks. The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a Mark or if the proceeding is resolved unfavorably to you.

You agree that, neither during nor after the term, you will not challenge any of our Marks or any applications or registrations relating thereto

If we decide to modify or discontinue the use of the Marks and/or to use one or more additional or substitute names or marks, you must make the changes at your own expense, without claim against us, and you must comply promptly upon our request.

We do not actually know of either superior prior rights or infringing uses that could materially affect a franchisee's use of the Marks in any state.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not have any interest in any Patents or pending patent applications that are material to the franchise.

You do not receive the right to use an item covered by a copyright, but you can use the proprietary and confidential information in our Manual. The Manual is described in Item 11 and below. Although neither we nor any of our affiliates have filed an application for a copyright registration for the Manual, we and our affiliates claim a Copyright and the information in it is proprietary and confidential. You must promptly tell us when you learn about unauthorized use of this proprietary and confidential information. We need not protect or defend our Copyrights, although we intend to do so if it is in the franchise system's best interest. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify for damage or expenses in a proceeding involving a Copyright.

One copy of the Manual is provided to you in paper or electronic form during the term of the Franchise Agreement. The information provided contains mandatory and suggested specifications, standards, operating procedures, and rules that we prescribe from time to time for the operation of an Ace Pickleball Club and

information relating to your other obligations under the Franchise Agreement and related agreements. We may modify the Manual from time to time to reflect changes in the law, marketplace, or our methods of operation. The Manual and our methods of operation constitute confidential trade secrets and will remain our property. You agree to keep your copy of the Manual and any information we share with you that is a part of our methods of operation confidential as part of your confidentiality obligations under the Franchise Agreement. Your hard copy of the Manual must be kept in a secure place at the Club and any electronic copies must be secure and password protected. Your compliance with these requirements is necessary to preserve the identity, reputation, value, and goodwill of the system. (Franchise Agreement –Article VIII)

There are no effective determinations for any material proceeding and no pending infringement, opposition, or cancellation proceedings pending in the USPTO or the United States Copyright Office. We do not have any pending or concluded litigation involving any active Patents or pending patent applications that are material to the Club or the franchise offering that must be disclosed in this Item.

We do not know of any infringement of the Patents or Copyrights that could materially affect the franchise. We need not protect or defend our Patents or Copyrights, although we intend to do so if it is in the franchise system's best interest. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify for damage or expenses in a proceeding involving a Patent or Copyright.

You must notify us immediately of any apparent infringement or challenge to your use of the Patents, or any claim by any person of any rights in any Patent. We will have the sole discretion to take action as we deem appropriate and the right to exclusively control any litigation or administrative proceedings arising out of any infringement, challenge or claim. You must sign any and all instruments and documents, provide any assistance, and take any action that may be necessary or advisable to protect and maintain our interest in any litigation or other proceeding or otherwise to protect and maintain our interest in the Patents. The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a Patent or Copyright or if the proceeding is resolved unfavorably to you.

If we decide to (a) modify or discontinue the use of certain Intellectual Property associated with the franchised business, and/or (b) use one or more additional or substitute Intellectual Property, you must make the changes at your own expense and without claim against us. You must comply promptly upon our request.

You acknowledge that the System and the methods of operation licensed by us for the operation of an Ace Pickleball Club are proprietary, confidential trade secrets of ours, and you will maintain the confidentiality of all materials and information lent or otherwise furnished to you by us at all times, including after the termination or expiration of the Franchise Agreement, for any reason.

In addition, you shall not, during the term of the Franchise Agreement (other than as necessary to operate the Club) or after its expiration or termination, for any reason, communicate or divulge to any others, any information or knowledge concerning the System and any trade secrets except those in the public domain. You also must exercise the highest degree of diligence and to make every effort to maintain the absolute confidentiality of all trade secrets and proprietary rights during and after the term of the Franchise Agreement.

The Franchise Agreement also provides that all ideas, concepts, techniques, or materials concerning the Club, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. If any item does not qualify as a "work made-for-hire" for us, you must assign ownership of that item and all related rights to that item, to us and must take whatever action (including signing assignments or other documents) we request to show our ownership or help us obtain intellectual property rights in the item.

You agree that, neither during nor after the term, you will not challenge any of our Intellectual Property or any applications or registrations relating thereto.

#### **ITEM 15**

##### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

The Franchise Agreement does not require that you personally supervise your Club. If you choose not to personally supervise your Club, it must be directly supervised by a general manager. Your general manager can either be you, your Operating Principal Owner, or someone appointed by you who is acceptable to us. Your general manager must successfully complete our initial training program and all other training courses we require. Your general manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors. Your Club must, at all times, be managed by you, your Operating Principal Owner, or by the general manager. Your general manager need not have an equity interest in the franchise.

If you are, or at any time become, a business corporation, partnership, limited liability company, or other legal entity, you must designate on Attachment 6 to the Franchise Agreement your "Operating Principal Owner" who is an individual approved by us who: (a) has the authority to bind you regarding all operational decisions with respect to your Club; and (b) has completed our training program to our satisfaction. You and your Operating Principal Owner will at all times faithfully, honestly and diligently perform the obligations under the Franchise Agreement and continuously exert best efforts to promote and enhance the franchise. Each of your owners must jointly and severally be bound by the terms and obligations of the Franchise Agreement, and each shareholder, partner, member, or owner who has a 25% or greater interest must personally guarantee your performance. Copies of these guarantees are contained in Attachment 5 of the Franchise Agreement and Attachment 3 of the MUDA, which are attached to this Disclosure Document.

As more fully described in the Franchise Agreement, you must implement all procedures we periodically prescribe to prevent unauthorized use or disclosure of confidential information. These procedures include the use of nondisclosure agreements with your owners, officers, directors, general manager, managers, assistant managers and your Operating Principal Owner, and you must deliver these agreements to us. Aside from requiring your Operating Principal Owner, general manager, managers or shift supervisors to sign nondisclosure agreements, we do not require you to place any other restrictions on your Operating Principal Owner, general manager, managers, or shift supervisors. At the end of the term of a Franchise Agreement, you must deliver to us all confidential information.

If you or one of your affiliates have entered into a MUDA with us and are entering into a Franchise Agreement under that MUDA, and you are a business corporation, partnership, limited liability company, or other legal entity, you must be at least 51% owned or controlled by a person or group of people that has at least a 51% ownership interest in and voting control of the entity that signed the MUDA, except as we approved in writing in our business judgment. We have the right to approve in advance your ownership structure.

#### **ITEM 16**

##### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

We require you to offer and sell only those goods, services and programs that we have approved. We have the right to change the types of required and/or authorized products, services and programs, and, in the event of such change, you will be notified by written notification or will be sent updates via supplements to the Manual. You are prohibited from offering or selling any products, services or programs not authorized or

approved by us and from using the premises for any other purpose than the operation of a Ace Pickleball Club in compliance with the Franchise Agreement. We, in our discretion, may approve or deny your request to eliminate some or add other services, products or programs. You have the right to set the prices at which you sell your products, services and programs provided that we may set minimum and/or maximum prices you may charge to the extent permitted by law. You also must add any equipment and make alterations we require, at your expense, as may be necessary to equip the Club for sale of the products, services or programs we may require. You recognize that you may need to make an additional investment to do so.

You may use only marketing and promotional materials that we have approved. You are not limited in the type of customers to whom you may sell approved products or services. You may not partner with third parties to conduct tournaments, leagues, clinics, or other events without our prior written consent. You may not enter into an agreement or partnership with any third party company without our prior written consent.

**ITEM 17**

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists important provisions of the Franchise Agreement, Multi-Unit Development Agreement, and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT (References to the MUDA are in italics)</b>	<b>SUMMARY</b>
a. Length of the franchise term	Section III  <i>Section III</i>	10 years from signing the Franchise Agreement  <i>Your development rights begin on the date you sign the MUDA and pay the development fee and terminate on the day you open the last Unit listed in the Development Schedule or the last date set forth in the Development Schedule.</i>
b. Renewal or extension of the term	Section III  <i>Section III</i>	One additional term for 10 years subject to Section III.B of Franchise Agreement. However, if you continue to operate the Club after expiration of the term, the Franchise Agreement continues on a month-to-month basis with either party having the right to terminate.  <i>No right to renew or extend</i>
c. Requirements for franchisee to renew or extend	Section III	Give notice, not be in default, sign then current franchise agreement which may contain different terms and conditions materially different from those in your previous franchise agreement, remodel

PROVISION	SECTION IN FRANCHISE AGREEMENT (References to the MUDA are in italics)	SUMMARY
	<i>Not Applicable</i>	your Club, pay a renewal fee, and sign a release.  <i>Not Applicable</i>
d. Termination by franchisee	Section XI.B  <i>Not Applicable</i>	If we breach and do not cure or attempt to cure after notice.  <i>No right for you to terminate the MUDA.</i>
e. Termination by franchisor without cause	Not Applicable  <i>Not Applicable</i>	Not Applicable  <i>Not Applicable</i>
f. Termination by franchisor with cause	Section XI.A  <i>Section VII.A</i>	If you fail to: satisfactorily complete training, open within one year after the Franchise Agreement is signed, provide gross sales information, pay debts or taxes when due, or generally breach the Franchise Agreement.  <i>Generally, for a material breach of the MUDA</i>
g. "Cause" defined - curable defaults	Section XI.A.1 and 2  <i>Section VII.A</i>	You have 10 days to cure monetary defaults and 30 days to cure all others except those listed in Section XI.A.3.  <i>If you materially breach any Franchise Agreement and do not cure the breach within the cure period provided for in that Franchise Agreement.</i>
h. "Cause" defined - non-curable defaults	Section XI.A.3  <i>Section VII.A</i>	Non-curable defaults: conviction of a felony or moral turpitude, abandonment, giving insufficient funds checks and bankruptcy, material misrepresentation, misuse of the Marks.  <i>If you fail to meet the Development Schedule, you transfer or encumber your rights in violation of the MUDA, or you are bankrupt.</i>
I. Franchisee's obligations on termination or non-renewal	Section XI.C  <i>Section VII.B</i>	Stop using Intellectual Property and System, complete de-identification and payment of amounts due, return materials and Manual, direct transfer of phone and lease, if requested.  <i>No rights to open additional Units; you must continue to operate the Units</i>

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT (References to the MUDA are in italics)</b>	<b>SUMMARY</b>
		<i>according to any existing Franchise Agreements that are not terminated.</i>
j. Assignment of contract by franchisor	Section XIV.A  <i>Section VI.B</i>	No restrictions on right to assign  <i>No restrictions on right to assign</i>
k. "Transfer" by franchisee - defined	Sections XIV.B  <i>Section VI.A</i>	Transfer of contract or assets or ownership change  <i>Transfer of contract or ownership change</i>
l. Franchisor approval of transfer by franchisee	Section XIV.B  <i>Section VI.A</i>	Right to approve all transfers  <i>We have the right to approve all transfers</i>
m. Conditions for franchisor approval of transfer	Section XIV.B          <i>Section VI.A</i>	Transferee qualifies, transfer fee is paid, new franchise agreement signed, training of transferee, release signed, not in default, transferee assumes liabilities, remodel the Club          <i>Transferee qualifies, you pay all amounts owed to us and our affiliates, transfer fee paid, release signed, training of transferee, economically reasonable sale terms. We may require you to transfer all of the Units being operated by you.</i>
n. Franchisor's right of first refusal to acquire franchisee's business	Section XIV.D          <i>Not Applicable</i>	We can match any offer for your business or an ownership interest in you with similar terms.          <i>Not Applicable</i>
o. Franchisor's option to purchase franchisee's business	Section XI.D          <i>Not Applicable</i>	After termination we can purchase your personal property at fair market value.          <i>Not Applicable</i>
p. Death or disability of franchisee	Section XIV.C          <i>Not Applicable</i>	Heir must be approved but no right of first refusal.          <i>Not Applicable</i>
q. Non-competition covenants during the term of the franchise	Section X.A          <i>Not Applicable</i>	No involvement in a competitive business except as duly licensed by us.          <i>Not Applicable</i>

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT (References to the MUDA are in italics)</b>	<b>SUMMARY</b>
r. Non-competition covenants after the franchise is terminated or expires	Sections X.B and X.C  <i>Not Applicable</i>	No involvement in a competitive business except as duly licensed by us for two years at any Site, within 15 miles of any Ace Pickleball Club and your Club  <i>Not Applicable</i>
s. Modification of the agreement	Sections XVII.C  <i>Section IX.J</i>	No modification generally but Manual and system subject to change  <i>Amendments must be in writing and signed by you and us.</i>
t. Integration/merger clause	Section XVII.C  <i>Section IX.J</i>	Only the terms of the Franchise Agreement, Manual and related agreements are binding (subject to state and federal law). Any representations or promises made outside of the Disclosure Document and Franchise Agreement may not be enforceable.  <i>Only the terms of the MUDA are binding (subject to state and federal law). Any representations or promises made outside of the Disclosure Document and MUDA may not be enforceable.</i>
u. Dispute resolution by arbitration or mediation	Section XVI  <i>Section VIII</i>	Except for certain claims, all disputes must be arbitrated in Clark County, Nevada (subject to state law)  <i>Except for certain claims, all disputes must be arbitrated in Clark County, Nevada (subject to state law)</i>
v. Choice of forum	Section XVII.G  <i>Section IX.G</i>	Litigation must be in Clark County, Nevada (subject to state law)  <i>Litigation must be in Clark County, Nevada (subject to state law)</i>
w. Choice of law	Section XVII.G  <i>Section IX.G</i>	Nevada law applies (subject to state law)  <i>Nevada law applies (subject to state law)</i>

**ITEM 18**

**PUBLIC FIGURES**

We do not currently use any public figure to promote our franchise.

**ITEM 19**

**FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

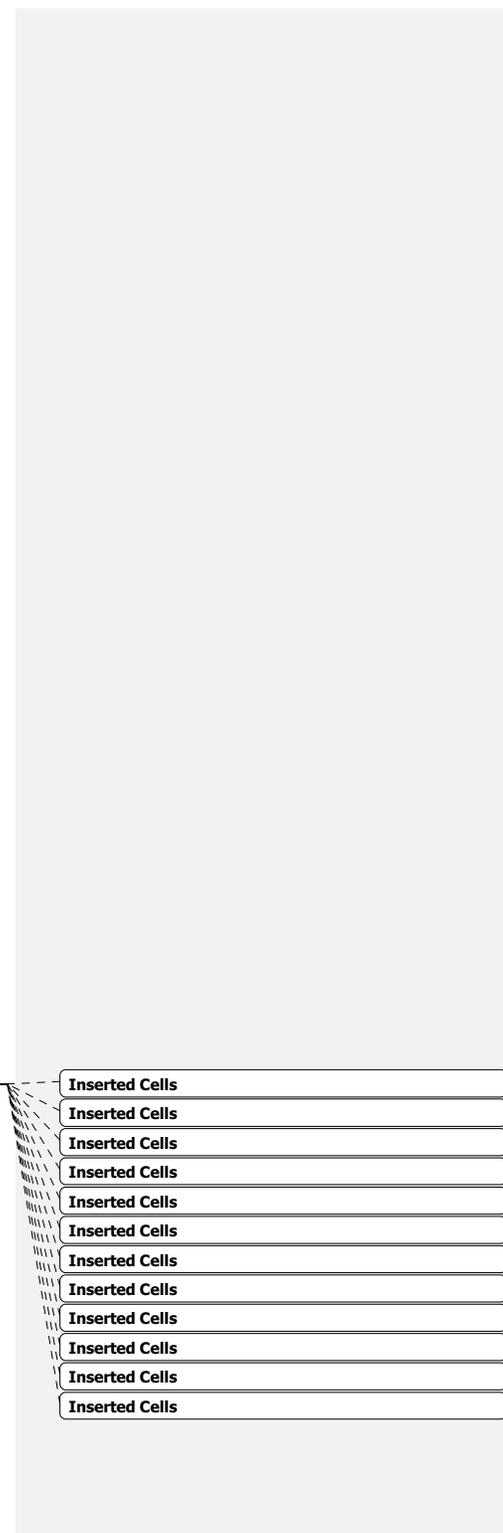
As of December 31, ~~2024~~~~2023~~, we had one affiliate-owned Club operating in Roswell, Georgia, which ~~opened July 22, operated for the full calendar year 2023.~~ The ~~following~~first chart below is an historical representation of the monthly gross sales, operating expenses, and net operating income achieved during the period from ~~opening~~January 1, 2024 through the ~~end~~December 31, 2024. This period represents the 6<sup>th</sup> full month of operation through the 17<sup>th</sup> full month of operation. ~~2023.~~

The second chart below is an historical representation of the average daily gross sales, operating expenses, and net operating income achieved during the same period.

We had one additional affiliate-owned Club and nine franchisee-owned Clubs that did not operate for the full calendar year and thus did not meet the standard for reporting meaningful financial performance representations. Our Club in Fort Wayne, Indiana, was initially opened by a franchisee but was reacquired by our affiliate in October 2024. This reacquired Club did not operate for the full calendar year and thus did not meet the standard for reporting meaningful financial performance representations.

**This outlet has earned these amounts. Your individual results may differ. There is no assurance that you’ll earn as much.**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
<b>Membership Revenue</b>	\$96,188	\$97,535	\$101,576	\$97,564	\$105,651	\$103,783	\$121,125	\$131,683	\$127,334	\$128,273	\$129,354	\$140,228
<b>Drop-In Revenue</b>	\$20,425	\$7,830	\$8,027	\$5,035	\$10,477	\$7,073	\$8,946	\$6,027	\$7,200	\$3,446	\$6,308	\$8,212
<b>Private Events</b>	\$1,221	\$1,500	\$3,800	\$1,810	\$915	\$550	\$0	\$5,915	\$4,800	\$0	\$1,230	\$0
<b>Other Revenue</b>	\$2,933	\$2,237	\$2,552	\$1,909	\$2,406	\$1,686	\$2,649	\$2,228	\$2,130	\$1,673	\$2,228	\$2,616
<b>Gross Sales— Affiliate Outlet (Roswell, GA)</b>	\$120,767	\$109,102	\$115,955	\$106,318	\$119,450	\$113,092	\$132,720	\$145,852	\$141,463	\$133,392	\$139,120	\$151,056
<del>July 2023 – December 2023</del>												
<b>EXPENSES</b>												
<b>Gross Rent (Including NNN)</b>	\$48,824	\$48,824	\$48,824	\$48,824	\$48,824	\$48,824	\$48,824	\$48,824	\$48,824	\$48,824	\$48,824	\$48,824
<b>Labor</b>	\$18,195	\$21,004	\$26,001	\$38,222	\$25,757	\$28,586	\$28,488	\$27,469	\$26,623	\$33,872	\$22,698	\$21,557
<b>Marketing</b>	\$1,051	\$3,363	\$3,007	\$3,372	\$3,009	\$4,069	\$4,231	\$3,867	\$4,292	\$2,715	\$754	\$2,614
<b>Operations</b>	\$4,164	\$3,183	\$8,336	\$7,255	\$4,842	\$4,467	\$4,643	\$5,122	\$4,515	\$3,114	\$4,791	\$6,250
<b>Utilities</b>	\$5,717	\$5,663	\$5,720	\$5,003	\$5,613	\$6,057	\$7,143	\$7,576	\$7,575	\$7,024	\$6,828	\$6,506
<b>Cost of Goods (explanatory note)</b>	\$3,684	\$4,195	\$3,193	\$1,602	\$2,588	\$1,434	\$1,861	\$1,917	\$1,366	\$2,306	\$2,042	\$5,089



<b>CC Processing</b>	\$4,104	\$4,226	\$3,470	\$3,632	\$4,096	\$3,897	\$4,501	\$4,975	\$4,834	\$4,576	\$4,800	\$5,150
<b>Meals &amp; Entertainment</b>			\$712	\$920	\$1,440	\$133	\$897	\$1,334	\$232	\$1,386	\$798	\$32
<b>Dues and Subscriptions</b>	\$221	\$221	\$221	\$221	\$221	\$400	\$222	\$222	\$257	\$222	\$257	\$257
<b>Insurance</b>	\$1,439	\$1,445	\$1,441	\$1,134	\$1,134	(\$1,643)	\$1,134	\$1,134	\$1,134	\$1,134	\$1,134	\$1,134
<b>Ad Fund (1%)</b>	\$1,208	\$1,091	\$1,160	\$1,063	\$1,194	\$1,131	\$1,327	\$1,458	\$1,415	\$1,334	\$1,391	\$1,511
<b>Technology Fee</b>	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750
<b>Royalty (7%)</b>	\$8,454	\$7,637	\$8,117	\$7,442	\$8,361	\$7,916	\$9,290	\$10,210	\$9,902	\$9,337	\$9,738	\$10,574
<b>-Total Expenses</b>	<b>July 2023</b>	<b>August 2023</b>	<b>September 2023</b>	<b>October 2023</b>	<b>November 2023</b>	<b>December 2023</b>	<b>Totals</b>	\$114,858	\$111,721	\$116,594	\$104,805	\$110,249
	\$101,602	\$110,951	\$119,441	\$107,830	\$106,021	\$113,312						
	7811	2023	2023	2023	2023	2023						
<b>Gross Sales<sup>1</sup>-Net Operating Income</b>	\$40,012	\$47,800	\$68,226	\$81,796	\$105,127	\$121,835	\$19,408	\$30,995	\$29,742	\$46,416	\$34,314	\$40,807
	-22,957	750	-5,003	13,124	-11,620	-7,072				98		

- Inserted Cells

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
<b>Average Daily Revenue</b>	\$3,896	\$3,762	\$3,740	\$3,544	\$3,853	\$3,770	\$4,281	\$4,705	\$4,715	\$4,303	\$4,637	\$4,873
<b>Average Daily Expenses</b>	\$3,155	\$3,504	\$3,579	\$3,981	\$3,478	\$3,534	\$3,655	\$3,705	\$3,724	\$3,761	\$3,494	\$3,556
<b>Average Daily NOI</b>	\$741	\$259	\$161	(\$437)	\$375	\$236	\$626	\$1,000	\$991	\$542	\$1,144	\$1,316

**Notes:**

1 – Gross Sales means the entire gross receipts of every kind and nature from all products and services sold in, from, or in association with the Club and excluding only the following: (a) the amount of any sales tax levied upon retail sales which is payable to the appropriate governmental authorities (and subsequently actually paid to these authorities), and (b) refunds made in good faith in accordance with our policies.

2 – ~~July Gross Sales includes memberships sold in the 120 day period preceding the Club’s official opening for business.~~

2 – In February of 2024, the Club in Roswell, GA stopped selling memberships and instituted a membership waitlist. The Club also significantly reduced the hours in which it allowed non-members into the Club.

3 – The data included in this financial performance representation was drawn from our affiliate’s POS system and has not been audited.

4 – In May of 2024, the Club in Roswell, GA eliminated the membership waitlist and began selling memberships again.

5 – In November of 2024, the Club in Roswell, GA capped its membership and reinstated a membership waitlist.

6 – Legal, accounting, and professional services are not included in the operating expenses

7 – There were three payroll periods in April and October because we operate on a bi-weekly 26 annual pay period basis.

We offered the same services to the outlet included in this financial performance representation. The outlet included in this financial performance representation provides the same products and services to the public as you will. ~~Gross Sales does not reflect the cost of sales, operating expenses, royalty fees, marketing fees, or other costs or expenses that must be deducted from gross sales figures to obtain net income or profit.~~ Ace Pickleball Clubs report gross sales information to us based upon a uniform reporting system. Written substantiation for this financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representation, Ace Pickleball Club Franchise, LLC does not make any financial representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Joe Sexton, ~~1425 Market Boulevard, Suite 200~~ 33 Mansell Court, Roswell, Georgia, 30076, 916-524-2046, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**

**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For years ~~2021~~2022 to ~~2023~~2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<del>2022</del> 2021	0	0	0
	2022 <del>2023</del>	0	0	0
	2023 <del>2024</del>	0	<u>0</u> <del>8</del>	<u>0</u> <del>+8</del>
Company-Owned*	<del>2022</del> 2021	0	0	0
	2023 <del>2022</del>	0	<u>0</u> <del>1</del>	<u>0</u> <del>+1</del>
	2023 <del>2024</del>	<u>0</u> <del>1</del>	<u>1</u> <del>3</del>	<u>+1</u> <del>2</del>
<b>Total Outlets</b>	<del>2022</del> 2021	<b>0</b>	<b>0</b>	<b>0</b>
	2023 <del>2022</del>	<b>0</b>	<b><u>0</u></b> <del>1</del>	<b><u>0</u></b> <del>+1</del>
	2023 <del>2024</del>	<b><u>0</u></b> <del>1</del>	<b><u>1</u></b> <del>11</del>	<b><u>+1</u></b> <del>+10</del>

\*The company-owned outlets reflected in this Item 20 are owned by our affiliates as described in Item 1.

**Table No. 2  
Transfer of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years ~~2021~~2022 to ~~2023~~2024**

State	Year	Number of Transfers
<del>None</del> All States	2022 <del>2024</del>	0

	<del>2023</del> 2022	0
	20232024	0
<b>Totals</b>	<b>20222021</b>	<b>0</b>
	<b>20222023</b>	<b>0</b>
	<b>20232024</b>	<b>0</b>

**Table No. 3**  
**Status of Franchised Outlets**  
**For years 20212022 to 20232024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Arizona	<del>2021</del> 2022	0	0	0	0	0	0	0
	<del>2023</del> 2022	0	0	0	0	0	0	0
	20232024	0	0	0	0	0	0	0
Illinois	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
Indiana	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	1	0	0
New Jersey	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Ohio	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Oklahoma	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Pennsylvania	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Texas	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
<b>Totals</b>	<del>2021</del> 2022	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<del>2022</del> 2021	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	2023	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	2024	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>2</b>

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For years ~~2021~~2022 to ~~2023~~2024**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Georgia	<del>2021</del> 2022	0	0	0	0	0	0
	<del>2023</del> 2022	0	1	0	0	0	1
	<del>2023</del> 2024	0	0	0	0	0	0
<b>Indiana Totals</b>	<del>2021</del> 0	0	0	0	0	0	0
	0	0	0	0	0	0	0
	0	0	0	1	0	0	1
Kentucky	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
	0	1	0	0	0	0	1
<b>Totals</b>	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2024</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3</b>

**Table No. 5**  
**Projected Openings as of December 31, ~~2023~~2024**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
<del>Alabama</del> Arizona	1	0	0
California	0	0	0
Colorado	1	1	0
Delaware	0	1	0
Florida	4	2	0
Georgia	0	1	0
Illinois	0	0	0
<del>Indiana</del>	0	0	0
Kansas	1	1	0
<del>Kentucky</del> Massachusetts	1	1	0
Michigan	2	0	0
Nebraska	0	1	0
New Jersey	2	2	0
New York	2	0	0
<del>Ohio</del> North Carolina	1	0	0
OklahomaOhio	1	1	0
Pennsylvania	0	1	0
Tennessee	1	1	0
Texas	2	4	0
Washington	1	1	0
Wisconsin	1	1	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
<b>Totals</b>	<b><u>2537</u></b>	<b><u>4926</u></b>	<b>0</b>

Exhibit E to this Disclosure Document will list the names of all franchisees and multi-unit developers and the addresses and telephone numbers of their franchises when applicable. During our last fiscal year, no franchisee has had an outlet terminated, canceled, not renewed, or has otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or has not communicated with us within 10 weeks of the date of this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

No franchisee has signed confidentiality clauses during the last three years.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Disclosure Document.

#### ITEM 21

##### FINANCIAL STATEMENTS

Ace Pickleball Franchise, LLC was formed on January 20, 2023. Because we have not been in business for three years, we are not able to include the three prior years of audited financial statements normally required by this Item 21.

Included in Exhibit F are our audited financial statements for the fiscal year ended December 31, 2023, and December 31, 2024. Also attached are our unaudited financial statements as of ~~April 30, 2024~~ February 28, 2025.

Our fiscal year end is December ~~31~~<sup>st</sup>.

#### ITEM 22

##### CONTRACTS

A copy of all proposed agreements regarding the franchise offering are included in this Disclosure Document, as follows:

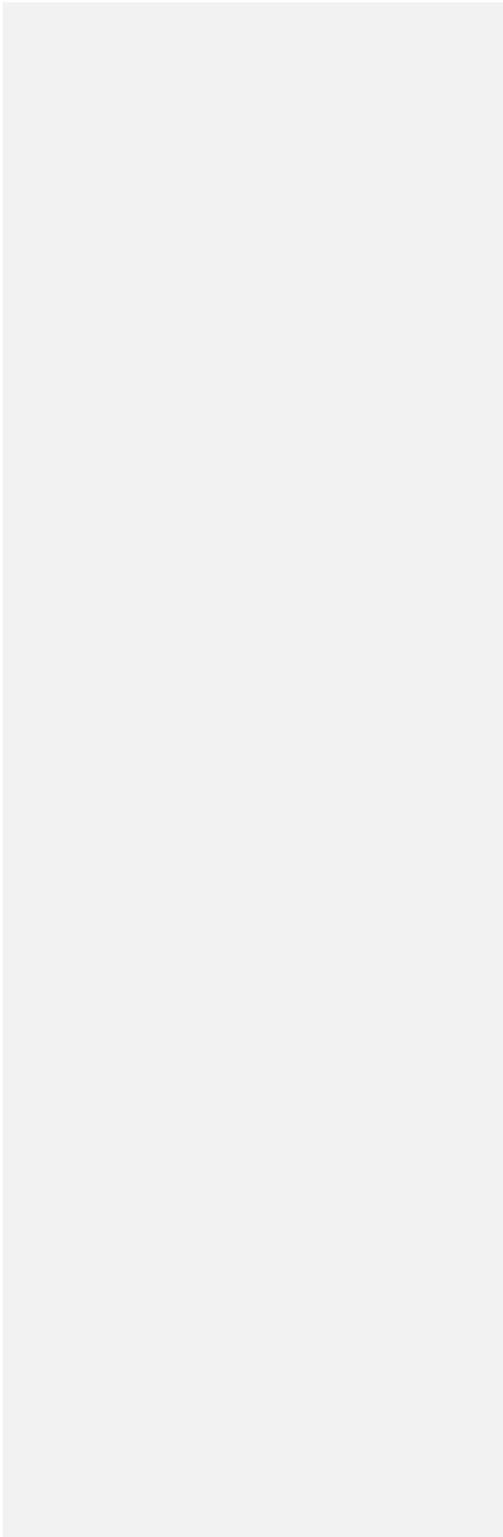
- Exhibit A -- The Franchise Agreement and attachments to it (including Guaranty and Spousal Consent)
- Exhibit B -- Multi-Unit Development Agreement and attachments to it (including Guaranty)
- Exhibit H -- Franchisee Acknowledgement Statement, as permitted by state law. No statement, questionnaire, or acknowledgment 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.

**ITEM 23**

**RECEIPTS**

A receipt in duplicate is attached as the last two pages of this Disclosure Document. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to Joe Sexton at ~~1425 Market Boulevard, Suite 200~~33 Mansell Court, Roswell, Georgia, 30076.

**EXHIBIT A**  
**FRANCHISE AGREEMENT**



**ACE PICKLEBALL CLUB FRANCHISE, LLC**

**FRANCHISE AGREEMENT**

---

**FRANCHISEE**

---

**DATE OF AGREEMENT**

**ACE PICKLEBALL CLUB FRANCHISE, LLC  
FRANCHISE AGREEMENT**

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**ATTACHMENTS**

Attachment 1 – Site and Assigned Territory

Attachment 2 – Lease Provisions

Attachment 3 – Collateral Assignment of Lease

Attachment 4 – Guaranty

Attachment 5 – Spousal Consent

Attachment 6 - Statement of Ownership Interests in Franchisee/Entity

# ACE PICKLEBALL CLUB FRANCHISE, LLC

## FRANCHISE AGREEMENT

This Franchise Agreement (the "**Agreement**") is entered into on \_\_\_\_\_, by and between Ace Pickleball Club Franchise, LLC, a Nevada limited liability company, with a principal address at ~~1425 Market Boulevard, Suite 20033~~ Mansell Court, Roswell, Georgia, 30076 ("**APCF**" or "Franchisor"), and \_\_\_\_\_, a \_\_\_\_\_, with a principal address at \_\_\_\_\_ ("Franchisee").

WHEREAS, APCF and its Affiliates have developed and refined a method of operating recreational centers that offer pickleball Courts and pickleball related activities and services (as defined below) to be used for sports and recreational activities and events;

WHEREAS, APCF's Affiliate, Ace Pickleball Club, LLC, has granted APCF the right to license the Intellectual Property and the System in connection with the sale of franchises for the operation of "Ace Pickleball Clubs"; and

WHEREAS, Franchisee recognizes the benefits to be derived from being identified with, and licensed by, APCF and desires to enter into the business of establishing and operating an Ace Pickleball Club using the System and Intellectual Property, and APCF is willing to grant a franchise to Franchisee on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties agree as follows:

Capitalized terms are defined in Appendix A, attached hereto.

### I. GRANT OF FRANCHISE

**A. Grant of License.** Subject to the terms and conditions herein, APCF hereby grants to Franchisee, and Franchisee hereby accepts from APCF, a non-exclusive right to operate one (1) Ace Pickleball Club (the "**Club**") to be located at the location listed in Attachment 1 attached hereto ("**Site**") and to use the System and Intellectual Property in connection therewith.

If a particular Site has not been selected and approved at the time this Agreement is signed, Attachment 1 will define an area which shall be Franchisee's non-exclusive site search area within which Franchisee will search for a site. In that case, after APCF has approved a Site for Franchisee's Club, (i) APCF will unilaterally modify Attachment 1 to set forth the specific address of the Site, and (ii) APCF will specify Franchisee's Assigned Territory based on APCF's then-current standards ("**Assigned Territory**").

If Franchisee desires to operate additional Ace Pickleball Club(s), it must do so pursuant to separate Franchise Agreement(s) (which may require payment of an additional initial franchise fee(s) and which may contain other terms different from the terms contained in this Agreement). It is within APCF's sole discretion whether to offer or grant Franchisee the right to operate additional Ace Pickleball Clubs.

**B. Assigned Territory Protection.** Franchisee must operate the Club only from the Site. So long as this Agreement is in force and effect and Franchisee is in compliance with its terms, APCF and its Affiliates will not itself locate or operate, or grant a franchise for another to operate, an Ace Pickleball Club within the Assigned Territory. The Assigned Territory granted under this Agreement does not in any way grant or imply any other area, market or territorial rights to Franchisee.

Franchisee agrees not to distribute individual advertising items (i.e., coupons, circular advertising, etc.) outside of its Assigned Territory, unless Franchisee both seeks and obtains written permission from the APCF Marketing Department ("**APCF Marketing**") and uses a form of advertising which is not programmed to be restricted to the Assigned Territory, such as direct mail advertising by outside contractors based on zip code. Notwithstanding the foregoing, Franchisee may seek permission from APCF Marketing to do so and, upon approval, may send individual advertising items to guests or potential guests within areas where no assigned territory for another Ace Pickleball Club is assigned. However, nothing herein will be deemed to grant Franchisee any protected area outside of its Assigned Territory. In the event that an Ace Pickleball Club is established in an area which was not currently assigned, Franchisee must immediately stop distributing advertising items in that territory. Franchisee acknowledges that APCF, its Affiliates, and other franchisees may be able to advertise in unassigned territories.

The advertising Franchisee is authorized to conduct as described above does not include any advertising through or using the world wide web or the internet. If Franchisee wishes to conduct or place any advertising or in any manner promote its Club and/or use the Marks on the internet, Franchisee shall obtain APCF's express prior written consent to such materials and the location(s) where the posting is to be made. Franchisee understands and acknowledges that any and all advertising, promotions and/or postings made on-line must be pre-approved by APCF in writing.

All promotional marketing programs which are initiated by Franchisee must be submitted and approved by APCF Marketing before being executed.

**C. Rights Reserved.** APCF, on behalf of itself and its Affiliates, reserves all rights not specifically granted to the Franchisee pursuant to this Agreement, including, but not limited to those set forth below:

1. To acquire, be acquired by, open and operate, or license or franchise others to open and operate, businesses within and outside of the Assigned Territory which operate under trademarks or service marks different from the Marks or operate under a system that is different from the System;

2. To operate, or license or franchise others to operate, Ace Pickleball Clubs anywhere outside of the Assigned Territory; including the right to open, operate or franchise Ace Pickleball Clubs outlets around, bordering, and adjacent to the Assigned Territory.

3. To develop, merchandise, promote, sell and license others to sell products or programs bearing the Marks through other channels of distribution within and outside of the Assigned Territory, including, at special events, athletic contests, through temporary locations, and through alternative distribution channels such as the internet, catalog sales and telemarketing.

APCF is not required to pay Franchisee any compensation or other amounts if APCF exercises any of the rights specified in this Section I.C within the Assigned Territory.

**D. Sale.** Franchisee agrees and affirms that APCF and its Affiliates have the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as "Ace Pickleball Clubs" operating under the Marks or any other marks following APCF's purchase, merger, acquisition or affiliation, regardless of the location of such facilities (which Franchisee acknowledges may be within the Assigned Territory, proximate thereto, or proximate to the Site). APCF and its Affiliates may sell themselves, their assets, their Marks and/or their System to a third party; may go public; may engage in a private placement of some or all of their securities; may merge, acquire other corporations or entities, or be acquired by another

corporation or entity; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring.

## II. LOCATION AND LEASE.

**A. Leasing and Construction.** Franchisee will either lease the Site for the Club from a landlord, or will construct or purchase its own building (as further detailed in Sections VII.A and VII.B below). The Site and lease are subject to the consent of APCF. The lease for the Site must be signed and fully executed within six (6) months of signing the Franchise Agreement.

**B. Site Selection and Demographic Study.** The Site is selected by Franchisee, subject to APCF's consent. Franchisee will select the proposed site for the location of the Club and submit the proposed site to APCF for consent. Within thirty (30) days after receipt of the site, APCF will advise Franchisee whether the proposed site meets APCF's minimum standards for an acceptable site. APCF is not responsible for, and does not make any warranty regarding, the suitability of the Site, and APCF's consent to a Site or approval of the vendor of any demographic study means only that the Site meets APCF's minimum standards for an acceptable Site or vendor. Franchisee is primarily responsible for investigating the site and selecting the vendor to provide demographic studies. In the event Franchisee and APCF cannot agree on a suitable Site for the Club, and if Franchisee does not have a signed lease or purchase contract, within six (6) months of the execution hereof, then APCF may terminate this Agreement, unless APCF agrees to extend such time period.

**C. Site Acquisition.** If Franchisee intends to lease a Site, Franchisee will submit a copy of the proposed lease to APCF within thirty (30) days of APCF's consent to the Site. Within ten (10) days of execution of the lease, Franchisee must provide APCF with a copy of the executed lease. APCF's consent to the lease means only that the lease meets APCF's minimum standards. Such consent by APCF of the lease is not a warranty as to the appropriateness of the lease or any of its terms. APCF may require Franchisee's lease for the Site to include substantially the same terms as set forth on Attachment 2 attached hereto. In addition, Franchisee will execute a Collateral Assignment of Lease as set forth in Attachment 3 whereby Franchisee agrees to assign its rights to the lease to APCF in the event of a termination or expiration of this Agreement or a default under the lease at the request of APCF. APCF recommends that Franchisee hire a professional leasing agent to assist in site location and lease negotiations and an attorney to handle the legal aspects of the transaction. APCF reserves the right to engage a national or regional commercial services brokerage team (CBRE, JLL, etc.) and/or local broker on behalf of Franchisee to assist or lead the Site Acquisition process. Franchisee may be required to sign an "exclusive representation agreement" issued by the engaged broker or brokers, which the term shall not exceed six (6) months. The engaged broker or brokers shall become the exclusive broker or brokers of record for the assignment, unless termination of the assignment is directly issued by APCF. The engaged broker or brokers shall continue to be the broker or brokers of record on any site presented to Franchisee or APCF prior to termination. There shall be no additional fees or costs incurred by the Franchisee for these services if engaged by APCF beyond that of normal fees or costs incurred and associated with the leasing or purchase of commercial real estate. APCF shall not receive any form of special compensation, rebate, commission or "kickback fee" from the engaged broker or brokers.

**D. Proof of Ownership.** If Franchisee intends to own the Site, Franchisee will furnish to APCF proof of ownership or an executed sale contract within ninety (90) days after APCF consents to the Site. Franchisee's submission of proof of ownership or an executed sale contract will be deemed a warranty by Franchisee that the Site can be utilized for the Club in accordance with the terms of this Agreement. Franchisee must create a separate entity to own the Site and then lease the Site to Franchisee at its full rental value and on commercially reasonable terms for the term of this Agreement.

**E. Relocation.** So long as Franchisee is not in default under this Agreement, Franchisee may relocate the Club to an approved location within the Assigned Territory with the prior written consent of APCF. Regardless of the reason for relocating, Franchisee agrees to pay all costs and expenses of relocating the Club including but not limited to the cost and expenses incurred by APCF in reviewing the proposed site and any lease or proof of ownership documents in connection therewith.

### **III. TERM AND RENEWAL**

**A. Term.** The initial term of this Agreement commences on the date first listed above and, unless sooner terminated in accordance with the provisions hereof, expires ten (10) years from the date hereof. References to "term" in this Agreement mean the "initial term" and any "renewal term" as set forth in Section III.B below.

**B. Renewal Term.** Franchisee has the right to renew this Agreement for an additional term of ten (10) years, provided that Franchisee is not in default under this Agreement, is able to retain possession of the Site and executes the then-current franchise agreement being utilized by APCF. The then-current franchise agreement may contain significantly different terms than this Agreement. Notwithstanding the foregoing, APCF may, in its discretion, refuse to renew this Agreement if Franchisee has been notified of defaults (even if subsequently cured) under this Agreement more than three (3) times during the initial term, even if Franchisee is not in default at the time of such renewal. Franchisee agrees to give APCF no less than six (6) months, nor more than eighteen (18) months, written notice of an election to renew the franchise, prior to the end of the initial term and APCF will comply with any notice requirements imposed on it by applicable law with regard to renewals. APCF may treat such a failure to give notice as Franchisee's election not to renew the franchise. Franchisee must also pay APCF a renewal fee of twenty-five percent (25%) of the then current initial franchise fee. As a condition of renewal, APCF may require Franchisee to, at Franchisee's expense, remodel and upgrade the Club, including but not limited to equipment and improvements, to meet the current standards of APCF and execute a general release, to the extent permitted by applicable law, of any and all claims against APCF and its Affiliates and their respective shareholders, officers, directors, employees, agents, successors and assigns arising under or from this Agreement and any related agreement between the parties or under any applicable law, rule or regulation. Additionally, APCF may require Franchisee to, at Franchisee's expense, upgrade the Club to then System standards which upgrade expense shall not exceed One Hundred Thousand Dollars (\$100,000).

**C. Continuation.** If Franchisee continues to operate the Club with APCF's express or implied consent following the expiration of this Agreement, the continuation will be a month-to-month extension of this Agreement, unless otherwise set forth in writing. All provisions of this Agreement will apply while Franchisee continues to operate the Club. This Agreement will then be terminable by either party on thirty (30) days written notice to the other party.

### **IV. FEES**

**A. Initial Franchise Fee.** Franchisee has paid APCF an Initial Franchise Fee of Sixty Thousand Dollars (\$60,000.00) upon execution of the Franchise Agreement. The Initial Franchise Fee is deemed fully earned and is non-refundable in whole or in part.

**B. Royalty Fee.** Franchisee must pay to APCF a continuing royalty fee equal to seven percent (7%) of Gross Sales of the Club ("**Royalty Fee**").

**C. Advertising Fee.** Franchisee must pay to APCF a continuing advertising fee of one percent (1%) of Gross Sales of the Club ("**Advertising Fee**") which will be deposited into the Advertising Fund.

The Advertising Fee may be increased or decreased by APCF with at least thirty (30) days' notice to Franchisee but shall not exceed two percent (2%).

**D. Technology Setup Fee.** Before you commence operation of your Club, you will need to enter into an agreement with us to obtain the right to use the customized software we have developed. In addition, upon the execution of the lease for the Site, you shall pay to us a technology setup fee in the amount of Three Thousand Five Hundred Dollars (\$3,500.00). Thereafter you shall pay to us a monthly technology fee in the amount of Seven Hundred Fifty Dollars (\$750.00), which shall be subject to increase in our sole discretion. Such fees are incurred by you to cover the costs of the setup of our custom operating system, setup and installation of the point of sale systems ("POS System;"), setup of your digital marketing platform, setup and launch of your local website, the maintenance of all such technology, and any other technology we may deem necessary for the operation of your Club. Any and all customer data collected or provided by Franchisee, retrieved from Franchisee's POS System, or otherwise collected from Franchisee by APCF or provided to APCF, is and will be owned exclusively by APCF and will be considered to be APCF's proprietary and confidential information. Franchisor has the right to use such data in any manner without compensation to Franchisee. APCF licenses to Franchisee the use of such data solely for the purpose of operating the Club; provided that, this license shall automatically and irrevocably terminate, without any additional action or notice required by APCF, upon the expiration or earlier termination of this Agreement.

**E. Time and Manner of Payments.** Royalty Fees and Advertising Fees are due and payable once per month on the first day following the previous month ends. If the payment date falls on a holiday, the fees will be due on the next business day. Any payment or report not received by APCF by the date due will be deemed overdue.

**F. EFT Payments.** APCF requires that all such Royalty Fees and Advertising Fees be made via electronic funds transfer ("**EFT**") which electronically debits from Franchisee's bank account the fees described herein or such other manner which APCF may designate from time to time. Franchisee must comply with the procedures specified in the Confidential Operations Manual ("**Manual**") or as otherwise communicated for such EFT program and must perform the acts and sign the documents, including authorization forms that APCF, Franchisee's bank and APCF's bank may require to accomplish payment by EFT, including authorizations for APCF to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of Royalty Fee and Advertising Fees and other amounts, including interest payable to APCF. In addition, Franchisee must pay all costs associated with utilizing an EFT payment program. If Franchisee fails to timely report to APCF in accordance with the procedures set forth herein or in the Confidential Operations Manual, APCF has the right, but not the obligation, to debit from Franchisee's account an estimated amount equal to the fees due and payable to APCF during the most recent month for which the reports were received by APCF.

**G. Interest on Late Payments.** If Royalty Fees and Advertising Fees are not paid when due, APCF will have the right to charge interest on late payments equal to the lesser of eighteen percent (18%) per annum or the maximum legal rate in the jurisdiction where the Club is located, subject to applicable laws. APCF's right to interest is in addition to any other remedies that APCF may have.

**H. No Right of Offset.** Franchisee agrees to make prompt payment, without deduction or set-off, of all charges which are properly due in addition to the Royalty Fees and Advertising Fees payments set forth above. Such payments cannot be withheld on any grounds whatsoever, including but not limited to alleged non-performance by APCF of any of its obligations hereunder.

**I. Under-Reporting.** If Franchisee under-reported Gross Sales of its Club, Franchisee will reimburse APCF for the amount of the Royalty Fees and Advertising Fees that would have been billed had

Gross Sales been reported accurately, plus interest on those amounts (as set forth in Section IV.F above). In addition, if the amount of Gross Sales reported for any calendar year is understated by two percent (2%) or more of the actual Gross Sales for that period, Franchisee agrees to reimburse APCF for all costs of the investigation or audit that uncovered the under-reported sales, including salaries, professional fees, travel, meals and lodging. The obligations of this provision survive termination or expiration of the Agreement.

**J. Late Report Fee.** If Franchisee fails to send financial reports when due, APCF may, to the extent permitted by applicable law, charge a Late Report Fee of One Hundred Dollars (\$100.00) plus an additional One Hundred Dollars (\$100.00) for each day any report is late. If Franchisee fails to send APCF a report that is due on a quarterly basis or annual basis, APCF can charge Franchisee a late report fee of One Hundred Dollars (\$100) plus an additional One Hundred Dollars (\$100) for each month the report is late.

**K. Payments on Expiration of Patents.** Franchisee acknowledges that upon the expiration of any Patents, this Agreement will continue in full force and effect, however, the Royalty Fees referred to in Section IV.B. above will be consideration for the use of the remainder of the Intellectual Property and System only and not for the use of the Patent.

**L. Taxes.** Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Club. Franchisee agrees to indemnify and/or reimburse APCF and its Affiliates for all capital, gross receipts, sales, and other taxes and assessments imposed by any applicable state or local governmental authority on APCF and its Affiliates as a result of Franchisee's operation of the Club or the license of any of APCF's or its Affiliates' intangible property to Franchisee (whether such amounts are required to be paid by APCF or its Affiliates, withheld by Franchisee, or otherwise). Franchisee's obligation to indemnify or reimburse APCF or its Affiliates for these taxes does not extend to income-type taxes which a state or local government imposes on APCF or its Affiliates' income.

## **V. ADVERTISING**

**A. Advertising Fund.** APCF has established and administers an Advertising Fund, and the Advertising Fees paid by Franchisee will be deposited into the Advertising Fund. The Advertising Fund will be used to provide advertising and promotional activities APCF deems beneficial to the APCF franchise system, which may include but shall not be limited to participating in tournaments and events. The Advertising Fund can be used for the payment of all costs associated with the creation, production, distribution, media placement and administration of local, state, regional or national advertising programs, for such other advertising and marketing purposes as APCF desires, and for any taxes incurred on the fund. In addition, the Advertising Fund can be used to pay administrative expenses, including, without limitation, material, services, salaries and overhead incurred by APCF or its Affiliates, in connection with administering the Advertising Fund. In order to preserve APCF's legitimate interest in protecting the quality of the System and the Ace Pickleball Club brand, reputation and goodwill, APCF reserves the right to direct all advertising and promotional programs, to select and approve advertising agencies, creative concepts, materials, and media placements and allocations used in the programs, and to formulate and make policy decisions concerning all aspects of the advertising and franchise expansion program, consistent with applicable law. Franchisee acknowledges that APCF and its designees undertake no obligation in administering the Advertising Fund to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contributions, or to ensure that Franchisee benefits directly or pro rata from the placement of advertising. If APCF spends less than the total of all contributions to the Fund during any fiscal year, it has the right to retain those contributions for use in subsequent years. An unaudited summary report on the operation of the Advertising Fund will be available to Franchisee on request ninety (90) to one hundred and twenty (120) days after fiscal year end.

**B. Grand Opening Advertising.** In addition to the other advertising described herein, APCF requires Franchisee to spend at a minimum of ~~Twenty~~Thirty-Five Thousand Dollars (\$~~25~~35,000) ("**Grand Opening Advertising Amount**") for grand opening advertising and sales promotions. Franchisee must spend one half (1/2) of such Grand Opening Advertising Amount prior to the opening of the Club and the remainder in the first month in which the Club is open for business. Franchisee will provide to APCF, within three (3) months after the opening of the Club, proof of Franchisee's advertising and sales promotion expenditures in such form, with such detail and including copies of such advertising and materials and receipts as APCF will request.

**C. Franchisee's Own Advertising.** Franchisee must spend certain amounts for advertising and promotion of the Club in addition to the Grand Opening Advertising described above and the required contributions to the Advertising Fund. In the second, third and fourth months in which the Club is open, Franchisee must spend at least Six Thousand Dollars (\$6,000) per month on local advertising. Thereafter, Franchisee must spend a minimum of two percent (2%) of the Club's Gross Sales per month on local advertising on a quarterly basis. Once the Club has reached its maximum membership capacity, as determined in Franchisor's sole discretion, Franchisee must spend a minimum of one percent (1%) of the Club's Gross Sales per month on local advertising on a quarterly basis. Franchisee must submit all of its own advertising and sale promotion materials to APCF or its agency, for prior consent at least ten (10) days prior to use. Franchisee must not advertise or use in advertising or other form of promotion, the Marks of APCF or APCF's Affiliates without the appropriate copyright, trademark, and service mark registration symbols for those marks which are registered. Franchisee may not advertise its services or use the Marks on the internet except with APCF's prior consent. Any and all such advertising on the internet must be pre-approved by APCF and on terms specified by APCF. Additionally, upon request of APCF, Franchisee must provide to APCF proof of Franchisee's advertising and sales promotion expenditures in such form, with such detail and including copies of such advertising and materials and receipts as APCF will request.

**D. Telephone Directories.** APCF reserves the right to require Franchisee to participate with other Ace Pickleball Clubs in placing advertisements in the applicable Yellow Pages and/or other directories including internet telephone directories. Franchisee's proportionate cost for such directory advertising will be borne by Franchisee. These advertising costs must be paid in addition to the amounts payable to the Advertising Fund but can be applied against the amount of local advertising Franchisee is required to spend.

## **VI. OBLIGATIONS OF APCF**

**A. Onboarding Program and Initial Training.** APCF will provide an onboarding program and an initial training program for the operation of the Club for the Operating Principal Owner and the Franchisee's Club manager. The onboarding program and initial training program ~~is~~are furnished after this Agreement is executed and prior to the opening of the Club and will be furnished at such time and place as APCF may designate. Franchisee must pay all transportation, lodging, meals and other expenses incurred by it and its employees in attending ~~this program~~these programs. Franchisee's designated Management Team and Operating Principal Owner must attend and satisfactorily complete the training program before opening the Club. If Franchisee's Management Team and/or Operating Principal Owner do not satisfactorily complete the training program, APCF will have the right to postpone the opening of Franchisee's Club or terminate this Agreement and retain the Initial Franchise Fee. Satisfactory completion of the training program is, however, no assurance of the success of the Club. This training program is mandatory for all Clubs opened by Franchisee.

**B. Opening Assistance.** APCF will send at least one (1) representative to provide on-site opening training assistance for at least three (3) days during the opening of the Club for business. If

additional training is required on-site, Franchisee will be responsible for all expenses incurred by the trainers and APCF will have the right to charge a reasonable training and assistance fee.

**C. Subsequent Training.** APCF will offer training for new employees who are not initially trained pursuant to this Agreement, and may also provide refresher training programs to experienced employees. APCF reserves the right to designate certain training programs or meetings (including, the Ace Pickleball Club Annual Convention) as mandatory and to treat Franchisee's failure to have a representative attend such training program or mandatory meeting as a material breach of this Agreement. APCF may elect to make a reasonable charge for any training provided pursuant to this paragraph, and Franchisee is responsible for the compensation, travel, lodging, and personal expenses of the trainees. All managers must satisfactorily complete APCF's training prior to managing the Club.

**D. Continuing Advisory Assistance.** APCF may make available such continuing advisory assistance in the operation of the Club, rendered in such manner and available from time to time, as APCF may, in its reasonable discretion, deem appropriate. APCF reserves the right to charge a reasonable fee for such assistance.

## **VII. OBLIGATIONS OF FRANCHISEE**

**A. Layout and Design.** Once Franchisee obtains a Site, which is approved by APCF, Franchisee will consult with APCF's construction project management team in order to obtain the services of an architect approved by APCF to produce construction plans, based on the preliminary layout provided by APCF, to suit the shape and dimensions of the Site. Any such suggestions or preliminary layout and design provided by APCF will not include the requirements of any federal, state, or local law, code, or regulation, including those concerning the Americans with Disabilities Act ("ADA") or similar rules governing public accommodations for persons with disabilities, nor will such suggestions include the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific location. After the preliminary layout is completed, Franchisee will hire a local licensed architect that meets APCF's standards, or may use an architect approved by APCF, to detail the layout into construction plans. Franchisee is responsible for the cost for both the approved architect's services and the local architect's services. ~~APCF shall provide the first three (3) space plans ("Space Plan") to Franchisee at no additional cost. If additional Space Plans are necessary, the cost shall be Three Hundred Fifty Dollars (\$350) for each additional Space Plan.~~

**B. Opening and Construction.** Franchisee will construct and equip the Club in accordance with specifications prepared by Franchisee, subject to APCF's right to consent to such specifications, layout and design and equipment. All development must be in accordance with the plans and specifications APCF has approved and must comply with all applicable laws. Franchisee must submit all modifications to the plans and specifications to APCF for APCF's approval before starting to develop the Site. The cost of plans and specifications will be borne by Franchisee. APCF's consent will be limited to review of such plans to assess compliance with APCF's design and brand standards for a Club, including such items as trade dress, presentation of trademarks, and the provision to the potential guest of certain products and services that are central to the functioning of the Club. Such review is not designed to assess compliance with federal, state or local laws and regulations, including, but not limited to the ADA, as compliance with such laws is the sole responsibility of Franchisee. The requirement to complete construction of the Club includes obtaining all required construction and occupancy licenses and permits, developing the Site for the Club, installing as specified by APCF in the approved plans and specifications all required fixtures, furnishings, equipment and signs, and doing all other things as may be required under this Agreement or the Manual, or by practical necessity to have the Club ready to open for business. The date the Club opens for business to the public shall be defined herein as the "Opening Date". Franchisee's failure to open the Club commence business within twelve (12) months following the date of this Agreement shall be deemed a material event of default

under this Agreement. Opening may be delayed only if such delay is caused by contingencies not within the control of Franchisee, such as acts of God, governmental restrictions, strikes or labor disputes, about which APCF is notified within a reasonable period time of such delay. Franchisee will use its best efforts to cure any such delay and any such delay in completion will be for a period of days equal to the number of days during which such event actually prevents completion. In such event, Franchisee will notify APCF of any such delay in writing. Since, Franchisee is solely responsible for complying with the requirements of the ADA and other matters affecting or relating to the construction, operation, and design of the Club in all respects, nothing contained herein or in the Manual will be construed as or implied as imposing any obligation on APCF or its Affiliates in relation to the ADA or other matters relating to the construction or design of the Club.

**C. Use of Marks.** Franchisee must, during the term of this Agreement, operate, advertise and promote its Club business under the name designated by APCF, which at this time is "Ace Pickleball Club." The designated name will be used without prefix or suffix, unless otherwise consented to by APCF in writing. Franchisee will adopt and use the Marks licensed hereunder solely in the manner prescribed by APCF, and agrees to identify its Club with a sign in compliance with applicable local ordinances and approved by APCF.

**D. Compliance with Laws and Good Business Practices.** Franchisee agrees to operate the Club in compliance with applicable laws and governmental regulations and in accordance with the operational standards as may be established by APCF from time to time. At all times Franchisee must comply with all federal, state, municipal, and local laws, rules, regulations, ordinances, and codes applicable and related to this Agreement, the Club and all aspects of the conduct of the Club. Franchisee shall also comply with all standards issued by ASTM International as they relate to amusement and indoor pickleball clubs. Franchisee will obtain all licenses and permits required by any applicable federal, state, municipal, and local law, rule, regulation ordinance and code. Franchisee will make timely filings of all tax returns and must pay when due all taxes levied or assessed on, and related to this Agreement and the Club. APCF is not required to inform franchisee of any federal, state, municipal, or local law, rule, regulation, ordinance, code, or tax and Franchisee assumes all responsibility in connection therewith.

**E. Standards of Operation.** The Club must conform with the mandatory standards relating to signage, color scheme, appearance, hours of operation as required by Franchisee's lease and such minimum days and hours as APCF may specify in the Manual or otherwise in writing, cleanliness, sanitation, methods, type of equipment, type of programs and services and decor as designated by APCF. Franchisee acknowledges and agrees that such mandatory standards also include that Franchisee shall, under no circumstances, exceed the maximum capacity of the Club as determined by APCF, including maximum capacity for individual courts, and that Franchisee shall at all times ensure that its security camera system is operational and that APCF has independent access to such security camera system. Franchisee further acknowledges and agrees that the maximum capacity set by APCF as described herein may be more stringent than maximum capacity requirements of local laws, but APCF has established the maximum capacity for safety reasons based on the size, layout and design of Franchisee's Club. Franchisee agrees to offer all products, services and programs required by APCF. Franchisee will not conduct any business or sell any products, programs or services other than those approved by APCF. Franchisee must keep the premises clean and safe and provide prompt and courteous service to its guests. Franchisee must not advertise in a deceptive, misleading, or unethical manner and agrees to render prompt and courteous service, and meet such minimum standards as APCF may establish from time to time in the Manual or as otherwise provided by APCF. Franchisee shall, in the event of an injury to a guest, download the applicable video footage from the security camera system and retain such footage. Franchisee shall supply to APCF a copy of such footage if APCF so requests. If, in any situation APCF determines, in its sole discretion, that Franchisee did not fairly handle a guest complaint, APCF has the right to intervene and require Franchisee to take such steps as are reasonably necessary to satisfy the guest. Because complete and detailed

uniformity under many varying conditions may not be possible or practical, APCF specifically reserves the right and privilege, in its sole discretion and as it may deem to be in the best interests of all concerned in any specific instance, to vary standards for any franchisee based upon the peculiarities of a particular territory, density of population, business potential, business practice or other condition important to the successful operation of such franchise owner's business. APCF may grant to franchisees variations from standard specifications and practices as APCF determines in its sole discretion, and APCF will have no obligation to grant other franchisees like or similar variations. While the Franchisee has the right to set the prices at which Franchisee sells its products, services and programs, any promotional pricing must be submitted and approved by APCF before the promotion is executed. Further, during the term of this Agreement, Franchisee must maintain membership (in good standing) with the USA Pickleball Association (USAPA) and pay for all USAPA dues associated with such membership.

**F. Staffing.** Franchisee must maintain, and has sole authority and control over, a competent, conscientious, and trained staff. Franchisee will be solely responsible for all employment decisions and functions of the Club including, without limitations, those related to hiring, firing, training (including signed training certificates), wage and hour requirements, record-keeping, supervision, and discipline of employees, and Franchisee must inform its employees as to such requirements. It is Franchisee's responsibility to ensure that its staff is properly trained. At no time will Franchisee or Franchisee's employees and independent contractors be deemed to be employees of APCF or any Affiliate of APCF. Franchisee must open the Club with a minimum of two (2) trained and certified managers therein. The Club's managers must have completed and been certified by APCF as having completed the initial training. Failure to have such managers at the Club prior to opening will result in Franchisee not being allowed to, or approved to, open the Club.

**G. Equipment, Furniture, Fixtures and Signs.** Franchisee must purchase or lease all of the required equipment, furnishings, fixtures and signs for the Club. Franchisee must purchase or lease only such types, brands and models of fixtures, furniture, equipment, signs and supplies which APCF approves as meeting its standards and specifications. Franchisee may purchase or lease approved types, brands or models of fixtures, furniture, equipment, signs and supplies only from suppliers approved by APCF. From time-to-time APCF may modify the list of approved types, brands, models, and/or suppliers, and Franchisee may not, after receipt of notice of such modification, reorder any type, brand, or model from any supplier which is no longer approved.

**H. Security and Safety Procedures.** Franchisee is solely responsible to take appropriate security and safety measures to protect its employees, guests, those engaging in business with Franchisee, those coming on the premises of the Club and the general public at large. APCF does not in any way share any of that responsibility. Franchisee is responsible for obtaining its own legal advice with respect to the preparation and enforceability of any guest waiver forms.

**I. Actual Participation.** Franchisee recognizes the importance of the Operating Principal Owner's participation in the management of the Club and that the Operating Principal Owner's agreement to so participate in the management of the Club is a material inducement for APCF to enter into this Agreement. Notwithstanding, the Franchisee may hire a qualified manager, approved by Franchisor in its sole discretion, to operate the day-to-day affairs of the Club, however, the Operating Principal Owner must remain actively involved in the operations and management of the Club. The Operating Principal Owner is required to carefully monitor and be responsible for the performance of anyone designated to manage the operation of the Club. Supervisory personnel, including the designated manager of Franchisee are required to sign an agreement regarding confidentiality and covenants not to compete which is in a form acceptable to APCF.

**J. Insurance.** Franchisee must use an approved supplier for general liability and excess insurance, but all other insurance may be obtained from any licensed insurance agent or broker.

1. Franchisee shall, at its sole cost and expense, procure, prior to the commencement of construction or any operations under this Agreement, and maintain insurance of the types and in such amounts as may be required by the terms of any lease, sublease, mortgage or deed of trust for the Club and in no event less than the following coverage in the following minimum amounts:

(i) Worker's compensation with minimum amounts as follows: Five Hundred Thousand Dollars (\$500,000) per accident, Five Hundred Thousand Dollars (\$500,000) disease policy limit, and Five Hundred Thousand Dollars (\$500,000) disease limit per employee;

(ii) Comprehensive general liability coverage in an amount not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate with an "A" AM Best rated carrier. Such coverage will include: (a) Bodily injury to or death of one or more persons; (b) Property insurance including damage or destruction and builder's risk; (c) Product liability and completed operation liability; (d) Broad form contractual liability, specifically including the indemnification provision set forth in Section XV.B. below; (e) Fire legal liability; and (f) non-owned automobile liability; and

(iii) Excess or umbrella liability insurance with limits of not less than Two Million Dollars (\$2,000,000) with an "A" AM Best rated carrier.

(iv) Employer Practices Liability Insurance that names Franchisor as co-defendant in the amount of One Million Dollars (\$1,000,000) for employment wrongful acts, including third party liability for harassment and discrimination of non-employees

2. APCF may, from time to time, in its sole discretion, make such changes in minimum types of policies, policy limits, coverage, endorsements and other provisions as it may determine.

3. Regardless of the amounts set forth above, it is Franchisee's responsibility to maintain adequate insurance coverage at all times during the term of and after the expiration of this Agreement, so that coverage, including but not limited to any policies that are on a "claims made" basis, which through the purchase of an extended reporting endorsement (i.e., "tail" insurance") will be in effect for acts or omissions that occurred prior to the termination of the policy and are reported within a 24 month period following the end of the policy period.

4. All general liability insurance policies will provide that APCF must receive 30 days prior written notice of any termination, expiration or cancellation of the insurance policy. Each insurance policy maintained by Franchisee for the Club must: (a) name Franchisee as the first named insured; (b) must name APCF, and its Affiliates, successors, and assigns as additional insureds; (c) include a waiver of the insurer's right of subrogation against any additional insureds; and (d) provide coverage for Franchisee's indemnification obligations under this Agreement.

5. If Franchisee fails to maintain such insurance, APCF may procure such insurance on behalf of Franchisee, and will be entitled to reimbursement from charge Franchisee for the cost thereof together with an administrative fee of ten percent (10%) of the cost for Franchisor's expenses in so acting.

including all attorneys' fees, in addition to any other rights and remedies under this Agreement. However, APCF is not obligated to obtain such insurance on behalf of Franchisee.

6. Franchisee should determine, through consultation with its advisors, if additional insurance is necessary, and Franchisee recognizes that any recommended levels are merely minimum requirements.

7. Failure of Franchisee to maintain coverage will not relieve it of any contractual responsibility or obligation or liability under this Agreement.

**K. Inspections.** Franchisee will permit representatives or agents of APCF to enter the Club premises with or without notice during regular business hours to inspect the Club premises and audit the business operations including all books and records. Franchisee also grants APCF permission to examine all records of any supplier from whom Franchisee has made purchases. Franchisee will keep on file such other accounting records for such periods of time as is necessary to provide appropriate documentation in the event of an audit of Franchisee's business by APCF or by any governmental taxing authority having jurisdiction over Franchisee. APCF's retention and exercise of the right to approve certain matters, to inspect the Club and its operation and to enforce its rights, exists only to the extent necessary to protect APCF's interest in the System and Marks for the benefit of APCF, its Affiliates and all Ace Pickleball Clubs. Neither the retention nor the exercise is for the purpose of establishing any control, or the duty to take control, over those matters which are clearly reserved to Franchisee, nor will they be construed to do so. The obligations of this provision survive termination or expiration of the Agreement. Such inspections are not in lieu of Franchisee's duty to supervise the day-to day operation of the Club and the performance of Franchisee's employees.

**L. Financial Records.** Franchisee must maintain and preserve for at least four (4) years from the dates of their preparation, full, complete and accurate books, records and accounts in the form and manner prescribed by APCF from time to time, in the Manuals or otherwise in writing. Franchisee will send to APCF annual income and expense statements within sixty (60) days of the end of Franchisee's fiscal year. Franchisee will also send APCF bi-weekly summary reports due every other Wednesday based on the Gross Sales from the prior two-week period ending Saturday. Franchisee must also send monthly profit and loss statements by the fifteenth (15<sup>th</sup>) day of the following month, together with a report detailing any incidents at the Club during the previous month, and any other information or reports including copies of balance sheets, copies of sales tax returns, and such other financial reports and information as APCF may reasonably request. Franchisee acknowledges and agrees that the financial data of Franchisee's Club (i) is owned by APCF, (ii) is APCF's proprietary information, (iii) may be published in franchise disclosure document(s) issued by APCF following the Effective Date hereof, and (iv) may be shared with other franchisees in the System.

**M. Cooperation for Financial Performance Representation.** Franchisee must maintain its books and records in accordance with generally acceptable accounting principles, consistently applied. If APCF at any time desires to utilize an earnings claim, financial performance representation or similar information in connection with the sale of franchises, Franchisee agrees to provide APCF, at no cost, with such reasonable information as APCF requires from Franchisee in order to properly prepare such documents, and will permit APCF to utilize such information as it deems necessary.

**N. Innovations.** All innovations, developments, improvements, ideas, concepts or techniques concerning the Club, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to APCF and will be deemed to be APCF's sole and exclusive property, part of the System, and works made for hire for APCF. To the extent any item does not qualify as a "work made for hire" for APCF, Franchisee or its employees or owners assign

ownership of that item and all related rights to that item to APCF and must take whatever action (including signing assignment or other documents APCF request) to show APCF's ownership or help APCF obtain intellectual property rights in the item.

**O. Remodeling.** Franchisee acknowledges that certain upgrading and remodeling of the Club, including equipment and improvements, may be necessary from time to time to maintain a positive and current public image for the Club and to take advantage of changes and modifications deemed appropriate by APCF. Therefore, Franchisee has an ongoing obligation and agrees to abide by any reasonable requirement of APCF with regard to the upgrading and remodeling of the Club to comply with standards that may be imposed by APCF from time to time, at Franchisee's expense.

**P. Credit Card Processing.** Franchisee agrees to comply with such directives related to Franchisee's compliance with the applicable industry regulations and/or guidelines related to the processing of credit/debit cards promulgated by the card issuers (e.g., Cardholder Information Security Program ("CISP") promulgated by Visa®) and/or service companies/organizations, such as the Payment Card Industry ("PCI") Data Security Standards, as those standards may be revised and modified by the PCI Security Standards Council, LLC (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or any successor organization or standards that APCF may reasonably specify in the Manual or otherwise in writing. Among other things, Franchisee agrees to implement the enhancements, security requirements, and other standards that CISP, PCI Security Standards Council, LLC or their equivalent (or their successors) requires of a merchant that accepts payment by credit and/or debit cards. As further discussed in Section XIII, APCF and Franchisee agree that changes to technology are dynamic and are not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that APCF may establish from time to time in the Manual or otherwise in writing reasonable new standards for the implementation of technology in the System. Franchisee agrees to comply with any reasonable new standard for technology that is developed by APCF.

**Q. Guest Lists.** Franchisee acknowledges and agrees that any guest lists, guest files, databases, records, mailing lists, and any other guest information obtained in conjunction with the operation of the Franchisee's Club (collectively, the "**Guest Lists**"), shall be the exclusive property of APCF and shall constitute proprietary information of APCF. APCF has the right to use such Guest Lists in any manner that APCF deems appropriate without compensation to Franchisee. Such Guest Lists must be accessible to APCF through Franchisee's computer system and software required pursuant to this Agreement. Franchisee may not, without the prior written consent of APCF, disclose Guest Lists, or any portion thereof, to any person other than APCF, either during the term of this Agreement or thereafter. Franchisee also agrees to comply with APCF privacy policies and practices related to the Guest Lists as specified in the Manual or otherwise in writing. APCF hereby licenses the use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee's use in connection with the Club.

**R. Guarantees of Shareholders, Partners or Members.** Each shareholder, partner or member (and their shareholders, partners or members if they are an entity) who has a 25% or greater interest will guarantee this Agreement. The execution and performance of this Agreement by Franchisee does not violate or constitute a breach of the terms of any other agreement or commitment to which Franchisee is a party. For purposes of clarification, Franchisee's Operating Principal Owner must sign the Guaranty attached as Attachment 4 to this Agreement.

## VIII. INTELLECTUAL PROPERTY

**A. Ownership of the Intellectual Property.** Franchisee expressly understands and acknowledges that APCF and/or APCF's affiliate(s) are the record owner of the Intellectual Property~~is owned by APCF's Affiliate, Ace Pickleball Club, LLC and is licensed to APCF.~~ Franchisee recognizes

that valuable goodwill is attached to the Intellectual Property; Franchisee's right to use the Intellectual Property is derived solely from this Agreement and is limited to operating the Club pursuant to and in compliance with this Agreement. Any unauthorized use of the Marks or Patent by Franchisee is a breach of this Agreement and an infringement of the rights of APCF. Any goodwill arising out of Franchisee's use of the Intellectual Property inures to the benefit of APCF and APCF's Affiliates. All provisions of this Agreement applicable to the Intellectual Property apply to any additional trademarks, service marks, and commercial symbols or Patents hereafter authorized for use by and licensed to Franchisee.

**B. Contest of Marks and Patent.** Franchisee will not directly or indirectly contest or aid in contesting the validity or ownership of a Patent or Marks, or contest APCF's and APCF's Affiliates' rights to register, use or license others to use the Marks or Patent. Franchisee will not at any time (whether during the term of this Agreement or after expiration or termination thereof) directly or indirectly commit an act of infringement. Franchisee agrees to promptly notify APCF of any claim, demand, or suit based upon or arising from any attempt by anyone else to use the Marks or Patent, challenge Franchisee's use of the Marks or Patent, or any person's rights in any Marks or Patent. APCF or APCF's Affiliates will have the sole discretion to determine if they will defend the use of the Marks, or Patent and they are not obligated to defend the Marks or Patent. APCF or APCF's Affiliates have the right to control any administrative proceeding or litigation involving the Marks or Patent. Franchisee must execute any and all instruments and documents, render assistance, and do such acts as may, in the opinion of APCF's counsel, be necessary or advisable to protect the interests of APCF or its Affiliates in any such litigation, or proceedings, or to otherwise protect and maintain the interest of APCF or its Affiliates in the Marks or Patent.

**C. Use of the Intellectual Property.** Franchisee must use the Marks as the sole identification of the Club. Franchisee will not use any of the Marks or the name "Ace Pickleball Club" as part of its corporate name with any prefix, suffix, or other modifying words, terms, designs or symbols. Franchisee will, however, identify itself as an independently owned and operated Ace Pickleball Club franchisee, in a manner APCF prescribes. Franchisee must not use APCF's name or Marks (or any marks or names confusingly similar thereto) as an internet domain name or in the content of any website. Franchisee must not register or attempt to register any of the Marks (or any marks or names confusingly similar thereto). Franchisee will use the Intellectual Property only in full compliance with this Agreement. Franchisee must ensure that all Copyrights used hereunder will bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws. It will be considered a breach of this Agreement if Franchisee uses, in any unauthorized manner, adapts publishes, reproduces, prepares any derivative works, distributes copies of or attempts to recreate all or a portion of such Copyrights. Franchisee must use the subject matter of the Patent in accordance with the terms of this Agreement and will not use the subject matter of the Patent in any other manner not expressly authorized by APCF in writing. Franchisee must take appropriate measures to assure that Franchisee and its employees and agents maintain all patent markings, so that such markings shall not be obscured or removed or otherwise be used in such a way that they are not clearly visible.

**D. Change of Intellectual Property.** APCF will have the right to modify or discontinue any of the Intellectual Property or add or substitute other Intellectual Property to be used by Franchisee at any time and for any reason it deems appropriate. Franchisee must pay the costs associated with such change and will make such necessary changes promptly. Neither APCF nor its Affiliates will have any liability or obligation with respect to any respect to any required modification, substitution, addition or discontinuance of use of any Intellectual Property.

**E. Use of Marks on the Internet.** Franchisee agrees not to register any internet address name under any internet domain, class or category that contains the words "Ace Pickleball Club" or any abbreviation, acronym or variation of that word. APCF retains the sole right to advertise on the internet and create a Website using any of the Marks or any variation of the Marks. Franchisee is not permitted to

have a presence on the internet other than through APCF's website or other methods APCF approves. APCF retains the right to pre-approve Franchisee's use of linking and framing between Franchisee's Web pages and all other Websites. Franchisee must, within five (5) days after a request by APCF, dismantle any frames and links between Franchisee's Web pages and any other Websites. Franchisee will comply with all policies and procedures that APCF may establish from time to time for use of the Marks and advertising on the internet. Franchisee acknowledges and agrees that it is strictly prohibited from promoting its Club and/or using the Marks in any manner on any social and/or networking Websites, including, but not limited to, Facebook, LinkedIn, Instagram, YouTube, and Twitter, without APCF's prior written consent. Franchisee further acknowledges and agrees that if it at any time wishes to modify its webpage on APCF's Website, all changes must be pre-approved by APCF in writing. Franchisee further agrees to comply with APCF's other policies concerning the internet and posting of information.

## **IX. CONFIDENTIAL INFORMATION AND TRADE SECRETS**

Franchisee acknowledges that the trade secrets, information, ideas, research, methods, manuals, sales and marketing procedures, systems, improvements and copyrighted materials, etc., including the Manual, owned or developed by or licensed to APCF, whether or not published, confidential or suitable for registration or copyright, and the goodwill associated with them, are and will remain the sole and exclusive property of APCF. They are provided or revealed to Franchisee in trust and confidence. Any and all information, knowledge and know-how not generally known in the business about the System and products, specifications, standards, methods, procedures, sales and marketing material, systems, procedure and techniques, knowledge of, and experience in operating an Ace Pickleball Club and other information or material which APCF may designate as confidential, whether communicated in writing, orally, electronically, by inspection, or by sample, exhibit, training, demonstration, or other means ("**Confidential Information and Trade Secrets**") will be deemed confidential for purposes of this Agreement. Franchisee acknowledges that if the System and the Manual would be used by other persons, firms or corporations, it would give them a substantial competitive advantage which is presently enjoyed by APCF and its franchisees. Franchisee must not, during the term of this Agreement, or after Transfer or expiration or termination of this Agreement for any reason, communicate or divulge to anyone or use any Confidential Information and Trade Secrets, nor will Franchisee disclose, use or divulge in whole or in part any Confidential Information and Trade Secrets, unless such information is generally known and in the public domain, and except to the extent necessary to operate the Club. All employees of Franchisee will exercise the highest degree of diligence and make every effort to maintain the absolute confidentiality of all Confidential Information and Trade Secrets and proprietary rights during and after the term of this Agreement. At APCF's request, Franchisee shall require its manager and any personnel having access to any Confidential Information and Trade Secrets of APCF to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Club. Such covenants shall be in a form satisfactory to APCF, including specific identification of APCF as a third-party beneficiary of such covenants with the independent right to enforce them.

## **X. NON-COMPETITION**

**A. Competing Business During the Term of This Agreement.** Franchisee acknowledges the uniqueness of the System and that APCF is making its knowledge, know-how, and expertise available to it for the purpose of operating the Club. Franchisee agrees that it would be an unfair method of competition to use or duplicate, or to allow others to use or duplicate, any of the knowledge, know-how and expertise received by Franchisee for any reason other than for the operation of the Club under this Agreement. Franchisee further recognizes the importance of devoting substantial time and energy to the Club. Franchisee, therefore, warrants that during the term of this Agreement, unless Franchisee has the prior written consent of APCF, franchisee will not directly or indirectly, through itself or through corporations, partnerships, limited liability companies, trusts, associations, joint ventures, unincorporated

businesses, or otherwise perform any services for, engage in or acquire, be an employee of, have any financial, beneficial or equity interest in, or have any interest based on profits or revenues of any "Competitive Business", except as a duly licensed franchisee of APCF.

**B. Non-Competition After Term.** For two (2) years after the Transfer, expiration or termination of this Agreement for any reason or the entry of final order of a court of competent jurisdiction enforcing this covenant, whichever is later, neither Franchisee or any guarantor will directly or indirectly, through itself or through corporations, partnerships, limited liability companies, trusts, associations, joint ventures, or other entities or otherwise, perform any services for, engage in or acquire, be an employee of, have any financial interest in, loan money to, sublease, assign, or sell Franchisee's interest in any lease, sublease, or ownership of the Site or assets of the Club to, or have any interest in any Competitive Business in whole or in part within the Geographical Scope. [The "**Geographical Scope**" means the Site, the area within a fifteen (15) mile radius of the Site, and the area within a fifteen (15) mile radius of the site of any other Ace Pickleball Club]. For purposes of this paragraph, an Ace Pickleball Club includes any Ace Pickleball Clubs under construction or subject to an executed Franchise Agreement (or other agreement for the operation of such Club) or in operation which are owned in whole or in part by APCF, APCF's Affiliates, or any franchisee of APCF or any such Ace Pickleball Club which operates under the Marks. Ownership of less than five percent (5%) in a publicly traded company will not be deemed to be prohibited by this Section X.

**C. Reasonableness of Restrictions.** APCF intends to restrict the activities of Franchisee under Section IX and Section X of this Agreement only to the extent necessary for the protection of APCF's legitimate business interests, which includes, but are not limited those described in Section X.D. below. Each of the foregoing covenants will be construed as severable and independent and will be interpreted and applied consistent with the requirements of reasonableness and equity. In the event a court of competent jurisdiction will determine the business, time, or geographic limitations contained in this Agreement are illegal, invalid or unenforceable, then, the court so holding will reduce the limitation necessary to render such restriction enforceable by such court. In addition to any other remedies available at law or equity, APCF will have the right to injunctive relief for a violation or threatened violation of the foregoing without being required to post a bond.

**D. Acknowledgments.** Franchisee further acknowledges that the covenants and agreements in Section X are material inducements for APCF to enter into this Agreement, and that it is essential that Franchisee comply with the terms hereof, even in the absence of another Ace Pickleball Club in the Assigned Territory. Franchisee acknowledges and understands that, among other things, APCF enters into this Agreement so that either APCF, an Affiliate of APCF, or another franchisee, as appropriate, will have the opportunity to establish a presence in such geographic area subsequent to the termination or expiration of the relationship created by this Agreement, and that Franchisee's failure to comply with the terms hereof will materially hinder the ability of APCF, its Affiliates, and/or another franchisee to do so. Therefore, Franchisee acknowledges and agrees that the absence of a presence by APCF, an Affiliate of APCF, or another franchisee in a particular geographic area in which Franchisee's activities would be restricted pursuant to the terms of this Agreement will not serve as a defense to enforcement of any provision of this Agreement. The terms of this Section X are assignable by APCF and shall inure to the benefit of APCF, as well as its successors and assigns. In the event of any assignment, sale, merger or change in ownership or structure of APCF, the resulting entity shall step into the place of APCF, without any additional consent of or notice to the Franchisee, as if the term APCF were defined in this Agreement to include such entity.

## **XI. DEFAULT AND TERMINATION**

### **A. Termination By APCF.**

1. With 30 Day Notice and 30 Day Opportunity to Cure. APCF may at its option, and without prejudice to any other rights or remedies provided for in this Agreement or at law or in equity, terminate this Agreement for "good cause". Without limitation as to other situations, good cause for termination also exists if Franchisee or any guarantor of this Agreement:

- (1) Does not perform all of the lawful terms, conditions, and obligations of this Agreement, or the mandatory obligations under the Manual; or
- (2) Loses possession of the premises at which the Club is located and fails to secure a suitable site for relocation which APCF consents to within three (3) months thereafter; or defaults under the terms of its lease for the premises; or
- (3) Misrepresents Gross Sales that Franchisee is required to report to APCF; or
- (4) Is adjudged bankrupt, becomes insolvent, or makes a general assignment for the benefit of creditors (subject to Section XI.A.3.(1) below); or
- (5) Commits any other act which constitutes good cause under applicable state law or court decisions not otherwise specified in Section XI; or
- (6) Fails to provide APCF with the reports of sales and other financial information as required under this Agreement; or
- (7) Fails to pay its lawful debts and taxes when same become due; or
- (8) Surrenders or transfers control of the operation of the Club (including entering into a management arrangement with any person not a party to this Agreement), or makes an unauthorized direct or indirect assignment or Transfer of Interest.

Subject to applicable law and except as otherwise provided in this Agreement, APCF will give Franchisee at least thirty (30) days' prior written notice of termination, unless a longer period of time is required by applicable state law. The notice must state the reason(s) for termination and must provide that Franchisee has thirty (30) days from the date of said notice to correct any claimed deficiency. If the deficiency is corrected within thirty (30) days, the notice will be withdrawn except for purposes of Section XI.A.3(5). If the deficiency is not corrected within said thirty (30) day period, APCF will have the right to terminate this Agreement effective immediately after giving written notice to Franchisee of such termination.

2. With 30 Day Notice and 10 Day Opportunity to Cure. APCF may also terminate this Agreement for the following:

- (1) If Franchisee fails to pay amounts due to APCF or APCF's Affiliates or suppliers; or
- (2) If Franchisee fails to execute a lease or to open the Club for business within the time period specified in this Agreement.

If termination is based on the foregoing, Franchisee will be entitled to written notice of default, but APCF will be required to grant Franchisee only ten (10) days to remedy such default, unless applicable state law requires a longer notice period, in which case APCF must comply with the applicable notice period. If the

default is not cured within the applicable period, APCF will have the right to terminate this Agreement effective immediately after giving written notice to Franchisee of such termination.

3. **Without Notice and Without Opportunity to Cure.** APCF will have the right to terminate this Agreement immediately without prior notice to Franchisee, unless applicable state law requires a notice period, in which case APCF must comply with the applicable notice period, upon the occurrence of any one or more of the following events, each of which will be deemed to be an incurable breach of the Agreement:

(1) If all or a substantial part of Franchisee's assets are assigned to or for the benefit of any creditor, Franchisee admits inability to pay its debts as they come due or actually fails to pay such debts or there is a filing of bankruptcy or insolvency against Franchisee or any guarantor of this Agreement;

(2) If Franchisee abandons the Club by failing to operate it for five (5) consecutive days (or for any shorter period that renders reasonable the conclusion that Franchisee does not intend to continue operating the Club);

(3) If Franchisee or any guarantor has made any material misrepresentation or omission in his application for this Agreement;

(4) If Franchisee or any guarantor is convicted by a trial court or pleads no contest to a felony, moral turpitude or other crime or offense, or engages in conduct, which in the opinion of APCF, reflects materially and unfavorably upon the operation and reputation of APCF, the Club or the System;

(5) If Franchisee or any guarantor fails or refuses to comply with the lawful provisions of this Agreement, three (3) or more times in any twelve (12) month period, whether or not such failures or refusals are corrected after notice; or

(6) If Franchisee misuses the Marks, Patent or Confidential Information and Trade Secrets, or engages in conduct which, in APCF's opinion, reflects unfavorably upon the operation, maintenance, goodwill, and/or reputation of the franchise system or the Club.

**B. Termination by Franchisee.** Franchisee must notify APCF in writing of any failure of APCF to substantially perform any of APCF's material and legal obligations pursuant to this Agreement. Franchisee may terminate this Agreement if APCF materially defaults in performance of any terms and conditions in this Agreement, after giving APCF written notice within thirty (30) days thereof, and if the default has not been corrected within sixty (60) days thereafter.

**C. Consequences of Termination.** Upon termination, expiration or Transfer of this Agreement, for any reason whatsoever, all of Franchisee's rights hereunder will terminate, APCF may establish and operate Clubs in the Assigned Territory, and Franchisee will do the following as deemed necessary by APCF:

1. Franchisee will cease to be a franchisee of APCF and cease to operate the former Club under the Intellectual Property. Franchisee will not thereafter directly or indirectly represent to the public that the former business is or was operated or in any way connected with the System or hold itself out as a present or former franchisee of APCF at or with respect to the Site.

2. Upon request of APCF, Franchisee will turn over its computer data including the Guest Lists is the property of APCF.

3. Franchisee must immediately and permanently cease to use, in any manner whatsoever, the Patent and thereafter not infringe on any valid claims of the Patent, all Marks (or any marks confusingly similar thereto) and Copyrights, and any items containing the Marks including e-mail addresses, forms, signs, displays, colors, structures, printed goods and forms of advertising indicative of APCF's business and return any copyrighted materials which have been provided to Franchisee by APCF including the Manual.

4. If APCF requests, Franchisee will assign its telephone numbers, white and yellow page telephone references and advertising to APCF.

5. Franchisee must pay all amounts due to APCF, APCF's Affiliates, and suppliers.

6. Franchisee must cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the Marks and Franchisee must furnish APCF with evidence satisfactory to APCF of compliance with this obligation within 5 days of the termination, expiration or Transfer.

7. Pursuant to the Collateral Assignment of Lease, upon APCF's request, Franchisee will assign to APCF any interest that Franchisee may have in any lease or sublease for the Site. APCF may exercise the option at or within thirty (30) days after either termination or expiration of this Agreement or within thirty (30) days of notice by Franchisee's landlord of its intent to terminate the lease or sublease. In such event APCF, in its sole discretion, will have the right and is hereby empowered to take possession of the Site demised by the lease or sublease, expel Franchisee therefrom, and, in such event, Franchisee will have no further right, title or interest in the lease or sublease. In the event that APCF does not elect to exercise its option to acquire the lease or sublease for the Site, Franchisee must make such modifications or alterations to the Site operated hereunder immediately upon termination or expiration as may be necessary to distinguish the appearance of such Site from that of an Ace Pickleball Club under the System and must make such specific additional changes thereto as APCF may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this paragraph, APCF will have the right to enter upon the premises without being guilty of trespass or any other tort for the purposes of making or causing to be made such changes as may be required as the expense of Franchisee which expense Franchisee agrees to pay upon demand.

8. Franchisee irrevocably appoints APCF or APCF's nominee to be Franchisee's attorney-in-fact coupled with an interest, and with power of substitution, to execute and to file for Franchisee any relevant document to accomplish the acts contemplated in this Section XI.C. APCF has the right to file an original counterpart or a copy of this Agreement with the telephone company, landlord or any court, agency or person as written evidence of the appointment by Franchisee of APCF or APCF's nominee to be Franchisee's attorney-in-fact.

9. Comply with all post-term covenant obligations including but not limited to the Confidential Information and Trade Secrets, non-competition and indemnification.

The expiration or termination of this Agreement will not relieve Franchisee of any of Franchisee's obligations to APCF existing at the time of such expiration or termination, or terminate Franchisee's obligations that, by their nature, survive the expiration or termination of this Agreement. Furthermore, the expiration or termination of this Agreement will be without prejudice to APCF's rights against Franchisee; and in the event of a termination which is the result of Franchisee's material breach or default under this

Agreement, APCF will, in addition to its rights set forth above, also be entitled to all rights and remedies available at law or in equity.

**D. APCF's Right to Purchase Property.** After the termination or expiration of this Agreement, but not upon an approved Transfer pursuant to Section XIV.B, APCF, or its assignee, will have the right, but not the obligation, to purchase any and all of Franchisee's improvements, furnishings, equipment, signs, fixtures, inventory, supplies, and other personal property used in connection with the operation of the Club. The purchase price will be at fair market value minus any amounts owed to APCF and any lien or encumbrance, which will be established (if the parties are unable to agree) by an appraisal by an independent business appraiser. Within ten (10) days after an appraisal is required or appropriate under any provision hereof, APCF or Franchisee as the case may be, will by written notice to the other select an appraiser. All appraisers referred to herein will be required to be reasonably qualified and have at least three (3) years of experience in appraising small businesses. If either party fails to name an appraiser within the specified time, such party waives its right to select an appraiser and the appraiser selected by the other party will be solely responsible for conducting the appraisal process. Each appraiser will proceed to promptly determine the fair market value of the assets, taking into consideration any outstanding indebtedness, liabilities, liens and obligations relating to the Club. No value will be ascribed to goodwill, going concern value or other intangibles. Each appraiser must deliver his appraisal to APCF and Franchisee within thirty (30) days after such appraiser's appointment. If the difference between the two appraisals is not greater than twenty percent (20%), then the two appraisals will be averaged and the average price must be used to determine the purchase price hereunder. If, however, said differential is greater than twenty percent (20%), then the two appraisers so appointed will appoint a third appraiser who will also have the requisite experience as set forth above. If the two appraisers cannot agree upon a third appraiser, then any party may request an arbitrator (in accordance with the arbitration provisions of this Agreement) to appoint a third appraiser. The third appraiser so appointed will promptly proceed to appraise the assets on the same basis as above set forth, and that prior appraisal which is closer in value to such third appraisal will, thereupon, be the appraisal which is binding on all parties in interest hereunder. Each party will pay the fee and expenses of the appraiser selected by such party and the fee of the third appraiser, if necessary, will be borne equally by the parties appointing the two appraisers. APCF will have thirty (30) days after the fair market value is determined as above, to exercise the rights granted hereunder, and will thereafter have an additional thirty (30) days to pay for the property it desires to purchase. If APCF fails to exercise its rights within the time periods set forth above, Franchisee will be free to otherwise sell or dispose of the property. If APCF wishes to purchase any or all of Franchisee's property, APCF must notify Franchisee in writing within forty-five (45) days after the appraisals are completed. If APCF fails to exercise its rights within the time periods set forth above, Franchisee will be free to otherwise sell or dispose of the property.

**E. Operation of Franchise Because of Franchisee's Inability.** In order to prevent any interruption of the Club which would cause harm to the Club, if Franchisee is unable to operate the Club for any reason whatsoever, Franchisee authorizes APCF and its agents and Affiliates to operate the Club for so long as APCF deems necessary and practical. All income from the operation of the Club will be kept in a separate account, and the expenses of the business, including reasonable compensation and expenses of APCF and its agents, will be charged to said account. Nothing contained herein will be construed to require APCF to operate the Club in the case of Franchisee's inability to operate same, and the rights set forth herein may be exercised in the sole and absolute discretion of APCF.

## **XII. SUPPLIERS AND SOURCES OF PRODUCTS**

**A. Required Purchases from APCF or its Affiliates.** So long as this Agreement is in effect, Franchisee agrees to purchase the products which may be listed in the Manual or otherwise in writing from APCF or its Affiliates. ~~Currently there are no products for purchase.~~ Franchisee may purchase certain marketing materials and certain merchandise from APCF or its Affiliates. These products, materials, and

merchandise items may change in the future and other items may be added. Franchisee acknowledges that its agreement to comply with the foregoing is a material condition upon which this franchise is granted. Further, to maintain the high standards of quality and uniformity associated with the System, Franchisee acknowledges that the use of any proprietary products which Franchisee must purchase from APCF or its Affiliates, are an integral part of operating the Club. Franchisee acknowledges that APCF and its Affiliates may be approved suppliers and may be the only approved suppliers for certain products. If APCF or its Affiliates are unable to offer these items, APCF may designate an approved supplier or suppliers for these items.

1. **Availability.** Contingent upon the availability of products, APCF and its Affiliates will use commercially reasonable efforts to supply such products to Franchisee within a reasonable time after the receipt of said orders, provided, however, that neither APCF nor its Affiliates warrants that: (i) APCF or its Affiliates will be able to obtain all such products, or (ii) that the products will be obtained by the dates requested.

2. **Pricing.** APCF and its Affiliates, in order to preserve APCF's legitimate interest in protecting the quality of the Ace Pickleball Clubs and the APCF brand, reputation and goodwill, reserve the right to, to the fullest extent allowed by applicable law, establish and have exclusive control over the prices, discounts, specifications, and all other terms and conditions governing the sale of products to Franchisee. Pricing of product is subject to change at any time or from time to time by APCF or its Affiliates effective upon thirty (30) days prior notice to Franchisee. Generally, prices will change when prices charged by the manufacturers utilized by APCF or its Affiliates change or the cost of oil or steel increases. Franchisee must submit for APCF's approval any attempts to discount or promote the membership pricing due to the fact that it may impact brand equity. Franchisee acknowledges that APCF or APCF's affiliates have made no guarantee or warranty that offering services or products at any particular price will enhance Franchisee's sales or profits

3. **Terms of Purchase.** All purchases of product, supplies and equipment from APCF or its Affiliates, must be personally guaranteed by the individuals who are required to guarantee this Agreement (as set forth in Section VII.R above) pursuant to the Guarantee attached hereto. The terms of payment will be established by APCF or its Affiliates from time to time.

**B. Purchases from Approved Vendors.** Other than required purchases pursuant to Section XII.A. above, Franchisee will purchase all other equipment, supplies, ~~services,~~ products, and sales and materials required for the operation of the Club from manufacturers, suppliers, or distributors designated by APCF, or from other suppliers APCF approves who meet APCF's specifications. Specification of a supplier may be conditioned on requirements relating to frequency of delivery, standards of services, including prompt attention to complaints, as well as payments, contributions, or other consideration to APCF, its Affiliates or the Advertising Fund, and may be temporary, in each case in APCF's reasonable discretion. APCF may, from time-to-time withhold, condition and/or revoke its approval of particular items or suppliers in its reasonable discretion. ~~APCF and its Affiliates may receive rebates, commissions, promotional allowances and other benefits from suppliers in relation to items purchased by Franchisee and other franchisees.~~ APCF has the right to condition or revoke Franchisee's right to participate in any supplier programs if Franchisee is in default under this Agreement. Some of the approved suppliers may be affiliated with APCF. Franchisee acknowledges and agrees that: (i) APCF and/or APCF's affiliate may be a designated supplier or sole approved supplier of any product or service that Franchisee is required to lease or purchase, (ii) APCF and/or APCF's affiliate may receive payment from supplier(s) related to Franchisee's required purchases or leases, and (iii) any payments so received are for APCF's benefit only and may be used or applied in any manner determined by APCF in APCF's sole and absolute discretion.

C. **Alternative Suppliers.** Franchisee may propose alternative manufacturers, suppliers or distributors of products used in the operation of the Club. However, APCF may require that samples of or from these proposed alternatives be delivered to APCF for testing prior to approval and use. Further, all proposed manufacturers, suppliers or distributors must agree to permit APCF's agents or representatives to inspect their facilities regularly, both initially and from time to time as may reasonably be required by APCF to assure APCF of the proper production, processing, packaging, storing and transportation of the products, services, supplies or equipment and materials to be purchased by Franchisee. A charge not to exceed the reasonable cost of the evaluation and testing shall be paid by Franchisee. APCF will advise Franchisee within sixty (60) days of its approval or disapproval of any proposed alternate sources of products, services, supplies, suppliers, materials and equipment. The foregoing will not be construed as an attempt to unreasonably limit the sources from which Franchisee may procure its products, services, supplies and materials. Rather, it is APCF's intention that such items conform to its strict standards and strict specifications as to consistent quality, uniformity and reliability. Further, APCF will not be required to approve an inordinate number of alternative suppliers of a given item which in its reasonable judgment would prevent APCF's effective supervision of suppliers. APCF may require Franchisee's supplier to sign a confidentiality agreement.

### **XIII. CONFIDENTIAL OPERATIONS MANUAL AND CHANGES**

APCF will loan Franchisee, for the term of this Agreement, one copy of the Manual. Franchisee agrees that it will comply with the requirements in the Manual, some of which may be mandatory and others of which may be suggestions, and said compliance is an essential part of its obligations under this Agreement. Franchisee must at all times be solely responsible for ensuring that its employees and all other persons under its control comply with the applicable provisions of the Manual as related to such persons' employment with Franchisee. The Manual will constitute Confidential Information and Trade Secrets of APCF and will remain the property of APCF. The Manual cannot be photocopied, reproduced, or disseminated without APCF's written consent. The Manual may be modified from time to time by APCF in its discretion, and Franchisee agrees that from time-to-time APCF may reasonably change the System. Franchisee expressly agrees to comply with each modification, addition or deletion of the System or Manual at its sole cost and expense. Franchisee acknowledges that due to the changing nature of the business contemplated by this Agreement, as well as changing attitudes of guests and other factors, such changes may be necessary and may involve the expenditure of additional sums of money by Franchisee. APCF agrees to impose such requirements and changes in a reasonable, non-discriminatory manner among other franchisees. Franchisee must at all times insure that its copy of the Manual is kept current and up to date; and, in the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by APCF will be controlling. Further, Franchisee agrees to execute any and all documents necessary to effectuate the changes. Changes in software programs or computer hardware or other changes in the System may require Franchisee to upgrade its computer system and incur costs in obtaining other or additional computer hardware, equipment, and software. Franchisee acknowledges that it may also need to purchase updated equipment in the future and will be responsible for the cost. All parties intend that the exercise of APCF's right or discretion to change or modify the Manual will not be subject to limitation or review.

### **XIV. TRANSFERABILITY OF INTEREST**

A. **By APCF.** APCF is free to assign any or all of its rights and obligations under this Agreement, and upon such assignment APCF will be relieved of all liability under this Agreement, and any or all rights and obligations will accrue to the successor or assignee.

B. **By Franchisee.** The rights and duties created by this Agreement are personal to Franchisee. APCF has granted this franchise in reliance upon its perception of the individual and collective

character, skill, attitude, and business and marketing abilities of Franchisee and its owners. Therefore, there can be no Transfer of Interest without APCF's prior written approval. The approval is not intended as an approval to any future Transfer of Interest and no future Transfer of Interest will be valid without the prior written approval of APCF. Any such purported Transfer of an Interest will be voidable at APCF's sole option. If APCF elects not to exercise its right of first refusal pursuant to Section XIV.D below, APCF will not unreasonably withhold its approval to a Transfer of Interest, provided that the following conditions are satisfied:

1. Governmental Compliance. The Transfer is conducted in compliance with applicable laws and regulations;
2. Prior Compliance. Franchisee has performed its obligations and duties under this Agreement and Franchisee is not in default under this Agreement, or any other agreement with APCF or its Affiliates;
3. Payments. Franchisee has satisfied all of its obligations to APCF, APCF's Affiliates and suppliers under this Agreement and all other agreements it has with APCF.
4. Release. Franchisee, including all officers, directors and shareholders (as well as all guarantors under this Agreement) must execute a general release, in the form which APCF approves, of any and all claims against APCF, APCF's Affiliates, and their respective officers, directors, employees and agents, to the fullest extent permitted by applicable law.
5. Requirements of Transferee. The transferee meets the established standards for new franchisees, is of good moral character, has a good credit rating, sufficient financial resources to operate the business and competent qualifications.
6. Execution of Franchise Agreement. The transferee must execute the then-current form of Franchise Agreement, and the new guarantors must execute the most current form of personal guarantee. The then current Franchise Agreement may contain terms different from this Agreement.
7. Transfer Fee. Franchisee pays a transfer fee of fifty percent (50%) of the then current initial franchise fee in lieu of the Initial Franchise Fee.
8. Assumption of Liabilities. The transferee agrees to assume all liabilities and obligations from the prior operation of the Club, including the lease and comply with other reasonable requirements APCF may impose.
9. Completion of Training. The transferee and/or transferee's management team, including a designated manager, successfully complete the initial training program.
10. Update and Remodel Club. The transferee remodels and upgrades the Club, including but not limited to equipment and improvement, to meet the current standards of APCF.
11. Continuing Liability. If APCF approves an assignment, APCF will have the discretion to require Franchisee and the guarantors to remain liable for the full and faithful performance of the obligations of the assignee.
12. Economically Reasonable Terms. Although APCF will not be required to determine the value of business upon a Transfer, if in APCF's reasonable judgment, the purchase price or terms of the sale are not economically feasible to the proposed assignee, APCF can withhold its consent to

such an assignment or Transfer. APCF's consent is not, however, to be construed as an implication or warranty that the terms of the sale are in fact economically feasible. APCF may, in good faith, notify Franchisee, stating the reasons thereof, that APCF has elected to withhold approval of the proposed Transfer.

**C. Death or Incapacity of Franchisee.** Franchisee (if the Franchisee is an individual) or Franchisee's Operating Principal Owner, may appoint, by will or other written instrument, a designated heir to continue operation of the Club, upon death. Said designated heir must meet the qualifications of Section XIV.B. No fee will be charged on a Transfer pursuant to this paragraph. The Transfer of the Franchisee's Interest in this Agreement and in the Club to the Franchisee's heirs, personal representatives or conservators, as applicable, in the event of death or legal incapacity of the Franchisee, will not give rise to APCF's right of first refusal as set forth in Section XIV.D below, provided that the heirs, personal representatives or conservators, as applicable, meet APCF's standards for new franchisees; execute the then-current form of franchise agreement; and, a manager has within thirty (30) days satisfactorily completed APCF's initial training program.

**D. Right of First Refusal.** Notwithstanding the foregoing, if Franchisee receives a bona fide, executed, written offer to acquire an Interest from a responsible, fully disclosed purchaser, Franchisee must submit a copy of the offer to APCF. Franchisee must also provide APCF with any other information it requests to evaluate the offer. APCF has the right, exercisable by delivering written notice to the Franchisee within thirty (30) days from the date of last delivery to APCF of the offer and any other documents requested by APCF, to acquire the Interest for the price and on the terms and conditions contained in the offer.

Regardless of the terms of the offer, however, APCF may, in its discretion: substitute cash for any form of payment proposed in the offer; require the Franchisee to include customary warranties and representations in the purchase agreement; assign APCF's purchase right to an Affiliate; and structure the transaction as an "asset purchase," rather than a "stock purchase." APCF will not be obligated to pay any "finder's" or broker's fees that are a part of the proposed sale and will not be obligated to comply with any part of the offer which directly or indirectly requires payment of any consideration other than a bona fide purchase price for the interest proposed to be transferred. If APCF declines to exercise its rights of first refusal, Franchisee will have ninety (90) days after APCF declines or the right expires, whichever first occurs, to sell the interest to said bona fide purchaser upon terms no more favorable than those offered to APCF, subject to compliance with Section XIV.B. After said ninety (90) days, or if the prospective purchaser does not acquire the franchise, Franchisee must again comply with this paragraph and give APCF the first right to acquire the Interest prior to sale. The election by APCF not to exercise its right of first refusal as to any offer will not affect its right of first refusal as to any subsequent offer.

## **XV. INDEPENDENT CONTRACTOR/INDEMNIFICATION**

**A. Independent Contractor.** APCF and Franchisee are independent contractors, and no partnership, fiduciary, joint venture, joint-employment or other employment relationship exists between them. Franchisee must conspicuously identify itself at the premises of the Club and in all dealings with the public as an independently owned business. Neither APCF nor Franchisee will make any agreements or representations in the name of or on behalf of the other that their relationship is other than franchisor and franchisee. Without limiting the foregoing, Franchisee acknowledges that APCF has no responsibility to ensure that the Club is developed and operated in compliance with all applicable laws, ordinance and regulations and that APCF shall have no liability in the event the development or operation of the Club violates any law, ordinance or regulation. Neither this Agreement nor APCF's course of conduct is intended, nor may anything in this Agreement (nor APCF's course of conduct) be construed to state or imply that APCF is the employer of Franchisee's employees and/or independent contractors, nor vice versa.

In all public records, in relationships with other persons, and on letterhead and business forms, Franchisee must indicate independent ownership of the Club and that Franchisee is solely a franchisee of APCF.

**B. Indemnification.** Under no circumstances will APCF be liable for any act, omission, debt, or other obligation of Franchisee. To the fullest extent permitted by law, Franchisee (for itself and its employees, agents, subcontractors, successors and assigns) agrees, at its sole cost and expense, to indemnify, defend and hold harmless, and to reimburse on demand APCF, and all entities related to APCF and their respective directors, officers, members, employees agents, managers, partners, attorneys, licensees, affiliates successors and assigns ("**Indemnified Parties**") for and against any and all damages, losses, liabilities, bodily injury, property damage, obligations, penalties, fines, claims, litigation, demands, defenses, judgments, suit proceedings, administrative orders, consent agreements, costs, disbursements or expenses of any kind or any nature whatsoever, including without limitation, reasonable attorneys' and expert fees and disbursements arising out of or related to or in any way arising out of the acts or omissions of Franchisee or its employees, agents, officers, directors, parents, subsidiaries, affiliates, successors and assigns ("**Indemnitors**") arising out of or related to (i) any act or omission, negligent or otherwise, of the Indemnitors or anyone directly or indirectly employed by them or anyone for whose acts they may be liable relative to the Club; (ii) any breach by the Indemnitors or any term or provision of this Agreement; (iii) the cost, including, but not limited to reasonable attorney's fees, of enforcing this indemnification provision; and (iv) any labor and employment violations, or joint employer violation claims. The obligations of Indemnitors are joint and several.

This indemnification must not be construed to indemnify an Indemnified Party to the extent such indemnification is prohibited by law, including, an indemnification of any Indemnified Party from its own negligence, if prohibited by law. To the extent indemnification of any party hereunder would be prohibited by law, this provision will not apply to such party, but will continue to be effective as to all other parties with respect to whom indemnification is not prohibited by applicable law. Franchisee agrees that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnified Parties, the Indemnified Parties shall have the right, but not the obligation, to: (i) choose counsel, (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the Indemnified Parties, and/or Franchisee, any claim against the Indemnified Parties at their sole option. Such right to defense and indemnification will exist even if joint claims are brought, or if joint liability is imposed on APCF by law. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnified Parties shall be taken as prima facie evidence of Franchisee's obligation hereunder.

## **XVI. DISPUTE RESOLUTION**

**A. Mediation.** APCF and Franchisee acknowledge that during the term of this Agreement or thereafter certain disputes may arise between the parties that the parties are unable to resolve by negotiation, but that may be resolved through mediation. To facilitate the resolution of any dispute that may arise between APCF and Franchisee, APCF and Franchisee agree that before commencing any legal proceeding against the other party, the dispute will first be submitted to non-binding mediation (the "**Mediation**") in Clark County, Nevada unless the parties mutually agree to another location. The Mediation will be conducted under the then current Conflict Prevention and Resolution ("**CPR**") Procedure for Resolution of Franchise Disputes (the "**CPR Mediation Rules**") except to the extent the CPR Mediation Rules differ from the terms of this Agreement, in which event, the terms of this Agreement will be applied. APCF and Franchisee will select the mediator from the CPR Panel of Neutrals (unless the parties mutually agree to the selection of another mediator). If the parties cannot agree on the selection of a mediator, CPR will make the selection. The cost of the mediation, including the mediator's fee and expenses, will be split equally between APCF and Franchisee. All negotiations and mediation proceedings (including all statements and settlement offers made by either party or the mediator in connection with the Mediation) will be strictly

confidential, will be considered as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence, and will not be admissible or otherwise used in connection with any court or arbitration proceeding for any purpose. The mediator may not be called as a witness in any court or arbitration proceeding for any purpose.

**B. Arbitration.** Any dispute which has not been resolved by a Mediation within ninety (90) days of the initiation of such procedure, will be settled by binding arbitration (the "**Arbitration**"). Except as provided herein to the contrary, all controversies, disputes or claims between APCF and Franchisee arising from this Agreement or the franchise relationship set forth in this Agreement must be submitted to binding arbitration. Such arbitration proceedings must be conducted in Clark County, Nevada (unless the parties mutually agree otherwise). Except as otherwise provided in this Agreement, the arbitration proceeding must be conducted in accordance with the then-current commercial arbitration rules of the American Arbitration Association ("**AAA Rules**"), except to the extent the AAA Rules differ from the terms of this Agreement, in which event the terms of this Agreement will apply. For purposes of this provision if any such dispute which names, involves or includes APCF, the guarantors hereunder, Franchisee or any of their affiliates, officers, directors, agents, brokers, or employees, such persons or entities must also be included in and made party to the arbitration proceeding.

The arbitrator will have the right to award or include in his award any relief which he deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, attorneys' fees and costs; however, the arbitrator must not be allowed to award or include in his award any punitive, exemplary, or consequential damages and the parties waive their right to same. The award and decision of the arbitrator will be conclusive and binding upon all parties, and judgment upon the award may be entered in any court of competent jurisdiction, and each waives any right to contest the validity or enforceability of such award. An arbitration award or decision entered in any other case (whether or not APCF was a party) will not be binding on APCF in any other dispute, will have no precedential value, and cannot be used as evidence in any other proceeding.

In connection with any such arbitration proceeding, APCF and Franchisee each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding must be barred. This provision will continue in full force and effect subsequent to and notwithstanding expiration or termination of this Agreement. The arbitration will be conducted on an individual, not a class wide basis and none of the parties to the arbitration will be entitled to consolidation of the arbitration proceedings with those of any third party, nor will the arbitrator or any court be empowered to order such consolidation.

Notwithstanding the foregoing, the obligation herein to arbitrate will not be binding with respect to claims relating to APCF's Intellectual Property; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; requests by either party for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the *status quo* or prevent irreparable injury pending resolution by arbitration of the actual dispute between the parties.

## **XVII. MISCELLANEOUS PROVISIONS**

**A. Waiver.** No waiver by either party of performance of any obligation or this Agreement will be construed as a waiver of any other or future default or performance obligation. Further, either party's forbearance, delay, failure to exercise or express waiver of a right or APCF's decision to take some other action regarding breach by any other franchise owner(s) will not be evidence of a practice, custom or policy of APCF and will not waive or impair APCF's ability to exercise any right, power or option it has under

this Agreement in the event of the same, similar or different breach by Franchisee. Franchisee also acknowledges that agreements entered into at different times with other franchise owners may contain different terms than this Agreement, and that this will not waive or impair APCF's rights and Franchisee's obligations under this Agreement. In addition, APCF's acceptance of any payments due from Franchisee after any breach by Franchisee will not constitute a waiver of said breach nor limit APCF's ability to fully exercise its rights under this Agreement as a result of Franchisee's breach.

**B. Severability.** Should any provision of this Agreement be construed or declared invalid, such decision will not affect the validity of any remaining portion which will remain in full force and effect as if this Agreement had been executed with such invalid portion eliminated. If any restriction contained in this Agreement is deemed too broad to be capable of enforcement, a court of competent jurisdiction is hereby authorized to modify or limit such restriction to the extent necessary to permit its enforcement. All covenants contained in this Agreement, including but not limited to those relating to non-competition, will be interpreted and applied consistent with the requirements of reasonableness and equity.

**C. Entire Agreement.** This Agreement, including all Attachments hereto, constitutes the entire, full and complete agreement between the parties concerning the subject matter of this Agreement, and supersedes any and all prior agreements; provided that nothing in this or any related agreement is intended to disclaim the representations APCF made in the franchise disclosure document that was furnished to Franchisee in connection with the offer to grant Franchisee a franchise to operate the Club. No amendment to this Agreement is binding unless executed in writing by both parties. Franchisee's spouse or, the spouses of all owners of Franchisee if Franchisee is an entity, shall execute a spousal consent in the form attached hereto as Attachment 5.

**D. Representative Capacity.** In all of their dealings with Franchisee, the officers, directors, employees and agents of APCF act only in their representative capacity for APCF, and not in any individual capacity or on behalf of APCF or any of APCF's Affiliates or agents.

**E. Notice.** Whenever notice is required under the terms of this Agreement, it must be given in writing and sent by electronic mail and registered or certified mail, or by personal delivery to Franchisee's Club address and to APCF's office, or at such other address as designated in accordance with this paragraph. Receipt will be deemed to have been made two (2) days after mailing or upon personal delivery, whichever first occurs.

**F. Gender.** All terms and words used in this Agreement, regardless of the number and gender in which they are used, will be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context or sense of the Agreement or any section, paragraph, or clause herein may require, as if such words had been fully and properly written in the appropriate number and gender.

**G. Governing Law and Jurisdiction.** Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement is governed by Nevada law (without reference to its conflict of laws principles). If, however any provision of this Agreement would not be enforceable under the laws of Nevada, and if the Club is located outside of Nevada and the provision would be enforceable under the laws of the state in which the Club is located, then the provision in question (and only that provision) will be interpreted and construed under the laws of the state where the Club is located. The Federal Arbitration Act governs all matters relating to arbitration. References to any law or regulation refer to any successor laws or regulations or any published regulations for any statute, as in effect at the relevant time. Notwithstanding anything contained in this Agreement or the foregoing to the contrary, if any valid applicable law or regulation of a governmental authority having jurisdiction over this Agreement limits APCF's rights of rescission or termination, requires longer notice

periods than set forth herein, or limit the effectiveness of the non-competition covenants set forth herein, this Agreement will be deemed amended to conform to the minimum notice periods or restrictions upon rescission, termination, and non-competition required by such laws or regulations. If a state regulator requires an amendment to this Agreement, the amendment/rider is included with this Agreement. APCF will not, however, be precluded from contesting the validity, enforceability, or applicability of such laws or regulations in any action relating to this Agreement or to its rescission or termination.

Any action sought to be brought by either party, except those claims required to be submitted to arbitration, will be brought in the appropriate state court or federal courts having jurisdiction over Clark County, Nevada or if APCF'S headquarters are located outside of Clark County, Nevada in the appropriate state or federal courts having jurisdiction over the county of APCF'S headquarters or in the United States District Court having jurisdiction over where the APCF'S headquarters are located. The parties do hereby waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The exclusive choice of jurisdiction and venue does not preclude the bringing of any action by the parties or the enforcement by the parties of any judgment obtained in any such jurisdiction, in any other appropriate jurisdiction, or restrict the ability of the parties to confirm or enforce arbitration awards in any appropriate jurisdiction.

**H. Headings.** Headings and paragraph titles are for convenience of reference only and will not define, limit, or extend the scope or intent of this Agreement or any provision thereof.

**I. Effect.** This Agreement will be binding upon and inure to the benefit of the parties, their legal representatives, heirs, administrators, executors, their permitted successors and assigns.

**J. Remedies.** In addition to any other remedies at law or in equity to which it may be entitled, APCF will be entitled without bond to entry of injunctive relief and orders of specific performance enforcing the provisions of this Agreement, in the event Franchisee actually or anticipatorily breaches this Agreement. No right or remedy conferred upon APCF is intended to be exclusive, and every such right or remedy will be cumulative and in addition to any other rights or remedies available under this Agreement, or otherwise. For purposes of this Agreement, a termination will include a termination for any reason, expiration, cancellation, failure to renew, assignment or Transfer. The description of any default in any notice served by APCF pursuant to this Agreement will in no way preclude APCF from later specifying additional or supplemental defaults.

**K. Attorneys' Fees.** In the event of any court or arbitration proceeding, the non-prevailing party will reimburse the prevailing party for all of the prevailing party's costs and expenses, including reasonable accounting, paralegal, expert witness and attorneys' fees which are incurred before, at trial and at all appellate levels.

**L. No Warranty.** Franchisee acknowledges that no approvals, consents, waivers, conditions, or the like warrant the success of the franchise or the appropriateness of the particular items or matters so approved.

**M. Receipt of Disclosure Document.** Franchisee acknowledges receipt of APCF'S Franchise Disclosure Document and this Agreement, at least fourteen (14) days before execution hereof or any payment to APCF. If any unilateral modifications by APCF have been made to this Agreement Franchisee acknowledges that it had at least seven (7) business days to review them.

**N. Joint and Several Liability.** If two or more persons are the Franchisee under this Agreement, their obligations and liabilities to APCF will be joint and several.

**O. Survival.** Franchisee's obligations regarding trade secrets, non-competition, insurance, and indemnification as well as accrued obligations of Franchisee to APCF, will survive the termination, expiration, assignment or Transfer of this Agreement.

**P. Limitation of Legal Actions.**

1. IN NO EVENT WILL APCF BE LIABLE TO FRANCHISEE FOR PROSPECTIVE PROFITS OR SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES FOR ANY CONDUCT ARISING OUT OF OR UNDER THIS AGREEMENT OR APCF'S RELATIONSHIP WITH FRANCHISEE.

2. THE PARTIES WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THEM RELATING TO OR ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP OF THE PARTIES.

3. ANY DISAGREEMENT BETWEEN FRANCHISEE (AND ITS GUARANTORS AND OWNERS) AND APCF (AND ITS AFFILIATES AND OWNERS) WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND MUST NOT BE BROUGHT AS A CLASS ACTION AND FRANCHISEE (AND ITS GUARANTORS AND OWNERS) WAIVE ANY RIGHT TO PROCEED AGAINST APCF (AND ITS AFFILIATES, OWNERS, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS) BY WAY OF CLASS ACTION, OR BY WAY OF A MULTI-PLAINTIFF, CONSOLIDATED OR COLLECTIVE ACTION.

4. FRANCHISEE WILL BE BARRED FROM BRINGING ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR APCF'S RELATIONSHIP WITH FRANCHISEE, UNLESS A JUDICIAL PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH FRANCHISEE KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THAT CLAIM.

**Q. Limitation on Liens.** Franchisee must not grant a security interest, pledge, or place a lien upon Franchisee's interest in this Agreement or in the Club or in the furniture, fixtures, or equipment used in the business, except that Franchisee will be permitted to grant a security interest in such furniture, fixtures, and equipment to secure Franchisee's obligation to the seller of or lender for such furniture, fixtures, and equipment to secure any indebtedness relating to the business.

**R. Day-to-Day Control.** Franchisee has the sole right and responsibility for the manner and means by which the day-to-day operation of the Club is determined and conducted and for achieving its business objectives. Subject to any approval, inspection and enforcement rights reserved to APCF, this right and responsibility includes the employment, supervision, setting the conditions of employment and discharge for its employees at the Club, daily maintenance, safety concerns, and the achievement of conformity with the System.

**S. Force Majeure.** In the event that either party hereto shall be delayed or hindered in or prevented from the performance of any act required hereunder by reason of strikes, labor shortages, failure of power, lack of supplies, restrictive governmental laws or regulations, riots, insurrection, war, fire, weather conditions, or other casualty or other reason of a similar or dissimilar nature beyond the reasonable control of the party delayed in doing acts required under the terms of this Agreement, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay, except that said causes will not excuse payments of amounts owed at the time of such occurrence or payment of Royalty Fees and Ad Fees due on any sales thereafter.

**XVIII. NON-LIABILITY OF APCF'S AFFILIATES**

APCF is the only company obligated to Franchisee hereunder. Franchisee may not look to any of APCF's Affiliates or related companies, other business entities or individuals for performance of this Agreement.

**THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH  
MAY BE ENFORCED BY THE PARTIES.**

The parties have executed this Agreement on the date of this Agreement.

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISOR:

ACE PICKLEBALL CLUB FRANCHISE, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## APPENDIX A

### DEFINITIONS

For purposes of this Agreement, the following terms will have the meaning as set forth below:

**A. "Affiliates"** means individually or collectively those entities controlling, controlled by, or under common ownership with APCF including, but not limited to, Ace Pickleball Club, LLC.

**B. "Club"** means the Ace Pickleball Club that Franchisee will operate pursuant to this Agreement using the Intellectual Property and System.

**C. "Competitive Business"** means any pickleball based or related recreational facility.

**D. "Copyrights"** means any work entitled to copyright protection which APCF licenses to Franchisee for use in connection with the operation of the Club and for which APCF or its Affiliates claim copyright protection.

**E. "Franchisee"** will be deemed to include: (a) those persons and their spouses owning any interest in a corporate or a limited liability company franchisee ; (b) all partners and their spouses owning any interest in a partnership franchisee; (c) the individual who owns a sole proprietorship franchisee and his or her spouse; (d) the guarantors of this Agreement; and (e) the Operating Principal Owner (as hereinafter defined). For purposes of determining ownership in a franchise, the interests owned by a husband and wife will be considered one interest, and both husband and wife will be obligated hereunder, regardless of whether the interest is owned by just one spouse or both spouses.

**F. "Gross Sales"** means the total amount of all sales of products, services, programs and merchandise, food, and beverages, sold from, through, or in connection with the Club whether for cash, on credit, barter or otherwise, exclusive of applicable sales, use or service taxes, properly documented refunds to customers, or properly documented promotional discounts (i.e., coupons). Gross Sales do not include gift card purchases, at the time of purchase, but Gross Sales do include the redemption amount of purchases made by gift card.

**G. "Intellectual Property"** means, the Marks, Patents, Copyrights and any trade secrets and know-how of APCF or APCF's Affiliates.

**H. "Interest"** means: (a) this Agreement or the rights under this Agreement; (b) the rights in the Club; (c) an individual's rights as an owner of the Club (including any owner's stock, partnership interest, limited liability company, or other ownership interest); (d) any option, call, warrant, conversion rights or rights to acquire any equity or voting interest in Franchisee; (e) any security interest, lien, pledge, mortgage, or other encumbrance of any of the foregoing Interests; (f) any sale, lease, sublease, or other transfer or disposition of any of the assets used in the performance of the business at the Club, whether now owned or hereafter acquired, except in the normal and ordinary course of business; or (h) any right to control, operate or manage the Club.

**I. "Marks"** means such service marks, trademarks, trade dress, trade names and copyrights and all configurations and derivations thereof, as may presently exist, or which may be modified, changed, or acquired by APCF or its Affiliates, in connection with the operation of the business contemplated by this Agreement. Marks include but are not limited to "Ace Pickleball Club", "APC" and "APC design".

**J. "Manual"** means the Confidential Operations Manual. The Manual will be in a format determined by APCF (i.e., in writing, on CD-Rom, flash drive, via electronic media through a secure website, etc.) and all other supplemental bulletins, notices, revisions, modifications, or supplemental information, either in document or electronic form, concerning the System are considered part of the Manual. Also included are any passwords or other digital identification necessary to access the Manual on a website or extranet.

**K. "Patent"** means any patents as may presently exist, or which may be modified, changed or acquired by APCF or its Affiliates, in connection with the operation of the Club.

**L. "Courts"** means the playing area including the pickleball courts, fencing, padding, nets, and other related equipment.

**M. "Operating Principal Owner"** means Franchisee if Franchisee is a sole proprietor; the majority shareholder (i.e., over 50% equity ownership, or if there is no shareholder with 50% or greater equity ownership, the shareholder(s) with the greatest percentage equity ownership) of Franchisee if Franchisee is a corporation; a partner owning a majority interest of the partnership if Franchisee is a partnership; or a member owning the majority interest or the manager of a limited liability company if Franchisee is a limited liability company. If there is no majority shareholder of Franchisee, the Operating Principal Owner shall be agreed to by APCF and Franchisee.

**N. "Ace Pickleball Club"** means any facility which is operated using the System and the Intellectual Property whether owned by APCF, an Affiliate of APCF or a licensee or franchisee of APCF or an Affiliate.

**O. "System"** means a unique, specially developed method of operating an Ace Pickleball Club that offers pickleball courts to be used for open play, ~~leagues~~ memberships, tournaments or recreational activities using the System and Intellectual Property, as well as selling ancillary services (including, but not limited to, food and beverages, parties and events) and products (including, but not limited to, products bearing the Marks), using certain procedures and methods, site evaluation criteria, layouts, advertising, sales and promotional techniques, personnel training, trade secrets and any other matters relating to the operation and promotion of an Ace Pickleball Club as they may be changed, improved, modified and further developed by APCF or its Affiliates from time to time.

**P. "Transfer"** means and includes any voluntary or involuntary, direct or indirect, assignment, sale, gift, conveyance, or other disposition of an Interest including without limitation: (a) transfer of any capital stock, partnership interest, limited liability interest or other ownership Interest of Franchisee or its owners; (b) merger, consolidation or issuance of additional stock or ownership interests of Franchisee; (c) transfer in bankruptcy or dissolution of marriage or otherwise by operation of law or by order of court; (d) transfer to a personal representative upon disability or transfer upon the death of an Operating Principal Owner; or (e) any change of control or management of the Club.

**ATTACHMENT 1**

**SITE AND ASSIGNED TERRITORY**

The Site of Franchisee's Club shall be:

---

[If the Site has not been determined at the time the Franchise Agreement is signed, insert: **\*\*CLUB ADDRESS TO BE DETERMINED AND INSERTED AFTER THE ACE PICKLEBALL CLUB IS IDENTIFIED BY FRANCHISEE AND APPROVED BY APCF, IN ACCORDANCE WITH SECTION II.B OF THE FRANCHISE AGREEMENT, IN THE SITE SELECTION AREA OF \_\_\_\_\_.**]

Franchisee's Assigned Territory shall be:

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## ATTACHMENT 2

### LEASE PROVISIONS

Any lease executed by Franchisee for the operation of the Club will contain the following provisions or an addendum to the lease [except to the extent APCF agrees to waive any particular provision(s)] as follows, and Franchisee will provide APCF with a fully executed copy thereof.

#### ADDENDA TO LEASE

This lease addenda entered into this day of \_\_\_\_\_, by and between, ("Franchisee") and \_\_\_\_\_ ("Landlord"), for the premises located at \_\_\_\_\_, in the City of \_\_\_\_\_, State of \_\_\_\_\_;

WHEREAS, Franchisee has executed a Franchise Agreement with Ace Pickleball Club Franchise, LLC ("APCF"), and as part of said Franchise Agreement, the lease ("Lease") for the franchised Ace Pickleball Club must contain certain provisions; and

WHEREAS, Landlord and Franchisee agree that the terms contained herein will be applicable to the Lease, notwithstanding anything contained in the Lease to the contrary;

NOW, therefore, in consideration of the mutual promises contained herein and the execution of the Lease, which execution is made simultaneously with this Addenda, Landlord and Franchisee hereby agree as follows:

1. Landlord agrees that Franchisee will not otherwise assign the Lease or renew, amend or extend the term of the Lease without the prior written consent of APCF.
2. Landlord agrees to furnish APCF with copies of any and all letters and notices sent to Franchisee pertaining to the Lease at the same time that such letters and notices are sent to Franchisee. Landlord further agrees that, if it intends to terminate the Lease, the Landlord will give APCF thirty (30) days advance written notice or such intent, specifying in such notice all defaults that are the case of the proposed termination. APCF will have after the expiration of the period during which Franchisee may cure such default, an additional fifteen (15) days (or if there is no cure period, at least fifteen (15) days to cure), at its sole option, any such defaults. APCF, or an affiliate of APCF, will have the right, but not obligation, upon giving written notice of its election to Franchisee and Landlord, to cure the breach and succeed to Franchisee's rights under the Lease, and any renewals or extensions thereof.
3. Upon default, expiration or termination of the Franchise Agreement, or the lease, and upon notice to Landlord, APCF or its designee will have the option, without however any obligation, to assume the Franchisee's lease obligations, on the same terms and conditions available to the Franchisee. Further, if Franchisee or any other party with an interest in Franchisee transfers to APCF or another party all of its or their interest in the Franchisee or the Franchise, the transferee will have the right to assume the lease on the same terms and conditions as contained in Franchisee's Lease.
4. APCF will have the right to enter the premises to make any reasonable modification or reasonable alteration necessary to protect APCF's interest in the proprietary marks. Landlord agrees that in such event APCF will not be liable for trespass or any other crime or tort. Further, APCF or its designated agents will be permitted to enter the premises for purposes of making inspections in accordance with the terms of the Franchise Agreement between APCF and the Franchisee.

5. Franchisee may assign to APCF all of its rights of further assignment at any time if the Landlord is given reasonable notice thereof. Such an assignment will be effective only if accepted in writing by APCF.

6. Upon request of APCF, the Landlord will provide APCF with copies of all reports, information, or data in Landlord's possession with respect to sales made from the premises.

7. Copies of any and all notices pertaining to the Lease will also be sent to APCF at the following address, or at such other address as may be designated by APCF in writing: Ace Pickleball Club Franchise, LLC, ~~1425 Market Boulevard, Suite 200~~ 33 Mansell Court, Roswell, Georgia 30076.

8. APCF will be a third-party beneficiary of this Addenda to Lease and has the right independently of Franchisee to enforce all of its rights hereunder.

9. To the extent of any conflict between the terms and conditions of this Addenda to Lease and the Lease, this Lease Addendum will govern.

FRANCHISEE

LANDLORD

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: Joseph Sexton

Title: \_\_\_\_\_

Title: President

**ATTACHMENT 3**

**COLLATERAL ASSIGNMENT OF LEASE**

**FOR VALUE RECEIVED**, the undersigned, \_\_\_\_\_ a \_\_\_\_\_ corporation, ("Assignor"), hereby assigns, transfers and sets over unto Ace Pickleball Club Franchise, LLC, a Nevada limited liability company ("Assignee") all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit A (the "Lease"), respecting premises commonly known as \_\_\_\_\_.

This Assignment is for collateral purposes only and except as specified herein, Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee will take possession of the premises demised by the Lease pursuant to the terms hereof and will assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or a default or expiration under the franchise agreement by and between Assignor and Assignee for an Ace Pickleball Club franchise (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing said Franchise Agreement or under any other agreement between Assignor and Assignee or its affiliates, Assignee will have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor will have no further right, title or interest in the Lease.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewal thereto, Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting such extension of renewal.

ASSIGNEE:  
ACE PICKLEBALL CLUB FRANCHISE, LLC

ASSIGNOR:  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## ATTACHMENT 4

### GUARANTY

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (the "Agreement"), by Ace Pickleball Club Franchise, LLC ("**APCF**") in favor of \_\_\_\_\_ ("**Franchisee**"), each of the undersigned ("**Guarantors**") hereby personally and unconditionally guarantees to APCF, its Affiliates (as hereinafter defined), and their successors and assigns for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee must punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and agrees to be personally bound by, and personally liable for the breach of each and every provision in the Agreement. The Guarantors each agree to be personally and unconditionally bound by each and every undertaking, agreement and covenant set forth in the Agreement, including but not limited to, the restrictive covenants and non-disclosure provisions contained in the Agreement, as well as the provisions in the Agreement relating to the Intellectual Property and Transfers provisions to the same extent as and for the same period of time as Franchisee is required to comply with and abide by such covenants and provisions. The Guarantors further hereby personally and unconditionally guarantee all debts and obligations Franchisee incurs to APCF, its successors, assigns, affiliated entities, parent corporation, and subsidiaries ("**Affiliates**"), as the case may be, as a result of any obligations under the Agreement and as a result of purchases of products or services from APCF and its Affiliates. Each of the undersigned waives:

- (1) acceptance and notice of acceptance by APCF or Affiliates of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
- (4) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability;
- (5) all rights to payments and claims for reimbursement or subrogation which any of the Guarantors may have against the Franchisee arising as a result of the Guarantors' execution of and performance under this guaranty; and
- (6) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that:

- (1) his or her direct and immediate liability under this guaranty will be joint and several;
- (2) he or she must render any payment or performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so;
- (3) such liability must not be contingent upon or conditioned upon pursuit by APCF or Affiliates of any remedies against the Franchisee or any other person; and
- (4) such liability must not be diminished, relieved or otherwise affected by any extension of time, credit or the indulgence which APCF or Affiliates may from time-to-time grant to the Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or

the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which will be continuing and irrevocable during the term of the Agreement.

If APCF or any of the Affiliates are required to enforce this Guarantee in any judicial proceeding or appeal thereof, the Guarantors must reimburse APCF and Affiliates for its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this guaranty.

The undersigned Guarantors also recognize that certain disputes relating to the Franchise Agreement are to be resolved by arbitration and hereby consent to such arbitration in accordance with the terms of the Franchise Agreement. Further, undersigned Guarantors also hereby consent to the applicability of the governing law, venue and jurisdiction provision in the Franchise Agreement to this Guarantee.

Each of the undersigned has hereunto affixed their signatures on the same day and year as the Agreement was executed.

**GUARANTORS:**

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**ATTACHMENT 5**

**SPOUSAL CONSENT**

The undersigned each being the spouse of a Franchisee (or the spouse of an owner of Franchisee) hereby states:

- 1) That he or she has read and understands the Franchise Agreement and the Franchise Disclosure Document; and
- 2) That he or she consents to the terms and conditions of the Franchise Agreement, including but not limited to those concerning transfer, and
- 3) That he or she consents to execution of the Franchise Agreement by Franchisee; and
- 4) That he or she consents to execution of the Guaranty and Assumption of Franchisee's Obligations by Guarantor.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

**ATTACHMENT 6**

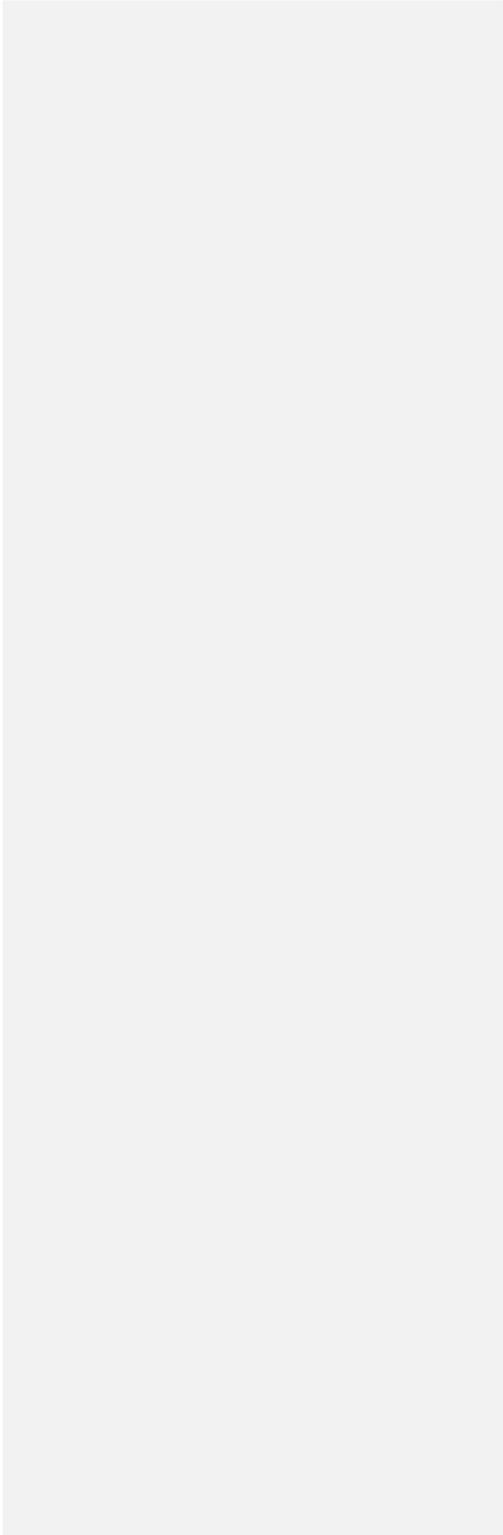
**STATEMENT OF OWNERSHIP INTERESTS IN FRANCHISEE/ ENTITY**

**Name**

**Percentage of Ownership**

**Operating Principal Owner: \_\_\_\_\_**

**EXHIBIT B**  
**MULTI-UNIT DEVELOPMENT AGREEMENT**



**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**MULTI-UNIT DEVELOPMENT AGREEMENT**

---

**DEVELOPER**

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**DATE OF AGREEMENT**

**ACE PICKLEBALL CLUB FRANCHISE, LLC  
MULTI-UNIT DEVELOPMENT AGREEMENT**

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- 1 – Development Area
- 2 – Development Fee, Development Schedule, and Expiration Date
- 3 - Guaranty

**ACE PICKLEBALL CLUB FRANCHISE, LLC  
MULTI-UNIT DEVELOPMENT AGREEMENT**

THIS MULTI-UNIT DEVELOPMENT AGREEMENT ("**Agreement**") is made and entered into as of this day of \_\_\_\_\_, by and between Ace Pickleball Club Franchise, LLC, a Nevada limited liability company, with a principal address at ~~4425 Market Boulevard, Suite 200~~33 Mansell Court, Roswell, Georgia, 30076 ("Franchisor", "we", "us", or "our"), and \_\_\_\_\_, an individual with a residential address at \_\_\_\_\_ ("Developer", "you" and "your").

**PREAMBLE**

We are engaged in the business of franchising "Ace Pickleball Clubs" under the Intellectual Property and System as more fully described in the franchise agreement (the "Franchise Agreement"); and

You are aware of the benefit derived from being identified with and franchised by us in order to use the Intellectual Property and System as more fully described in the Franchise Agreement; and

You have simultaneously executed a Franchise Agreement pertaining to the first Ace Pickleball Club outlet ("**First Unit**"), which you agree to open or have opened within the time specified in the Franchise Agreement; and

You desire to obtain area development rights to establish and operate additional Ace Pickleball Club franchises ("**Subsequent Units**") from us within a specific geographical area and according to a specific time schedule; and

NOW, the parties agree as follows:

**I. TERRITORIAL EXCLUSIVITY**

A. **Development Area.** According to the terms and conditions in this Agreement, we grant to you and you accept the exclusive right, during the term of this Agreement, to establish and operate the First Unit and Subsequent Units (collectively, "**Units**") in the "Development Area" described in Attachment 1. So long as you are not in default under this Agreement or any other agreement with us or our affiliates, during the term of this Agreement neither we nor our affiliates will operate or grant a franchise to any other person or entity to operate an Ace Pickleball Club within the Development Area. Until the termination, expiration or transfer of this Agreement, you retain your right of exclusivity as long as you comply with the Development Schedule (as defined below). If you fail to meet any of your obligations under this Agreement, including compliance with the Development Schedule, or breach any Franchise Agreement executed by you pursuant to this Agreement, we may terminate your right to develop, open and operate Units within the Development Area, but the termination of the right to develop your Development Area will not terminate any rights granted under the Franchise Agreements then in effect between you and us in which you are in compliance. After the expiration or termination of this Agreement, we may own, operate, franchise or license others to operate Ace Pickleball Clubs anywhere, without restriction, including in your Development Area, except for within any Assigned Territory under your Franchise Agreement(s) which remain in effect.

B. **The Rights We Retain in the Development Area.** Except as limited by Section I.A. above, we and our affiliates retain all rights with respect to Ace Pickleball Clubs, the Intellectual Property and System, the sale of similar or dissimilar products and services and any other activities we deem appropriate whenever and wherever we desire, including

1. To open or acquire and operate or license or franchise others to open and operate businesses within the Development Area and outside of the Development Area which operate under trademarks or service marks different from the Marks or operate under a system that is different from the System;

2. To operate, or license or franchise others to operate Ace Pickleball Clubs anywhere outside of the Development Area;

3. To be acquired (whether through acquisition of assets, ownership interests, or otherwise, regardless of the transaction form) by a business offering and selling services and products similar to those offered and sold at Ace Pickleball Club, or by another business, even if such a business operates, franchises, or licenses Competitive Businesses inside or outside the Development Area;

4. To develop, merchandise, promote, sell and license others to sell products or programs bearing the Marks through other channels of distribution within and outside of the Development Area including but not limited to at special events, tournaments, contests, through temporary locations, and through alternative distribution channels such as the Internet, social media, catalog sales and/or telemarketing; and

5. To engage in all other activities this Agreement does not expressly prohibit.

We are not required to pay you if we exercise any of the rights specified above inside your Development Area.

## **II. DEVELOPMENT OBLIGATIONS**

C. **Development Schedule.** You will construct, equip, open and operate within the Development Area the number of Units as are described in Attachment 2 attached to this Agreement ("Development Schedule"). Further, you must open each Unit within the time-period described in the Franchise Agreement applicable to that Unit and in the Development Schedule. In addition, you must execute the then current form of the Franchise Agreement ("Franchise Agreement"). The Initial Franchise Fee for each Unit is Sixty Thousand Dollars (\$60,000) and the royalty fees will be at the same rate as in the standard Franchise Agreement at the time this Agreement is signed. You will at all times faithfully and diligently comply with the obligations imposed by this Agreement and under the Franchise Agreement for each Unit.

D. **Force Majeure/Time of Essence.** It is of material importance to us that you timely perform all obligations under this Agreement and the Franchise Agreement for each Unit. Should you be unable to meet the Development Schedule solely as the result of force majeure, which includes strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including our inability to deliver a franchise disclosure document), and which you could not have avoided by the exercise of due diligence, the Development Schedule in APCF's sole discretion may be extended by the amount of time during which such force majeure existed.

**III. TERM.** The term of this Agreement will start on the date this Agreement is signed by both parties and you have paid us the Development Fee. Unless terminated earlier according to the terms of this Agreement, the term of this Agreement and all area development rights granted in this Agreement will expire on the earlier of: (i) the opening of the last Unit listed in the Development Schedule; or (ii) the date set forth in Attachment 2. There is no right to renew this Agreement.

**IV. DEVELOPMENT FEE.** In exchange for the rights granted under this Agreement, you will pay us a Development Fee that is equal to the total sum of Initial Franchise Fees for the Units you agree to develop hereunder. The Initial Franchise Fee payable for each Unit shall be Sixty Thousand Dollars (\$60,000). The total amount of the Development Fee is due upon execution of this Agreement. The portion of the Development Fee attributable to each Unit to be developed hereunder will be credited in full satisfaction of the Initial Franchise Fee due under each separate Franchise Agreement for that Unit when such Franchise Agreement is signed by you.

For example, if you wish to open four (4) Units, you will sign this Agreement and a Franchise Agreement for the First Unit, and pay a Development Fee of Two Hundred Forty Thousand Dollars (\$240,000).

No part of the Development Fee is refundable, even if you fail to proceed with the development of Units under this Agreement.

## **V. FRANCHISE AGREEMENT**

E. **Signing the Franchise Agreement.** Within the times specified in the Development Schedule, you must execute a Franchise Agreement for each Subsequent Unit and pay the balance of the Initial Franchise Fee owed under that Franchise Agreement. In no event will you be required to sign a Franchise Agreement until such time as we have complied with any applicable waiting periods according to law.

F. **Complying with the Franchise Agreement.** After you sign a Franchise Agreement, you must fully comply with all of the terms contained in the Franchise Agreement including paying all of the fees required by that Franchise Agreement in a timely manner. **YOU DO NOT OBTAIN ANY RIGHTS AS A FRANCHISEE FOR A PARTICULAR LOCATION UNTIL A FRANCHISE AGREEMENT IS SIGNED BY YOU AND US AND YOU HAVE PAID US THE BALANCE OF THE INITIAL FRANCHISE FEE.** You must submit all proposals for sites to us for our consent. We have the right, in our absolute discretion, to withhold our consent to any site you propose. Our consent to the site is no assurance of success.

G. **Our Discretion.** You acknowledge that all Units must be developed and operated according to our standards. You agree and recognize that we may refuse to grant a Franchise Agreement for a Subsequent Unit if we believe, in our reasonable judgment, that you do not have sufficient financial resources or other ability (including, but not limited to, experience, character, skill, aptitude, attitude, and business acumen sufficient to operate multiple locations) to properly develop and operate the proposed Subsequent Unit. We will take into account, among other things, your past performance and financial success of your existing Unit(s). In order to assist us in making such a determination, you must provide us, upon our request, the financial and other information regarding your existing Unit(s) and the proposed Subsequent Unit. Our approval, however, is not deemed to be a warranty of your financial or other ability to develop and operate the proposed Subsequent Unit.

## VI. ASSIGNABILITY

H. **By You.** We have granted these development rights in reliance upon our perception of the individual and collective character, skill, attitude, and business and marketing abilities of you and your owners. Therefore, there can be no transfer of any interest in this Agreement, or you, without our prior written consent. Any consent by us will not operate as a consent to any future such transfer, and no future such transfer will be valid without our prior written consent to that specific transfer. Any attempted transfer in violation of this paragraph is voidable at our option. We will not unreasonably withhold our consent to such a transfer, provided that the following conditions are satisfied:

(a) You have substantially performed the obligations and duties under this Agreement and any other agreements between you and us; and

(b) You must pay us all amounts you owe to us and our affiliates under this Agreement and all other agreements between you and us; and

(c) You must pay a non-refundable transfer fee in the amount of Twenty-Five Thousand Dollars (\$25,000) for each undeveloped Subsequent Unit, which amount will not be applied to the Initial Franchise Fee that will be due when the Subsequent Unit is developed; and

(d) You and all of your officers, directors, shareholders (as well as guarantors under this Agreement) will execute a general release (in the form approved by us) of any and all claims which you have or may have against us and our affiliates and our respective officers, directors, employees and agents arising out of the franchise relationship, to the extent permitted by applicable law; and

(e) The proposed transferee meets our established standards for new area developers (including experience, character, skill, aptitude, business ability, and financial capability), is of good moral character, has a good credit rating and sufficient financial resources to operate the business; and

(f) The proposed transferee and/or the transferee's managers will successfully complete and pass the training course then in effect for our franchisees and area developers, or otherwise demonstrate to our satisfaction, sufficient ability to operate and manage the Units and perform the obligations of this Agreement; and

(g) The proposed transferee assumes all of your obligations and liabilities (however, such assumption will not relieve you of any such obligations and liabilities), and the shareholders, owners, members and partners of the transferee execute a Guarantee in the form attached to this Agreement; and

(h) The purchase price or terms of the sale are, in our judgment, economically feasible to the proposed transferee (however, our approval is no assurance that the sale is on economically reasonable terms); and

(i) We may, in our absolute discretion, require that the transfer include the transfer of all of the undeveloped Subsequent Units.

I. **By Us.** This Agreement is fully assignable, in whole or in part, by us, without your consent. Upon our assignment, we are relieved of all liability under this Agreement and all rights and obligations will accrue to our successor or assignee.

J. **No Subfranchising.** You must not offer, sell, or negotiate the sale of Ace Pickleball Club franchises to any third party, either in your name or on our behalf or otherwise subfranchise, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting you the right to do so.

## **VII. DEFAULT AND TERMINATION**

K. **Default by You.** Upon written notice to you, we may terminate this Agreement for cause, but without providing you an opportunity to cure, in the event of any material breach of this Agreement by you. Material breach, as used in this Section VII, will include, among other things, the following:

(a) Any attempt by you to sell, assign, transfer or encumber, in whole or in part, any or all rights and obligations under this Agreement or in you, in violation of the terms of this Agreement, or without the written consents required, pursuant to this Agreement;

(b) Your failure to develop each of the Units within the Development Schedule set forth in this Agreement;

(c) Your bankruptcy, insolvency or general assignment for the benefit of creditors;

(d) Any material breach by you or your affiliate of any Franchise Agreement between you or your affiliates and us which is not cured within the applicable cure period in that Franchise Agreement; or

(e) You or your owners commit or are convicted of a felony or crime of moral turpitude or fraud which we believe may adversely affect the System or goodwill associated with the Marks.

L. **Rights on Termination, Expiration or Assignment.** Upon expiration, assignment or termination, for any reason, of this Agreement, all of your rights regarding the Development Area will cease and any remaining rights you may have to open any Subsequent Unit will cease. We will be entitled to establish, or to license others to establish, Ace Pickleball Clubs using the Intellectual Property and System in the Development Area, subject to the provisions in any existing, non-terminated Franchise Agreement you or your affiliates have with us relating to the Assigned Territory defined in that Franchise Agreement. You will continue to operate the Club(s) defined in and according to such existing, non-terminated Franchise Agreement(s). A default and termination under this agreement does not constitute a default and termination under any Franchise Agreement between you or your affiliate and us.

## **VIII. ARBITRATION**

M. Except as provided elsewhere in this Agreement, all controversies, disputes or claims between us and you arising from this Agreement will be submitted to binding arbitration conducted in the Las Vegas, Nevada Metropolitan Area (unless the parties mutually agree otherwise). The arbitration proceeding will be conducted in accordance with the then-current commercial arbitration rules of the

American Arbitration Association ("AAA Rules"), except to the extent the AAA Rules differ from the terms of this Agreement, in which event the terms of this Agreement will apply. For purposes of this paragraph, if any dispute that names, involves or includes us, you, the guarantors of any Franchise Agreement you enter into pursuant to a Unit developed under this Agreement or any of their respective affiliates, officers, directors, agents, brokers or employees, such persons or entities will also be included in and made party to the arbitration proceeding.

N. The arbitrator will have the right to award or include in his award any relief which he deems proper in the circumstances, including money damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, and attorneys' fees and costs; however, the arbitrator will not be allowed to award or include in his award any punitive, exemplary, or consequential damages, to which the parties waive any right. The award and decision of the arbitrator will be conclusive and binding upon all parties, and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of the award of an arbitrator under this Section VIII. An arbitration award or decision entered in any other case (whether or not we were a party) will not be binding on us in any other dispute, will have no precedential value and cannot be used as evidence in any other proceeding.

O. The arbitrator will apply the provisions of any applicable statute of limitations. In connection with any arbitration proceeding, we and you will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any of these compulsory claims which are not submitted or filed in the same proceeding in which they relate will be barred. This provision will continue in full force and effect subsequent to and notwithstanding the transfer, termination or expiration of this Agreement. Except as provided in Section VIII.A above, the arbitration will be conducted on an individual, not a class-wide basis. None of the parties to the arbitration will be entitled to consolidation of the arbitration proceedings with the proceedings of any third party, nor will the arbitrator or any court be empowered to order a consolidation of proceedings with any third party.

P. Notwithstanding the foregoing, the obligation of this Section VIII to arbitrate will not be binding with respect to claims relating to our trademarks, service marks, patents, or copyrights; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by either party for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the *status quo* or prevent irreparable injury pending resolution by arbitration of the actual dispute between the parties.

## **IX. MISCELLANEOUS**

Q. **Notices.** All notices required under this Agreement will be in writing and will be given: (i) if hand delivered on the day of delivery; (ii) three (3) business days after placement in the United States Mail by registered or certified mail, postage prepaid; or (iii) the day after placement with a courier guaranteeing overnight delivery, addressed to the address listed on the signature page of this Agreement or at such other address as either party will specify in a notice to the other party.

R. **Severability.** If any provision of this Agreement is considered to be invalid or inoperative for any reason, that part will be deemed modified to the extent necessary to make it valid and operative, or if it cannot be modified, then severed, and the remainder of the Agreement will continue in effect as if the Agreement had been signed with the invalid portion modified or eliminated.

S. **Non-Waiver.** Neither party's waiver of a breach or default by the other, nor delay or failure to exercise any right upon breach or default, nor acceptance of any payment, will be deemed a waiver, nor will it impair rights for other breaches or defaults of the same or a different kind. The description of any breach or default in any notice will not prevent the assertion of other defaults or breaches. We may waive any one or more of the requirements imposed under this Agreement for the benefit of any particular franchisee or any particular Unit, but the waiver in favor of any other franchisee or Unit will not prevent us from enforcing the requirements against you, all other franchisees and all other Units.

T. **Remedies.** The remedies available to us are non-exclusive and nothing stated in this Agreement will act to prevent our pursuit of any other rights or remedies arising due to termination of this Agreement which may otherwise become available to us in law or equity. In no event will either party be liable to the other party for prospective profits or special, indirect, punitive or consequential damages for any conduct arising out of this Agreement or our relationship with you.

U. **Attorney's Fees.** If any civil action, arbitration or other legal proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any provision of this Agreement, the successful or prevailing party or parties will be entitled to recover from the other party or parties, reasonable attorneys' fees, taxes, court costs and all other expenses, even if not taxable as court costs, in addition to any other relief to which such party or parties may be entitled.

V. **Guarantees Of Shareholders, Partners Or Members.** If you are a corporation, partnership, or limited liability company, shareholders, partners or members (and their shareholders, partners or members if they are an entity) who have a 25% or greater interest will guarantee this Agreement by signing the Guaranty attached to this Agreement as Attachment 3, and each Franchise Agreement for a Unit by signing the Guaranty attached to the Franchise Agreement as Attachment 4. The execution and performance of this Agreement by you does not violate or constitute a breach of the terms of any other agreement or commitment to which you are a party.

W. **Choice Of Law.** Except to the extent that this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 115 U.S.C. 1051), this Agreement will be governed, to the extent permissible, by the laws of the State of Nevada without regard to the principles of conflict of laws. If, however any provision of this Agreement would not be enforceable under the laws of Nevada, and if the Development Area is located outside of Nevada and the provision would be enforceable under the laws of the state in which the Development Area is located, then the provision in question (and only that provision) will be interpreted and construed under the laws of the state where the Development Area is located. The Federal Arbitration Act governs all matters relating to arbitration. We may institute any action arising out of or relating to this Agreement in any state or federal court of general jurisdiction in the State of Nevada, and you and your guarantors irrevocably submit to this jurisdiction and waive any objection to the application of Nevada law or to the jurisdiction or venue in those Nevada courts. If you institute any action arising out of or relating to this Agreement, which is not subject to arbitration, such suit must be brought in the Circuit Court of Clark County, Nevada, unless said court will not accept jurisdiction over the case.

The provisions of this Agreement which conflict with any applicable law will (only to the extent not in accordance with applicable law) be ineffective, and instead, we will comply with the applicable law respecting each of these matters. If a state regulator requires an amendment to this Agreement, the amendment shall be attached to this Agreement in a State Law Addenda. We are not, however, precluded from contesting the validity, enforceability, or applicability of any state laws or regulations in any action relating to this Agreement or to its rescission or termination.

X. **Non-Liability Of Our Affiliates.** We are the only entity obligated to you under this Agreement. You may not look to any of our affiliates or related companies, other business entities or individuals for performance of this Agreement.

Y. **Construction Of Language.** The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires; if more than one party or person is referred to as you, their obligations and liabilities will be joint and several. Headings are for reference purposes and do not control interpretation. For purposes of this Agreement, the terms "Intellectual Property" and "System" will have the same meanings as are contained for those terms in the Franchise Agreement.

Z. **Entire Agreement.** This Agreement, including all Attachments attached, constitutes the entire, full and complete agreement between the parties concerning the subject matter hereof, and supersedes any and all prior agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations we made in the franchise disclosure document that was furnished to you in connection with our offer to grant you a franchise to develop the Units. No amendment or modification to this Agreement will be binding on either party unless written and fully executed.

## **X. INDEPENDENT CONTRACTOR/INDEMNIFICATION**

A. **Independent Contractor.** We and you are independent contractors, and no partnership, fiduciary, joint venture, or employment relationship exists between you and us. You will conspicuously identify yourself in all dealings with the public as an independently owned business. Neither we nor you will make any agreements or representations in the name of or on behalf of the other that their relationship is other than franchisor and franchisee. Without limiting the foregoing, you acknowledge that we have no responsibility to ensure that the Units are developed and operated in compliance with all applicable laws, ordinance and regulations and that we shall have no liability in the event the development or operation of the Units violates any law, ordinance or regulation. Neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa. In all public records, in relationships with other persons, and on letterhead and business forms, you must indicate independent ownership of the Units and that you are solely a franchisee of ours.

B. **Indemnification.** Under no circumstances will we be liable for any act, omission, debt, or other obligation of yours. To the fullest extent permitted by law, you (for yourself and your employees, agents, subcontractors, successors and assigns) agree, at your sole cost and expense, to indemnify, defend and hold harmless, and to reimburse us on demand, and all of the entities related to us and ours and their respective directors, officers, members, employees agents, managers, partners, attorneys, licensees, affiliates successors and assigns ("**Indemnified Parties**") for and against any and all damages, losses, liabilities, bodily injury, property damage, obligations, penalties, fines, claims, litigation, demands, defenses, judgments, suit proceedings, administrative orders, consent agreements, costs, disbursements or expenses of any kind or any nature whatsoever, including without limitation, reasonable attorneys' and expert fees and disbursements arising out of or related to or in any way arising out of the acts or omissions of yours or your employees, agents, officers, directors, parents, subsidiaries, affiliates, successors and assigns ("**Indemnitors**") arising out of or related to (i) any act or omission, negligent or otherwise, of the Indemnitors or anyone directly or indirectly employed by them or anyone whose acts they may be liable relative to the business contemplated herein; (ii) any breach by the Indemnitors or any term or provision of this Agreement; (iii) the cost, including, but not limited to reasonable attorney's fees, of enforcing this indemnification provision and (iv) any labor and employment violations, or joint employer violation claims. The obligations of Indemnitors are joint and several.

This indemnification must not be construed to indemnify an Indemnified Party to the extent such indemnification is prohibited by law, including, an indemnification of any Indemnified Party from its own negligence, if prohibited by law. To the extent indemnification of any party hereunder would be prohibited by law, this provision will not apply to such party, but will continue to be effective as to all other parties with respect to whom indemnification is not prohibited by applicable law.

This indemnification must not be construed to indemnify an Indemnified Party to the extent such indemnification is prohibited by law, including, an indemnification of any Indemnified Party from its own negligence, if prohibited by law. To the extent indemnification of any party hereunder would be prohibited by law, this provision will not apply to such party, but will continue to be effective as to all other parties with respect to whom indemnification is not prohibited by applicable law. You agree that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnified Parties, the Indemnified Parties shall have the right, but not the obligation, to: (i) choose counsel, (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the Indemnified Parties, and/or your behalf, any claim against the Indemnified Parties at their sole option. Such right to defense and indemnification will exist even if joint claims are brought, or if joint liability is imposed on us by law. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnified Parties shall be taken as prima facie evidence of your obligation hereunder.

**THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.**

The parties have executed this Agreement on the day and year first above written.

DEVELOPER:

FRANCHISOR:

ACE PICKLEBALL CLUB FRANCHISE, LLC

\_\_\_\_\_  
Name: \_\_\_\_\_

By: \_\_\_\_\_  
Name: Joseph Sexton  
Title: President

**ATTACHMENT 1**

**DEVELOPMENT AREA**

The Development Area is:  
[insert map, list of zip codes, or other description]

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**ACCEPTED:**

DEVELOPER:

\_\_\_\_\_  
Name: \_\_\_\_\_

FRANCHISOR:  
ACE PICKLEBALL CLUB FRANCHISE, LLC

By: \_\_\_\_\_  
Name: Joseph Sexton  
Title: President  
Date: \_\_\_\_\_

**ATTACHMENT 2**

**DEVELOPMENT FEE, DEVELOPMENT SCHEDULE AND EXPIRATION DATE**

A. The Agreement authorizes and obligates the Developer to establish and operate \_\_\_\_\_ (\_\_\_) “Ace Pickleball Club” franchises, pursuant to a Franchise Agreement for each Unit, in the Development Area.

B. The following is Developer’s Development Schedule:

<b>Unit Number</b>	<b>Date Franchise Agreement must be executed</b>	<b>Date Unit Must be Operational (“Development Deadline”)</b>	<b>Development Fee \$_____ paid _____ (“Effective Date”)</b>	<b>Balance Due Developer</b>	<b>Balance Due Date</b>

C. The expiration date of this Agreement shall be: \_\_\_\_\_.

**ACCEPTED:**

DEVELOPER:

\_\_\_\_\_  
Name: \_\_\_\_\_

FRANCHISOR:

ACE PICKLEBALL CLUB FRANCHISE, LLC

By: \_\_\_\_\_

Name: Joseph Sexton

Title: President

Date: \_\_\_\_\_

## ATTACHMENT 3

### GUARANTY

As an inducement to Ace Pickleball Club Franchise, LLC ("we," "us" or "our") to enter into an Multi-Unit Development Agreement ("Agreement") with \_\_\_\_\_ ("you" or "your") which was signed simultaneously with this Guarantee, each of the undersigned ("Guarantor") jointly and severally and personally and unconditionally (a) guarantees to us and our successor and assigns, for the term of the Agreement and as provided in the Agreement, that you must punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agree to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Each undersigned agrees to be personally and unconditionally bound by each and every undertaking, agreement and covenant set forth in the Agreement, including but not limited to the indemnification, consequences of termination, expiration or transfer and transfer provisions to the same extent as and for the same period of time as you are required to comply with and abide by such covenants and provisions. All of the foregoing obligations of the undersigned shall survive any expiration or termination of the Agreement or this Guarantee.

Your obligations are direct and may be enforced immediately without our being required to resort to any other right, remedy or security. This Guarantee will be enforceable immediately against any and all of the Guarantors, without the necessity for any suit or proceedings on our part against you, and without the necessity of any notice of any default or of any notice of acceptance of this Guarantee or of our intention to act in reliance or of any other notice or demand to which Guarantors might otherwise be entitled, all of which Guarantors expressly waive.

The validity of this Guarantee and the obligations of Guarantors under this Guarantee will in no manner be terminated, affected, or impaired by reason of the assertion or the failure to assert by us against you, of any of the rights or remedies reserved to us according to the provisions of the Agreement.

This Guarantee is absolute, unconditional and irrevocable.

This Guarantee is a continuing guarantee, and (whether or not Guarantors will have notice or knowledge of any of the following), the liability and obligations of Guarantors under this Guarantee will be absolute and unconditional irrespective of:

(a) any modification of, or supplement to, or extension or renewal of the Agreement or any assignment, sale, or transfer of that Agreement;

(b) any exercise or non-exercise of any right, power, remedy or privilege under or in respect of the Agreement or this Guarantee or any waiver, consent or approval by us with respect to any of the covenants, terms, conditions or agreements contained in the Agreement or this Guarantee, or any indulgences, forbearance or extensions of time for performance or observance allowed to you or any Guarantor from time to time, at any time, and for any length of time;

(c) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition or liquidation or similar proceedings relating to you or your properties or creditors or to any Guarantor or such Guarantor's properties or creditors;

(d) any impairment, modification, change, release or limitation of liability or obligation of you under the Agreement or any Guarantor under this Guarantee (including, but not limited to, any

disaffirmance or abandonment by your or such Guarantor's trustee), resulting from the operation of any present or future provision of the Bankruptcy Reform Act of 1978, as amended, or any other similar federal or state statute, or from the decisions of any court; or

(e) any other circumstances which might otherwise constitute a defense available to, or a discharge of you in respect of the Agreement or any Guarantor in respect of this Guarantee.

If we or any of our Affiliates are required to enforce this Guarantee in any judicial proceeding or appeal thereof, the Guarantors must reimburse us and our Affiliates for its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guarantee.

The undersigned Guarantors also recognize that certain disputes relating to the Agreement are to be resolved by arbitration and hereby consent to such arbitration in accordance with the terms of the Agreement. Further, undersigned Guarantors also hereby consents to the applicability of the venue and jurisdiction provision in the Agreement to this Guarantee.

**THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.**

Each of the undersigned has hereunto affixed their signatures on the same day and year as the Agreement was executed.

GUARANTORS:

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

EXHIBIT C

STATE SPECIFIC ADDENDA

CALIFORNIA APPENDIX

1. ~~California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement or Multi-Unit Development Agreement contains provisions that are inconsistent with the law, the law will control.~~
2. ~~The Franchise Agreement and Multi-Unit Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 401 et seq.).~~
3. ~~The Franchise Agreement and Multi-Unit Development Agreement contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.~~
4. ~~Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.~~
5. ~~Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document 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, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.~~
6. ~~The Franchise Agreement and Multi-Unit Development Agreement require binding arbitration. The arbitration will occur in Nevada with the costs being borne equally by franchisor and franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.~~
7. ~~The Franchise Agreement and Multi-Unit Development Agreement require application of the laws of Nevada. This provision may not be enforceable under California law.~~
8. ~~You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).~~
9. ~~THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.~~
10. ~~OUR WEBSITE, [www.acepickleballclub.com](http://www.acepickleballclub.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).~~

**ADDENDUM REQUIRED BY THE STATE OF CONNECTICUT**

**DISCLOSURE REQUIRED BY CONNECTICUT LAW:** The State of Connecticut does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

1. If the franchisor fails to deliver the products, equipment or supplies or fails to render the services necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the franchisor in writing and demand that the contract be cancelled.
2. Pursuant to Section 36b-63(b)(4) of the Connecticut Business Opportunity Investment Act, Item 3 of the Disclosure Document is hereby amended to state that the Company, its Officers, Directors and Sales Representatives have not been subject to disciplinary actions. During the previous ten fiscal years, no person has been convicted of a felony, been held liable in a civil action, or is subject to any current effective state or federal agency or court injunctive or restrictive order.
3. Pursuant to Section 36b-63(b)(5) of the Connecticut Business Opportunity Investment Act, Item 4 of the Disclosure Document is hereby amended to state that during the previous ten fiscal years, no person listed in Item 2 has: (A) filed in bankruptcy; (B) been adjudged bankrupt; (C) been reorganized due to insolvency; or (D) been a principal, director, executive officer or partner of any other person that has so filed or was so adjudged or reorganized, during or within one year after the period that such person held such position with such other person.

The parties hereto have duly executed, sealed and delivered this Addendum dated this day of \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISOR:

ACE PICKLEBALL CLUB FRANCHISE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ILLINOIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND MULTI-UNIT DEVELOPMENT AGREEMENT**

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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 law of Illinois is void.

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**In Illinois, payment of Initial Franchise Fees owed to Franchisor will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to the Franchisor's financial condition.**

The parties hereto have duly executed, sealed and delivered this Addendum dated this day of \_\_\_\_\_.

FRANCHISEE:  
\_\_\_\_\_

FRANCHISOR:  
ACE PICKLEBALL CLUB FRANCHISE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM REQUIRED BY THE STATE OF INDIANA**

1. To be added to Item 3 of the Disclosure Document, is the following statement:

There are presently no arbitration proceedings to which the Franchisor is a party.

2. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee’s exclusive territory.

3. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).

4. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Article 19 of the Franchise Agreement and Section 19 of the Multi-Unit Development Agreement.

5. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

The parties hereto have duly executed, sealed and delivered this Addendum dated this day of \_\_\_\_

\_\_\_\_\_.

FRANCHISEE:

\_\_\_\_\_

FRANCHISOR:

ACE PICKLEBALL CLUB FRANCHISE, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ADDENDUM TO THE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for the State of Maryland for Ace Pickleball Club Franchise, LLC's Franchise Disclosure Document.

1. Item 5 of the Disclosure Document is amended to state:

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.”

2. Item 17 of the Disclosure Document is amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

5. Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement and Multi-Unit Development Agreement which provide for termination upon bankruptcy of the franchisee/multi-unit developer may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for the State of Maryland for Ace Pickleball Club Franchise, LLC's Franchise Agreement. The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties.

1. Article IV of the Franchise Agreement is amended to state:

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.”

2. The provisions in the Franchise Agreement which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

3. The appropriate sections of the Franchise Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The appropriate sections of the Franchise Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

5. The appropriate sections of the Franchise Agreement are amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

6. The Franchise Agreement and Franchisee Acknowledgment Statement are amended to include the following statement: "No statement, questionnaire, or acknowledgment 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."

7. This franchise agreement provides that disputes are resolved through mediation or arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

8. Sections XVII(L) and XVII(M) of the Franchise Agreement are hereby deleted in their entirety.

**ADDENDUM TO THE MULTI-UNIT DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for the State of Maryland for Ace Pickleball Club Franchise, LLC's Multi-Unit Development Agreement. The amendments to the Multi-Unit Development Agreement included in this addendum have been agreed to by the parties.

1. Article IV of the Multi-Unit Development Agreement is amended to state:

"Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens."

2. The provisions in the Multi-Unit Development Agreement which provide for termination upon bankruptcy of the multi-unit developer may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

3. The appropriate sections of the Multi-Unit Development Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The appropriate sections of the Multi-Unit Development Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

5. The appropriate sections of the Multi-Unit Development Agreement are amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

6. The Multi-Unit Development Agreement and Franchisee Acknowledgment Statement are amended to include the following statement: "No statement, questionnaire, or acknowledgment 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."

7. This multi-unit development agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

The parties hereto have duly executed, sealed and delivered this Addendum dated this day of \_\_\_\_\_.  
\_\_\_\_\_.

FRANCHISEE:  
\_\_\_\_\_

FRANCHISOR:  
ACE PICKLEBALL CLUB FRANCHISE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**DISCLOSURE REQUIRED BY THE STATE OF MICHIGAN**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:**

- (a) A prohibition on the right of a franchisee to join an association of franchises.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) Failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division  
Attn: Katharyn Barron  
Michigan Department of Attorney General  
525 W. Ottawa Street, 1<sup>st</sup> Floor  
Lansing, Michigan 48933  
(517) 335-7567

**ADDENDUM REQUIRED BY THE STATE OF MINNESOTA**

This addendum to the Disclosure Document is agreed to this day of amends and revises said Disclosure Document and Franchise Agreement and Multi-Unit Development Agreement as follows:

1. Item 13 of the Disclosure Document and Section IX.B of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use.”

2. Item 17 of the Disclosure Document, Sections IV.B and XII.A of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

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

3. Item 17 of the Disclosure Document, Section XVIII.G of the Franchise Agreement and Section IX.G of the Multi-Unit Development Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections:

“Minn. Stat. Sec. 80C.21 and 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 agreements 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.”

4. Item 17 of the Disclosure Document and Sections IV.B and XV.B of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release.”

5. Item 17 of the Disclosure Document and Sections XVIII.G and Q of the Franchise Agreement are hereby amended to the extent required by 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 jury trail, 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 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."

6. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required. The appropriate sections of the Franchise Agreement are hereby amended accordingly.

7. No statement, questionnaire, or acknowledgment 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 parties hereto have duly executed, sealed and delivered this Addendum dated this day of \_\_\_\_

\_\_\_\_\_.

FRANCHISEE:

\_\_\_\_\_

FRANCHISOR:

ACE PICKLEBALL CLUB FRANCHISE, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK**

**NEW YORK STATE ADDENDUM TO FDD**

1. The following information is added to the cover page of the Franchise Disclosure Document:

~~—INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT GA OR YOUR PUBLIC LIBRARY FOR SOURCES OF RESOURCES OR INFORMATION.— REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK THE APPROPRIATE STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK, 10005. OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.~~

2. The following is to be added at the end of Item 3:

~~—Except as provided above, with regard the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:~~

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions; other than routine litigation incidental to the business, which are that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ~~10-year period~~ ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

~~Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.~~

~~4. The following is added to the end of Item 5:~~

~~The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.~~

~~53. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for a franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:~~

~~However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.~~

~~64. The following language replaces the “Summary” section of Item 17(d), titled “Termination by a franchisee”:~~

~~“You may terminate the agreement on any grounds available by law.”~~

~~7. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:~~

~~However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.~~

~~85. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum,” and Item 17(w), titled “Choice of law”:~~

~~The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.~~

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment 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.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

The parties hereto have ~~duly executed, sealed and delivered~~ this Addendum ~~dated this day of on~~ \_\_\_\_\_.

FRANCHISEE:  
\_\_\_\_\_

FRANCHISOR:  
ACE PICKLEBALL CLUB FRANCHISE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**DISCLOSURES REQUIRED BY NORTH CAROLINA LAW**

The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled. (N.C.G.S. §66-95)

Effective Date: June 18, 2024

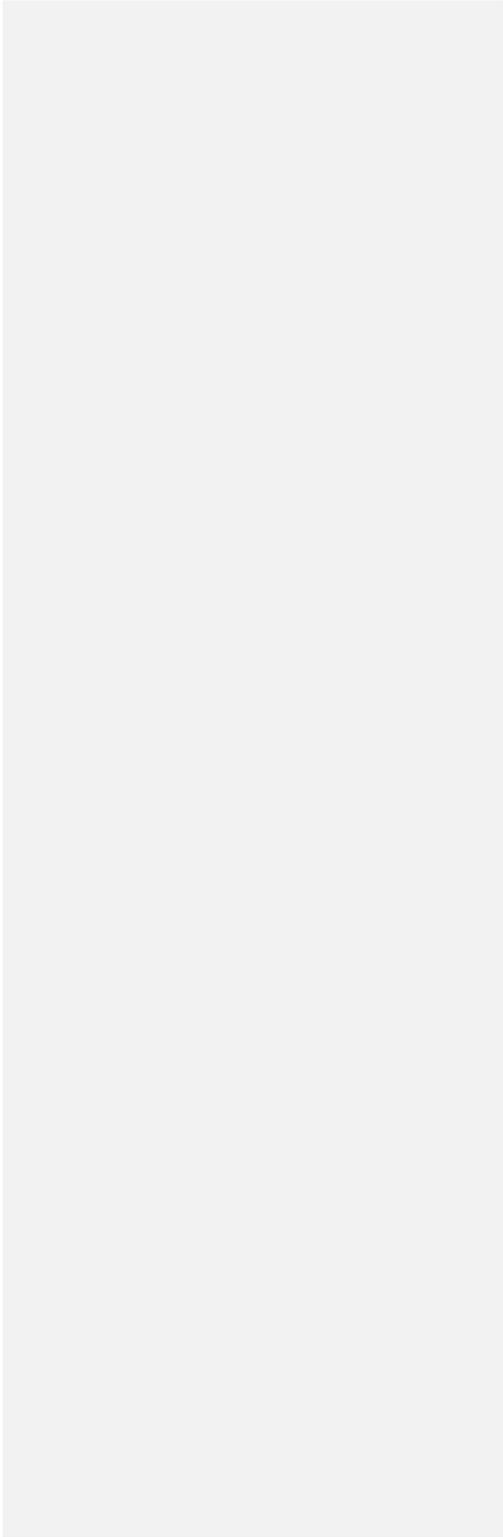
The parties hereto have duly executed, sealed and delivered this Addendum dated this day of \_\_\_\_  
\_\_\_\_\_.

FRANCHISEE:  
\_\_\_\_\_

FRANCHISOR:  
ACE PICKLEBALL CLUB FRANCHISE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND**

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that:

“A provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

The parties hereto have duly executed, sealed and delivered this Addendum dated this day of \_\_\_\_

\_\_\_\_\_.

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

FRANCHISOR:

ACE PICKLEBALL CLUB FRANCHISE, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**DISCLOSURES REQUIRED BY SOUTH CAROLINA LAW**

If the seller fails to deliver the product, equipment or supplies necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

The State of South Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

FOR USE ONLY IN THE STATE OF SOUTH CAROLINA

EFFECTIVE DATE: ~~March 15, 2023~~ Pending \_\_\_\_\_

REGISTRATION NUMBER: 1299

The parties hereto have duly executed, sealed and delivered this Addendum dated this day of \_\_\_\_\_.

FRANCHISEE:  
\_\_\_\_\_

FRANCHISOR:  
ACE PICKLEBALL CLUB FRANCHISE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**VIRGINIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AND MULTI-UNIT DEVELOPMENT AGREEMENT**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Ace Pickleball Club Franchise, LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. Additional Disclosure: The following statements are added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute “reasonable cause,” as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

2. No statement, questionnaire or acknowledgement signed or agreed to by a developer 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. **The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires 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.**

The parties hereto have duly executed, sealed and delivered this Addendum dated this day of \_\_\_\_

\_\_\_\_\_.

FRANCHISEE:  
\_\_\_\_\_

FRANCHISOR:  
ACE PICKLEBALL CLUB FRANCHISE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT D

TABLE OF CONTENTS OF OPERATIONS MANUAL

**Ace Pickleball Club Franchise, LLC  
Franchise Operations Manual**

<b>SECTION</b> <b>Heading</b>	<b>BEGINNING</b> <b>PAGE</b> <b>Page Number</b>	<b>TOTAL</b> <b>PAGES</b>
<b>Introduction</b>	<b>5</b>	<b>9</b>
<b>Pre-Opening Procedures</b>	<b>15</b>	<b>24</b>
<b>Human Resources</b>	<b>40</b>	<b>25</b>
<b>Learning &amp; Development</b>	<b>66</b>	<b>5</b>
<b>The Ace Pickleball Club <u>APC</u> Experience</b>	<b>72</b>	<b>46</b>
<b>Programming &amp; Events</b>	<b>89</b>	<b>5</b>
<b>Managing an Ace Pickleball Club <u>APC</u></b>	<b>95</b>	<b>42</b>
<b>Maintaining Your Ace Pickleball Club <u>your APC</u></b>	<b>108</b>	<b>3</b>
<b>Marketing &amp; Promotion</b>	<b>112</b>	<b>40</b>
<b>Partnerships &amp; Sponsorships</b>	<b>123</b>	<b>2</b>
<b>Club Technology</b>	<b>125</b>	<b>2</b>
<b>Risk Management</b>	<b>127</b>	<b>42</b>
<b>TOTAL NUMBER OF PAGES</b>		<b>425</b>

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**EXHIBIT E**

**LIST OF FRANCHISEES**  
(as of December 31, ~~2023~~2024)

Franchisees: None

**Franchise Agreements signed before December 31, 2023, but units not yet open:**

<b>Franchisee</b>	<b>Address</b>	<b>Email</b>
<b>ARIZONA</b>		
<b>Arizona</b>		
M1 Pickleball LLC*	7606 North 65th Street Paradise Valley, Arizona 85253	davidl@acepickleballclub.com
<b>CaliforniaILLINOIS</b>		
Generis International Inc.*	30 North Gould Street, Suite R Sheridan, Wyoming 82801	omar@thegenerisgroup.com
<b>Colorado</b>		
The Home Court PBJ, LLC*	2819 Cherry Street Denver, Colorado 80207-664 Tabernacle Road Medford, New Jersey 08055	liztira.krassan @acepickleballclub.com
Colorado Kitchen Pickleball LLC	5 Mountain Alder Littleton, Colorado 80127	jimb@acepickleballclub.com
<b>FloridaNEW JERSEY</b>		
Red Team Pickleball Holdings LLC*	760 9th Avenue Naples, Florida 34108	mekinleye@acepickleballclub.com
Coberts Holdings LLC*	13433 Machiavelli Way Palm Beach Gardens, Florida 33418	WillN@acepickleballclub.com
Fitime Enterprises, LLC*	289 Park Forest Drive Ponte Vedra, Florida 32081	georgeb@acepickleballclub.com
PBJ, LLC*	1336 Bunker Hill Drive Cherry Hill 664 Tabernacle Road Medford, New Jersey 0800308055	eric.danverira.krassan @acepickleballclub.com
<b>GeorgiaOHIO</b>		
Pickle Jar Enterprises, LLC	1151 Hammond Drive, Suite 240 Atlanta, Georgia 30346	john.cyphers@acepickleballclub.com
<b>Illinois</b>		
Pickle 1, LLC*	2835 Aurora Avenue, Unit 123 Naperville, Illinois 60540	devangk@acepickleballclub.com
<b>Indiana</b>		
APC Fort Wayne, LLC	5310 Merchandise Drive Fort Wayne, Indiana 46825	fortwaynein@acepickleballclub.com
<b>Kansas</b>		
Midwest Pickleball Partners 1, LLC	2300 Main Street, Suite 900 Kansas City, Missouri 64108	mitch.morse@acepickleballclub.com
<b>Kentucky</b>		

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APC Louisville, LLC	13341 Leesburg Road Fort Wayne, Indiana 46818	jeffersontownky@acepickleballclub.com
<b>Michigan</b>		
SOLU Pickleball LLC*	380 North Old Woodward Avenue, Suite 120 Birmingham, Michigan 48009	matthews@acepickleballclub.com
AAPB LCMCP APC CLE ONE LLC	4059960 West Greenlawn Cheyenne Avenue, #G11 Lansing, Michigan 48940 #190 Las Vegas, NV 89129	sambmark.milakovich@acepickleballclub.com
<b>New JerseyOKLAHOMA</b>		
PBJ, LLC*	1336 Bunker Hill Drive Cherry Hill, New Jersey 08003	eric.danver@acepickleballclub.com
SMJM Pickleball LLC*	22 Stoney Brook Road Holmdel, New Jersey 07733	james.allred@acepickleballclub.com
<b>New York</b>		
Aisling Group LLC	62 Hamlet Drive Commaek, New York 11725	stacyd@acepickleballclub.com
Peak Group Holdings LLC	48 Nelson Avenue Extention Saratoga Springs, New York 12866	lances@acepickleballclub.com
<b>Ohio</b>		
APC Solon, LLC	13341 Leesburg Road Fort Wayne, Indiana 46818	solonoh@acepickleballclub.com
<b>Oklahoma</b>		
The Pokey Pickle-LLC	10494 South S 91st East Avenue E Ave Tulsa, Oklahoma OK 74133	kristenbrannon.maronek@acepickleballclub.com
<b>PennsylvaniaPENNSYLVANIA</b>		
David Miller	2322 Abbey Lane Harrisburg, Pennsylvania 17112	davidm@acepickleballclub.com
<b>TexasTEXAS</b>		
Cali Livin For Pickle LLC	5008 Montalcino Boulevard Flower Mound, Texas 75022	kristian.calibuso@acepickleballclub.com
James & Michael McDevittMcdevitt*	1261 Ashford Creek Park Northeast Brookhaven, Georgia 30319 30031 FM2978, Magnolia, TX 77354	jim.mcdevitt@acepickleballclub.com
<b>Washington</b>		
Dink Dink Pickleball, LLC	23931 Southeast 196th Street Maple Valley, Washington 98038	chris.brestle@acepickleballclub.com

**Franchise Agreements signed before December 31, 2024, but units not yet open:**

<b>Alabama</b>		
Patrick Laney	115 Via Poinciana Ln Boca Raton, Florida	patrick.laney@acepickleballclub.com
<b>California</b>		

<u>Generis International Inc*</u>	<u>30 North Gould Street</u> <u>Suite R</u> <u>Sheridan, Wyoming 82801</u>	<u>omar@thegenerisgroup.com</u>
<u>Greene Pickleball LLC</u>	<u>3569 Paseo De Los Californianos</u> <u>unit 259</u> <u>Oceanside, CA 92056</u>	<u>igreene@acepickleballclub.com</u>
<u>Michelle &amp; Jeremy Kenyon</u>	<u>6348 huntington Dr</u> <u>Carlsbad, California</u>	<u>jeremy.kenyon@acepickleballclub.com/</u> <u>michelle.kenyon@acepickleballclub.com</u>
<u>Sarbajot Singh &amp; Route One Capital Partners LLC</u>	<u>1473 Ravenswood Dr</u> <u>Los Altos, California</u>	<u>bobby.singh@acepickleballclub.com</u>
<u>Amjay Pickleball, LLC</u>	<u>9339 Boothwyn Way</u> <u>Elk Grove, CA 95758</u>	<u>mukti.patel@acepickleballclub.com</u>
<u>Tabish Jesrai</u>	<u>8 Amador, Newport Coast, CA</u> <u>92657</u>	<u>Tabish.jesrai@acepickleballclub.com</u>
<b>Colorado</b>		
<u>The Home Court LLC*</u>	<u>2819 Cherry Street</u> <u>Denver, Colorado 80207</u>	<u>lizt@acepickleballclub.com</u>
<b>Florida</b>		
<u>Red Team Pickleball Holdings LLC*</u>	<u>760 9th Avenue</u> <u>Naples, Florida 34108</u>	<u>mckinleyc@acepickleballclub.com</u>
<u>Coberts Holdings LLC*</u>	<u>13433 Machiavelli Way</u> <u>Palm Beach Gardens, Florida 33418</u>	<u>WillN@acepickleballclub.com</u>
<u>Fitime Enterprises, LLC*</u>	<u>289 Park Forest Drive</u> <u>Ponte Vedra, Florida 32081</u>	<u>georgeb@acepickleballclub.com</u>
<u>PBJ, LLC*</u>	<u>1336 Bunker Hill Drive</u> <u>Cherry Hill, New Jersey 08003</u>	<u>eric.danver@acepickleballclub.com</u>
<b>Georgia</b>		
<u>Pickle Jar Enterprises, LLC</u>	<u>1151 Hammond Drive</u> <u>Suite 240</u> <u>Atlanta, Georgia 30346</u>	<u>john.cyphers@acepickleballclub.com</u>
<u>Embarq Group LLC*</u>	<u>11770 Haynes Bridge Rd,</u> <u>Suite 205-355</u> <u>Alpharetta, Georgia</u>	<u>mohammed.chaudhry@acepickleballclub.com</u>
<b>Illinois</b>		
<u>Pickle 1, LLC*</u>	<u>2835 Aurora Avenue, Unit 123</u> <u>Naperville, Illinois 60540</u>	<u>devangk@acepickleballclub.com</u>
<b>Kansas</b>		
<u>Midwest Pickleball Partners 1, LLC</u>	<u>2300 Main Street, Suite 900</u> <u>Kansas City, Missouri 64108</u>	<u>mitch.morse@acepickleballclub.com</u>
<b>Massachusetts</b>		
<u>PETER T SALEM</u>	<u>11 Gray Terrace</u> <u>Bedford, Massachusetts</u>	<u>peter.salem@acepickleballclub.com</u>

<b><u>Michigan</u></b>		
<u>SOLU Pickleball LLC*</u>	<u>380 North Old Woodward Avenue, Suite 120 Birmingham, Michigan 48009</u>	<u>matthews@acepickleballclub.com</u>
<u>John Michael Brunetti*</u>	<u>1880 Heritage Walk #202 Milton, MI</u>	<u>johnmichaelbrunetti@gmail.com</u>
<b><u>New Jersey</u></b>		
<u>DMRPFL LLC</u>	<u>36 Sisters Farmstead Road Mount Laurel, New Jersey</u>	<u>dawn.raffa@acepickleballclub.com</u>
<u>Amit Patel*</u>	<u>239 Route 22 East, Suite 307 Green Brook, New Jersey</u>	<u>amit.patel@acepickleballclub.com</u>
<u>SMJM Pickleball LLC*</u>	<u>22 Stoney Brook Road Holmdel, New Jersey 07733</u>	<u>james.allred@acepickleballclub.com</u>
<u>S&amp;J Pickleball 1 LLC*</u>	<u>11 Maple Leaf Drive Holmdel New Jersey 07733</u>	<u>jimmy.yu@acepickleballclub.com</u>
<b><u>New York</u></b>		
<u>Ashwin Kalsekar*</u>	<u>5 Renaissance Square White Square, New york</u>	<u>ashwin.kalsekar@acepickleballclub.com</u>
<u>Aisling Group LLC</u>	<u>62 Hamlet Drive Commack, New York 11725</u>	<u>stacyd@acepickleballclub.com</u>
<u>Peak Group Holdings LLC</u>	<u>48 Nelson Avenue Extention Saratoga Springs, New York 12866</u>	<u>lances@acepickleballclub.com</u>
<b><u>North Carolina</u></b>		
<b><u>Pennsylvania</u></b>		
<u>Amit Patel</u>	<u>239 Route 22 East, Suite 307 Green Brook, New Jersey</u>	<u>amit.patel@acepickleballclub.com</u>
<u>David Miller</u>	<u>2322 Abbey Lane Harrisburg, Pennsylvania 17112</u>	<u>davidm@acepickleballclub.com</u>
<b><u>Tennessee</u></b>		
<u>CHATTANOOGA PICKLEBALL</u>	<u>1451 Whisper Way Ooltewa, TN 37363</u>	<u>don.jacobson@acepickleballclub.com</u>
<b><u>Texas</u></b>		
<u>Cali Livin For Pickle LLC</u>	<u>5008 Montalcino Boulevard Flower Mound, Texas 75022</u>	<u>kristian.calibuso@acepickleballclub.com</u>
<u>Joseph Morales</u>	<u>975 Persian Gdn, San Antonio, TX 78260</u>	<u>joey.morales@acepickleballclub.com</u>

<u>Swingwise Sports Enterprise, LLC</u>	<u>11201 Paisano Rd. Keller, TX 76244</u>	<u>Juan.menchace@acepickleballclub.com</u>
<b>Washington</b>		
<u>Dink Dink Pickleball, LLC*</u>	<u>23931 Southeast 196th Street Maple Valley, Washington 98038</u>	<u>chris.brestle@acepickleballclub.com</u>

\*Multi-Unit Developers

**LIST OF FORMER FRANCHISEES**

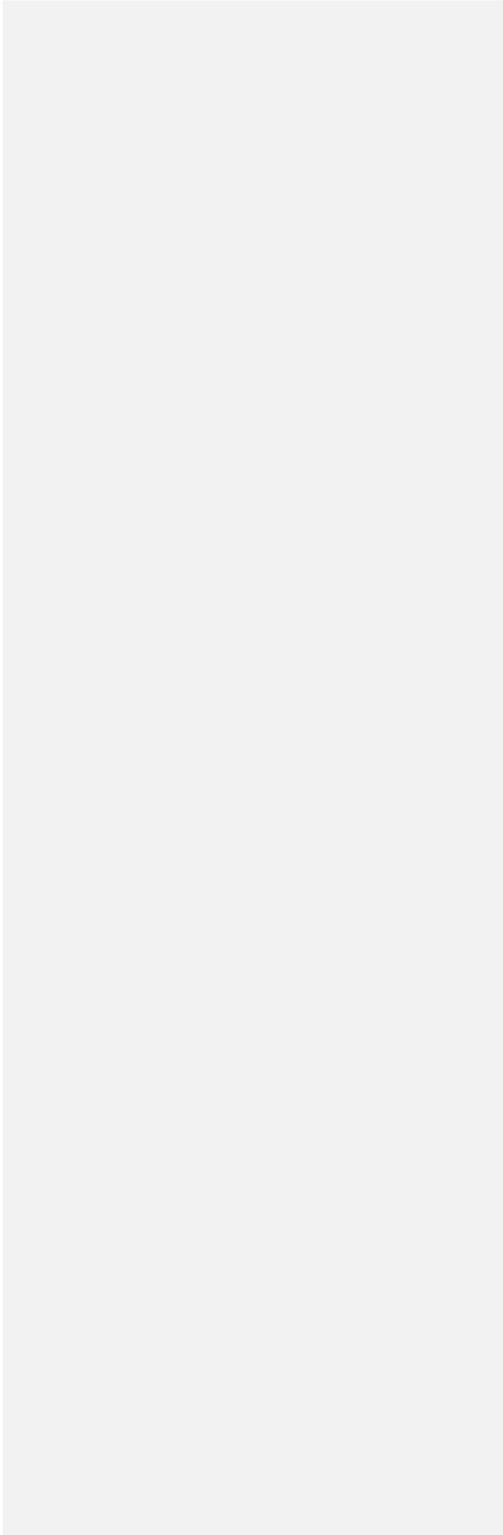
(as of December 31, ~~2023~~2024)

None

<u>AAPB LC</u>	<u>Lansing, Michigan 48910</u>	<u>sburchyett@gmail.com</u>
<u>APC Louisville, LLC</u>	<u>13341 Leesburg Road Fort Wayne, Indiana 46818</u>	<u>showard2280@yahoo.com</u>
<u>APC Solon, LLC</u>	<u>13341 Leesburg Road Fort Wayne, Indiana 46818</u>	<u>showard2280@yahoo.com</u>
<u>APC Fort Wayne, LLC (transferred to affiliate)</u>	<u>13341 Leesburg Road, Fort Wayne, Indiana, 46818</u>	<u>showard2280@yahoo.com</u>

**EXHIBIT F**  
**FINANCIAL STATEMENTS**

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**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024 AND FOR THE PERIOD**  
**FROM JANUARY 20, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023**

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**FOR THE YEAR ENDED DECEMBER 31, 2024 AND FOR THE PERIOD**  
**FROM JANUARY 20, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023**

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Balance sheets	3
Statements of operations and member's deficit	4
Statements of cash flows	5
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## INDEPENDENT AUDITOR'S REPORT

To the Member  
Ace Pickleball Club Franchise, LLC

### Opinion

We have audited the accompanying financial statements of Ace Pickleball Club Franchise, LLC (a limited liability company) which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and member's deficit, and cash flows for the year ended December 31, 2024 and for the period from January 20, 2023 (inception) through December 31, 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Ace Pickleball Club Franchise, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the year ended December 31, 2024 and for the period from January 20, 2023 (inception) through December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ace Pickleball Club Franchise, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ace Pickleball Club Franchise, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ace Pickleball Club Franchise, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ace Pickleball Club Franchise, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



New York, New York  
April 25, 2025

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$ 346,995	\$ 1,097,308
Accounts receivable	11,854	650
Due from affiliates	450,994	303,188
Prepaid commissions - current	9,240	2,283
Prepaid expenses	<u>52,444</u>	<u>29,351</u>
Total current assets	<u>871,527</u>	<u>1,432,780</u>
Property and equipment, net	<u>59,221</u>	<u>29,737</u>
Operating lease right-of-use asset, net	<u>57,624</u>	<u>-</u>
Other assets:		
Prepaid commissions, net of current portion	130,686	39,113
Security deposit	<u>4,151</u>	<u>-</u>
Total other assets	<u>134,837</u>	<u>39,113</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,123,209</u></b>	<b><u>\$ 1,501,630</u></b>

**LIABILITIES AND MEMBER'S DEFICIT**

Current liabilities:		
Accounts payable and accrued expenses	\$ 48,966	\$ 90,614
Operating lease liability - current	41,223	-
Deferred revenues - current	<u>311,252</u>	<u>155,001</u>
Total current liabilities	<u>401,441</u>	<u>245,615</u>
Long-term liabilities:		
Operating lease liability, net of current portion	21,387	-
Deferred revenues, net of current	<u>5,007,080</u>	<u>3,028,749</u>
Total long-term liabilities	<u>5,028,467</u>	<u>3,028,749</u>
Total liabilities	5,429,908	3,274,364
Commitments (Notes 6 and 9)		
Member's deficit	<u>(4,306,699)</u>	<u>(1,772,734)</u>
<b>TOTAL LIABILITIES AND MEMBER'S DEFICIT</b>	<b><u>\$ 1,123,209</u></b>	<b><u>\$ 1,501,630</u></b>

See accompanying notes to financial statements.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**STATEMENTS OF OPERATIONS AND MEMBER'S DEFICIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2024 AND FOR THE PERIOD**  
**FROM JANUARY 20, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023**

	<u>2024</u>	<u>2023</u>
Revenues:		
Franchise fees	\$ 415,418	\$ 56,250
Royalties	78,861	-
Technology fees	<u>24,784</u>	<u>650</u>
Total revenues	519,063	56,900
Selling, general and administrative expenses	<u>3,063,504</u>	<u>1,986,154</u>
Loss from operations	<u>(2,544,441)</u>	<u>(1,929,254)</u>
Other income:		
Interest income	95	267
Other income	<u>10,381</u>	<u>6,153</u>
Total other income	<u>10,476</u>	<u>6,420</u>
Net loss	(2,533,965)	(1,922,834)
Member's deficit - beginning	(1,772,734)	-
Member contributions	<u>-</u>	<u>150,100</u>
<b>MEMBER'S DEFICIT - ENDING</b>	<b><u><u>\$ (4,306,699)</u></u></b>	<b><u><u>\$ (1,772,734)</u></u></b>

See accompanying notes to financial statements.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024 AND FOR THE PERIOD**  
**FROM JANUARY 20, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net loss	\$ (2,533,965)	\$ (1,922,834)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	11,002	2,686
Non-cash lease expense	26,593	-
Changes in operating assets and liabilities:		
Accounts receivable	(11,204)	(650)
Due from affiliates	(147,806)	(303,188)
Prepaid commissions	(98,530)	(41,396)
Prepaid expenses	(23,093)	(29,351)
Security deposit	(4,151)	-
Operating lease liability	(21,607)	-
Accounts payable and accrued expenses	(41,648)	88,114
Deferred franchise fees	<u>2,134,582</u>	<u>3,183,750</u>
Net cash provided by (used in) operating activities	(709,827)	977,131
Cash used in investing activities:		
Additions to property and equipment	(40,486)	(29,923)
Cash provided by financing activities:		
Member contributions	<u>-</u>	<u>150,100</u>
Net increase (decrease) in cash	(750,313)	1,097,308
Cash - beginning	<u>1,097,308</u>	<u>-</u>
<b>CASH - ENDING</b>	<u><u>\$ 346,995</u></u>	<u><u>\$ 1,097,308</u></u>
Supplemental schedule of noncash investing activities:		
Property and equipment acquired through accounts payable	<u>\$ -</u>	<u>\$ 2,500</u>
Operating lease liability acquired in connection with acquisition of Right-of-use asset	<u>\$ 81,796</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024 AND FOR THE PERIOD**  
**FROM JANUARY 20, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

Ace Pickleball Club Franchise, LLC (the "Company"), a wholly-owned subsidiary of Ace Pickleball Club, LLC (the "Parent"), was formed on January 20, 2023, as a Nevada limited liability company to sell franchises pursuant to a license agreement dated January 31, 2023, between the Company and Ace Pickleball Club, LLC (the "Parent" or "Licensor"). Pursuant to the Company's standard franchise agreement, franchisees will operate a business under the "Ace Pickleball Club" name and system that offers pickleball courts and pickleball related activities including but not limited to open play, leagues, tournament and special events, a pro-shop selling pickleball equipment and apparel, and a café serving grab and go food and beverages to their customers.

The Company is a limited liability company and, therefore, the member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates may be adjusted due to changes in future economic, industry or other financial conditions. Estimates are used in accounting for, among other items, accounts receivable allowances, useful lives and recoverability of long-lived assets, revenue recognition, uncertain tax positions and contingencies. Actual results could ultimately differ from these estimates.

Accounts receivable

Accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts and changes in the allowance are included in selling, general and administrative expenses on the statements of operation and member's deficit. The Company assesses collectibility by reviewing accounts receivable on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for doubtful accounts, management considers historical collectibility and make judgments about the creditworthiness of the pool of customers based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions adjust the historical losses to determine the appropriate allowance for doubtful. Uncollectible accounts are written off when all collection efforts have been exhausted.

The Company did not require an allowance for doubtful accounts as of December 31, 2024 and 2023.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Leases

The Company has an operating lease agreement for office space. The Company determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less, any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the balance sheets.

Lease terms include the noncancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. The Company uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments.

The lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Property and equipment

Property and equipment is carried at cost, less accumulated depreciation. Expenditures for maintenance and repairs are expensed as incurred, while renewals and betterments that materially extend the life of an asset are capitalized. The costs of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

Depreciation is provided using straight-line methods over the estimated useful lives of the assets, which are as follows:

Equipment	5 years
Furniture and fixtures	5 years

Impairment of long-lived assets

The Company reviews long-lived assets, which consists of property and equipment and right-of-use assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If this review reveals an indicator of impairment, as determined based on estimated undiscounted cash flows, the carrying amounts of the related long-lived assets are adjusted to fair value. Management has determined that there has been no impairment to the carrying value of its long-lived assets during the year ended December 31, 2024, and for the period from January 20, 2023 (inception) through December 31, 2023.

Revenue and cost recognition

The Company derives substantially all of its revenues from franchise fees and royalties, advertising fee revenue and technology fees.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024 AND FOR THE PERIOD**  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and cost recognition (continued)

*Franchise fees, royalties and other franchise related fees*

Contract consideration from franchisees consists primarily of initial or renewal franchise fees, multi-unit development agreement fees ("MUDAs"), sales-based royalties, sales-based advertising and promotional fund fees, technology fees and transfer fees payable by a franchisee for the transfer of their franchise unit to another franchisee. The Company also enters into MUDAs which grant a franchisee the right to develop two or more franchise territories. The Company collects an up-front fee for the grant of such rights. The initial franchise fees are nonrefundable and collectible when the underlying franchise agreement or MUDA is signed by the franchisee. Sales-based royalties, sales-based marketing and promotional fees, and technology fees are payable on a monthly basis. Renewal and transfer fees are due from franchisees when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

The Company's primary performance obligation under the franchise agreement includes granting certain rights to the Company's intellectual property in addition to a variety of activities relating to opening a franchise unit. Those services include training and other such activities commonly referred to collectively as "pre-opening activities." The Company has determined that certain of the training provided to the franchisee is not brand specific and provides the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of training services provided that is not brand specific is deemed to be distinct as it provides a benefit to the franchisee and is not highly interrelated or interdependent to the access of the Company's intellectual property and therefore is accounted for as a separate distinct performance obligation. All other pre-opening activities have been determined to be highly interrelated and interdependent to the access to the Company's intellectual property and therefore are accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of training services that are not brand specific using an adjusted market assessment approach. The Company first allocates the initial franchise fees and the fixed consideration under the franchise agreement to the stand-alone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to training services that are not brand specific are recognized ratably as the training services are rendered.

Initial and renewal franchise fees allocated to the right to access the Company's intellectual property are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. MUDAs generally consist of an obligation to grant the right to open two or more units. These development rights are not distinct from franchise agreements; therefore, upfront fees paid by franchisees for development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is recognized as revenue in the same manner as the initial and renewal franchise fees.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
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**FOR THE YEAR ENDED DECEMBER 31, 2024 AND FOR THE PERIOD**  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and cost recognition (continued)

*Franchise fees, royalties and other franchise related fees (continued)*

Royalties are earned as a percentage of franchisee gross revenues. Franchise royalties represent sales-based royalties that are related entirely to the use of the Company's intellectual property and are recognized as franchisee sales occur and the royalty is deemed collectible.

*Advertising fund*

An advertising fund (the "Advertising Fund") has been established as a separate legal entity to collect and administer funds contributed by franchisees for marketing and promotional programs benefiting franchise units. The Advertising Fund is affiliated with the Company through common ownership and control, but it is not owned by the Company. Advertising fund fees are collected from franchisees based on a percentage of the franchisee gross revenues. The Company has also reserved the right to designate any geographical area in which franchisees are operating for purposes of establishing a regional advertising cooperative ("Cooperative"). If the Cooperative is established, franchisees will be given credit against their monthly local marketing spending requirement for contributions made to the Cooperative as further defined in the franchise agreement. As of December 31, 2024, the Company has not yet established a Cooperative.

*Other revenues*

The Company recognizes revenue from other fees and other services provided to the franchisees as a single performance obligation, when the services are rendered.

*Incremental costs of obtaining a contract*

The Company capitalizes direct and incremental costs, principally consisting of commissions, associated with the sale of franchises and amortizes them over the term of the franchise agreement and MUDAs. In the case of costs paid related to MUDAs for which no signed franchise agreement has been received, these costs are deferred until the signed franchise agreement is received.

Income taxes

The Company is a single-member limited liability company and, therefore, a disregarded entity for income tax purposes. The Company's assets and liabilities and items of income, deductions and credits are combined with and included in the income tax return of the Parent. Accordingly, the accompanying financial statements do not include a provision or liability for federal or state income taxes.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income taxes (continued)

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. There were no uncertain tax positions at December 31, 2024 and 2023.

The Parent files income tax returns in the U.S. federal jurisdiction and in various state jurisdictions.

Advertising

Advertising costs are expensed as incurred and amounted to \$260,153 and \$135,660 for the year ended December 31, 2024, and for the period from January 20, 2023 (inception) through December 31, 2023, respectively.

Variable interest entities

In accordance with the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"), FASB no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements, including leasing arrangements under common control. The Company has applied these provisions to the accompanying financial statements and has determined that the entities affiliated through common ownership and control disclosed in Note 6, meet the conditions under ASU 2018-17, and accordingly, is not required to include the accounts of the related parties in the Company's financial statements.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through April 25, 2025, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

**NOTE 3. LIQUIDITY AND MEMBER'S DEFICIT**

The Company has sustained significant losses and negative cash flows from operations and, as a result, has an accumulated member's deficit of \$4,306,699 as of December 31, 2024. Since inception, the Company's operations have been funded primarily through cash generated from operations. The Company is growing and, as such, is incurring expenditures in the near term to benefit the future as it looks to grow the franchisee base and expand into new markets. Such expenses could be reduced or eliminated in order to improve operating cash flows as needed in the future.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3. LIQUIDITY AND MEMBER'S DEFICIT (CONTINUED)**

As of the date these financial statements were available to be issued, the Company continues to focus on selling franchises, and the company expects to generate royalties as franchisees begin to open and operate. The Company believes that the combination of the actions taken will enable it to meet its funding requirements for one year from the date these financial statements were available to be issued. If necessary, management of the Company has been advised that the Parent intends to provide any financial assistance needed by the Company should its cash flows from operations combined with its available cash balances not be sufficient to meet its working capital needs. Management believes that the Parent has the intent and ability to provide the funds needed, if any, to continue to fund the operations of the Company for at least one year from the date these financial statements were available to be issued.

**NOTE 4. REVENUES AND RELATED CONTRACT BALANCES**

Franchised outlets

The following data reflects the status of the Company's franchises for the year ended December 31, 2024, and for the period from January 20, 2023 (inception) through December 31, 2023:

	2024	2023
Franchises sold	20	10
Franchises reacquired by affiliate	1	-
Franchised outlets in operation	8	-
Affiliate-owned outlets in operation	3	1

The following data presents the status of the Company's development agreements for the year ended December 31, 2024, and the period from January 20, 2023 (inception) through December 31, 2023, respectively.

	2024	2023
Development agreements sold	10	13

Disaggregated revenues

The Company derives its revenues from franchisees located throughout the United States. The economic risks of the Company's revenues are dependent on the strength of the economy in the United States, and the Company's ability to collect on its contracts. The Company disaggregates revenue from contracts with customers by timing of revenue recognition by type of revenue, as it believes this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
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**NOTE 4. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)**

Disaggregated revenues (continued)

Revenues by timing of recognition were as follows for the year ended December 31, 2024, and for the period from January 20, 2023 (inception) through December 31, 2023, respectively.

	<u>2024</u>	<u>2023</u>
<b>Point in time:</b>		
Franchise fees	\$ 90,000	\$ -
Royalties	78,861	-
Technology fees	24,784	650
<b>Over time:</b>		
Franchise fees	<u>325,418</u>	<u>56,250</u>
Total revenues	<u>\$ 519,063</u>	<u>\$ 56,900</u>

Contract balances

Contract liabilities are comprised of unamortized initial franchise fees received from franchisees, which are presented as "Deferred revenues" on the accompanying balance sheets. A summary of significant changes in deferred revenues for the year ended December 31, 2024, and for the period from January 20, 2023 (inception) through December 31, 2023, respectively.

	<u>2024</u>	<u>2023</u>
Deferred franchise revenues - beginning of year	\$ 3,183,750	\$ -
New deferrals due to cash received	2,550,000	3,240,000
Revenue recognized during the year	<u>(415,418)</u>	<u>(56,250)</u>
Deferred franchise fees - end of year	<u>\$ 5,318,332</u>	<u>\$ 3,183,750</u>

Deferred franchise fee revenues are expected to be recognized as revenue over the remaining term of the associated franchise agreements as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2025	\$ 311,252
2026	407,503
2027	437,920
2028	455,420
2029	466,670
Thereafter	<u>3,239,567</u>
Total	<u>\$ 5,318,332</u>

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
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**NOTE 4. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)**

Contract balances (continued)

Deferred franchise fees consisted of the following at December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Franchise units not yet opened	\$ 5,019,582	\$ 3,183,750
Opened franchise units	<u>298,750</u>	<u>-</u>
Total	<u>\$ 5,318,332</u>	<u>\$ 3,183,750</u>

The direct and incremental costs, principally consisting of commissions, are included in "Prepaid commissions" in the accompanying balance sheet, expected to be recognized over the remaining term of the associated franchise agreements at December 31, 2024, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2025	\$ 9,240
2026	12,656
2027	13,781
2028	14,094
2029	14,406
Thereafter	<u>75,749</u>
Total	<u>\$ 139,926</u>

**NOTE 5. CONCENTRATIONS OF CREDIT RISK**

The Company places its cash, which may at times be in excess of Federal Deposit Insurance Corporation insurance limits, with a major financial institution. Management believes that this policy will limit the Company's exposure to credit risk.

As of December 31, 2024, four franchisees accounted for approximately 85% of the Company's accounts receivable. For the year ended, December 31, 2024, one franchisee accounted for approximately 17% of the Company's total revenues.

**NOTE 6. RELATED-PARTY TRANSACTIONS**

License agreement

On January 31, 2023, the Company entered into a 100-year non-exclusive license agreement with the Licensor for the use of the registered name "Ace Pickleball Club" (the "license agreement"). Pursuant to the license agreement, the Company acquired the right to sell "Ace Pickleball Club" franchises, and the right to earn franchise fees, royalties and other fees from franchisees. In accordance with the license agreement, the Company will pay the Licensor a one-time start-up license fee in the amount of \$1.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
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**NOTE 6. RELATED-PARTY TRANSACTIONS (CONTINUED)**

Due from affiliates

In the ordinary course of business, the Company periodically advance funds to affiliated entities related through common ownership and control. Advances to affiliates are noninterest bearing and have no specific date for repayment. Such amounts are expected to be satisfied within the next year and, accordingly, have been classified as current assets. The balance due from affiliates amounted to \$450,994 and \$303,188 at December 31, 2024 and 2023, respectively.

**NOTE 7. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
Computer equipment	\$ 67,701	\$ 32,423
Furniture and fixtures	5,208	
Less: accumulated depreciation	<u>13,688</u>	<u>2,686</u>
Property and equipment, net	<u>\$ 59,221</u>	<u>\$ 29,737</u>

Depreciation expense amounted to \$11,002 and \$2,686 for the year ended December 31, 2024, and for the period from January 20, 2023 (inception) through December 31, 2023, respectively.

**NOTE 8. ADVERTISING FUND**

Pursuant to the structured form of the franchising arrangement, the Company reserves the right to require franchisees to contribute up to 2% of their reported sales to the Advertising Fund. These funds are to be spent solely on advertising and related expenses for the benefit of the franchisees with a portion designated to offset the Advertising Fund's administrative costs to administer the funds, all at the discretion of the Advertising Fund. As of December 31, 2024, the Advertising Fund has been established and is actively operating as described.

**NOTE 9. COMMITMENTS**

Operating lease

The Company utilizes office space under an operating lease agreement that was entered into by its Parent. Although the lease is in the Parent's name, the Company has the right to use and controls the leased space and is responsible for the related lease payments. The lease expires in June 2026. Total operating lease expense, for the year ended December 31, 2024, was \$26,593. There was no operating lease expense for the period from January 20, 2023 (inception) through December 31, 2023.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Maturities of lease liability as of December 31, 2024, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2025	\$ 43,214
2026	<u>21,607</u>
Net minimum lease payments	64,821
Less: interest	<u>2,211</u>
Present value of lease liability	62,610
Less: current portion	<u>41,223</u>
Operating lease liability, net of current portion	<u>\$ 21,387</u>

Supplemental cash flow information related to the lease was as follows:

Cash paid for amounts included in the measurement of lease liability:	<u>2024</u>
Operating cash flows from operating lease	<u>\$ 21,607</u>

Average lease terms and discount rates were as follows:

Weighted-average remaining lease term (in years)	
Operating lease	<u>1.50</u>
Weighted-average discount rate (%)	
Operating lease	<u>4.9</u>

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**FINANCIAL STATEMENTS**  
**PERIOD FROM JANUARY 20, 2023 (INCEPTION)**  
**THROUGH DECEMBER 31, 2023**

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**FOR THE PERIOD FROM JANUARY 20, 2023 (INCEPTION)**  
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## INDEPENDENT AUDITOR'S REPORT

To the Member  
Ace Pickleball Club Franchise, LLC

### Opinion

We have audited the accompanying financial statements of Ace Pickleball Club Franchise, LLC (a limited liability company) which comprise the balance sheet as of December 31, 2023, and the related statements of operations and member's deficit, and cash flows for the period from January 20, 2023 (inception) to December 31, 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Ace Pickleball Club Franchise, LLC as of December 31, 2023, and the results of its operations and its cash flows for the period from January 20, 2023 (inception) through December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ace Pickleball Club Franchise, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ace Pickleball Club Franchise, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

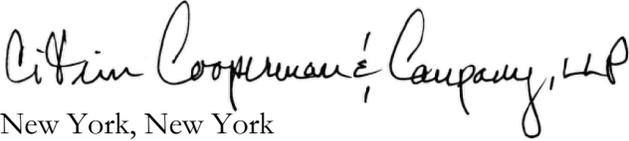
## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ace Pickleball Club Franchise, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ace Pickleball Club Franchise, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

  
New York, New York  
April 29, 2024

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**BALANCE SHEET**  
**DECEMBER 31, 2023**

**ASSETS**

Current assets:	
Cash	\$ 1,097,308
Accounts receivable	650
Due from affiliates	303,188
Prepaid commissions - current	2,283
Prepaid expenses	<u>29,351</u>
Total current assets	1,432,780
Property and equipment, net	29,737
Other assets:	
Prepaid commissions, net of current portion	<u>39,113</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,501,630</u></b>

**LIABILITIES AND MEMBER'S DEFICIT**

Current liabilities:	
Accounts payable and accrued expenses	\$ 90,614
Deferred revenues - current	<u>155,001</u>
Total current liabilities	245,615
Long-term liabilities:	
Deferred revenues, net of current	<u>3,028,749</u>
Total liabilities	3,274,364
Commitments and contingencies (Notes 6 and 8)	
Member's deficit	<u>(1,772,734)</u>
<b>TOTAL LIABILITIES AND MEMBER'S DEFICIT</b>	<b><u>\$ 1,501,630</u></b>

See accompanying notes to financial statements.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**STATEMENT OF OPERATIONS AND MEMBER'S DEFICIT**  
**FOR THE PERIOD FROM JANUARY 20, 2023 (INCEPTION)**  
**THROUGH DECEMBER 31, 2023**

Revenues:		
Franchise fees	\$	56,250
Technology fees		<u>650</u>
Total revenues		56,900
Selling, general and administrative expenses		<u>1,986,154</u>
Loss from operations		<u>(1,929,254)</u>
Other income:		
Interest income		267
Other income		<u>6,153</u>
Total other income		<u>6,420</u>
Net loss		(1,922,834)
Member's equity - beginning		-
Member contributions		<u>150,100</u>
<b>MEMBER'S DEFICIT - ENDING</b>	<b>\$</b>	<b><u>(1,772,734)</u></b>

See accompanying notes to financial statements.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM JANUARY 20, 2023 (INCEPTION)**  
**THROUGH DECEMBER 31, 2023**

Cash flows from operating activities:	
Net loss	\$ (1,922,834)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	2,686
Changes in operating assets and liabilities:	
Accounts receivable	(650)
Due from affiliates	(303,188)
Prepaid commissions	(41,396)
Prepaid expenses	(29,351)
Accounts payable and accrued expenses	88,114
Deferred franchise fees	<u>3,183,750</u>
Net cash provided by operating activities	977,131
Cash used in investing activities:	
Additions to property and equipment	(29,923)
Cash provided by financing activities:	
Member contributions	<u>150,100</u>
Net increase in cash	1,097,308
Cash - beginning	<u>-</u>
<b>CASH - ENDING</b>	<b><u>\$ 1,097,308</u></b>
Supplemental schedule of noncash investing activities:	
Property and equipment acquired through accounts payable	<u>\$ 2,500</u>

See accompanying notes to financial statements.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**DECEMBER 31, 2023**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

Ace Pickleball Club Franchise, LLC (the "Company"), a wholly-owned subsidiary of Ace Pickleball Club, LLC (the "Parent"), was formed on January 20, 2023, as a Nevada limited liability company to sell franchises pursuant to a license agreement dated January 31, 2023, between the Company and Ace Pickleball Club, LLC (the "Parent" or "Licensor"). Pursuant to the Company's standard franchise agreement, franchisees will operate a business under the "Ace Pickleball Club" name and system that offers pickleball courts and pickleball related activities including but not limited to open play, leagues, tournament and special events, a pro-shop selling pickleball equipment and apparel, and a café serving grab and go food and beverages to their customers.

The Company is a limited liability company and, therefore, the member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates may be adjusted due to changes in future economic, industry or other financial conditions. Estimates are used in accounting for, among other items, accounts receivable allowances, useful lives and recoverability of long-lived assets, revenue recognition, uncertain tax positions and contingencies. Actual results could ultimately differ from these estimates.

Accounts receivable

Accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts and changes in the allowance are included in selling, general and administrative expenses on the statement of operation and member's deficit. The Company assesses collectibility by reviewing accounts receivable on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for doubtful accounts, management considers historical collectibility and make judgments about the creditworthiness of the pool of customers based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions adjust the historical losses to determine the appropriate allowance for doubtful. Uncollectible accounts are written off when all collection efforts have been exhausted.

The Company did not require an allowance for doubtful accounts as of December 31, 2023.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**DECEMBER 31, 2023**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and equipment

Property and equipment is carried at cost, less accumulated depreciation. Expenditures for maintenance and repairs are expensed as incurred, while renewals and betterments that materially extend the life of an asset are capitalized. The costs of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

Depreciation is provided using straight-line methods over the estimated useful lives of the assets, which are as follows:

Equipment	5 years
-----------	---------

Revenue and cost recognition

The Company derives its revenues from franchise fees and royalties, advertising fee revenue and technology fees.

*Franchise fees, royalties and other franchise related fees*

Contract consideration from franchisees consists primarily of initial or renewal franchise fees, multi-unit development agreement fees ("MUDAs"), sales-based royalties, sales-based advertising and promotional fund fees, technology fees and transfer fees payable by a franchisee for the transfer of their franchise unit to another franchisee. The Company also may enter into MUDAs which grant a franchisee the right to develop two or more franchise territories. The Company collects an up-front fee for the grant of such rights. The initial franchise fees are nonrefundable and collectible when the underlying franchise agreement or MUDA is signed by the franchisee. Sales-based royalties, sales-based marketing and promotional fees, and technology fees are payable on a monthly basis. Renewal and transfer fees are due from franchisees when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

The Company's primary performance obligation under the franchise agreement includes granting certain rights to the Company's intellectual property in addition to a variety of activities relating to opening a franchise unit. Those services include training and other such activities commonly referred to collectively as "pre-opening activities." The Company has determined that certain of the training provided to the franchisee is not brand specific and provides the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of training services provided that is not brand specific is deemed to be distinct as it provides a benefit to the franchisee and is not highly interrelated or interdependent to the access of the Company's intellectual property and therefore is accounted for as a separate distinct performance obligation. All other pre-opening activities have been determined to be highly interrelated and interdependent to the access to the Company's intellectual property and therefore are accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**DECEMBER 31, 2023**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and cost recognition (continued)

*Franchise fees, royalties and other franchise related fees (continued)*

The Company estimates the stand-alone selling price of training services that are not brand specific using an adjusted market assessment approach. The Company first allocates the initial franchise fees and the fixed consideration under the franchise agreement to the stand-alone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to training services that are not brand specific are recognized ratably as the training services are rendered.

Initial and renewal franchise fees allocated to the right to access the Company's intellectual property are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. MUDAs generally consist of an obligation to grant the right to open two or more units. These development rights are not distinct from franchise agreements; therefore, upfront fees paid by franchisees for development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is recognized as revenue in the same manner as the initial and renewal franchise fees.

Royalties are earned as a percentage of franchisee gross revenues. Franchise royalties represent sales-based royalties that are related entirely to the use of the Company's intellectual property and are recognized as franchisee sales occur and the royalty is deemed collectible.

*Advertising fund*

The Company maintains an advertising fund to collect and administer funds contributed for use in advertising and promotional programs for the benefit of franchise units. Advertising fund fees are collected from franchisees based on a percentage of franchisee gross sales. The Company has determined that it acts as a principal in the collection and administration of the advertising fund and therefore will recognize the revenues and expenses related to the advertising fund on a gross basis. The Company has determined that the right to access its intellectual property and administration of the advertising fund are highly interrelated and therefore will be accounted for as a single performance obligation.

As a result, revenues from the advertising fund represent sales-based royalties related to the right to access the Company's intellectual property, which are recognized as franchisee sales occur. When advertising fund fees exceed the related advertising fund expenses in a reporting period, advertising costs are accrued up to the amount of advertising fund revenues recognized.

*Other revenues*

The Company recognizes revenue from other fees and other services provided to the franchisees as a single performance obligation, when the services are rendered.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**DECEMBER 31, 2023**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and cost recognition (continued)

*Incremental costs of obtaining a contract*

The Company capitalizes direct and incremental costs, principally consisting of commissions, associated with the sale of franchises and amortizes them over the term of the franchise agreement and MUDAs. In the case of costs paid related to MUDAs for which no signed franchise agreement has been received, these costs are deferred until the signed franchise agreement is received.

Income taxes

The Company is a single-member limited liability company and, therefore, a disregarded entity for income tax purposes. The Company's assets and liabilities and items of income, deductions and credits are combined with and included in the income tax return of the Parent. Accordingly, the accompanying financial statements do not include a provision or liability for federal or state income taxes.

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. There were no uncertain tax positions at December 31, 2023.

The Parent files income tax returns in the U.S. federal jurisdiction and in various state jurisdictions.

Advertising

Advertising costs are expensed as incurred and amounted to \$135,660 for the period from January 20, 2023 (inception) through December 31, 2023.

Variable interest entities

In accordance with the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"), FASB no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements, including leasing arrangements under common control. The Company has applied these provisions to the accompanying financial statements and has determined that the entities affiliated through common ownership and control disclosed in Note 6, meet the conditions under ASU 2018-17, and accordingly, is not required to include the accounts of the related parties in the Company's financial statements.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through April 29, 2024, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in this financial statement.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**DECEMBER 31, 2023**

**NOTE 3. LIQUIDITY AND MEMBER'S DEFICIT**

The Company has sustained significant losses from operations and, as a result, has an accumulated member's deficit of \$1,772,734 as of December 31, 2023. Since inception, the Company's operations have been funded primarily through cash generated from operations. The Company is growing and, as such, is incurring expenditures in the near term to benefit the future as it looks to grow the franchisee base and expand into new markets. Such expenses could be reduced or eliminated in order to improve operating cash flows as needed in the future.

As of December 31, 2023, the Company had \$1,097,308 of unrestricted cash and current liabilities amounting to \$245,615, of which \$155,001 relates to deferred revenue from the sale of franchise agreements which is expected to be recognized as income in the next year.

As of the date these financial statements were available to be issued, the Company continues to focus on selling franchises, and the company expects to generate royalties as franchisees begin to open and operate. The Company believes that the combination of the actions taken will enable it to meet its funding requirements for one year from the date these financial statements were available to be issued. If necessary, management of the Company has been advised that the Parent intends to provide any financial assistance needed by the Company should its cash flows from operations combined with its available cash balances not be sufficient to meet its working capital needs. Management believes that the Parent has the intent and ability to provide the funds needed, if any, to continue to fund the operations of the Company for at least one year from the date these financial statements were available to be issued.

**NOTE 4. REVENUES AND RELATED CONTRACT BALANCES**

Franchised outlets

The following data reflects the status of the Company's franchises for the period from January 20, 2023 (inception) through December 31, 2023:

	December 31, 2023
Franchises sold	10
Franchised outlets in operation	-
Affiliate-owned outlets in operation	1

The following data presents the status of the Company's development agreements for the period from January 20, 2023 (inception) through December 31, 2023:

	December 31 2023
Development agreements sold	13

Disaggregated revenues

The Company derives its revenues from franchisees located throughout the United States. The economic risks of the Company's revenues are dependent on the strength of the economy in the United States, and the Company's ability to collect on its contracts. The Company disaggregates revenue from contracts with customers by timing of revenue recognition by type of revenue, as it believes this best depicts how the nature,

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**DECEMBER 31, 2023**

**NOTE 4. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)**

Disaggregated revenues (continued)

amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Revenues by timing of recognition were as follows for the period from January 20, 2023 (inception) through December 31, 2023:

	<u>2023</u>
<b>Point in time:</b>	
Technology fees	\$ 650
<b>Over time:</b>	
Franchise fees	<u>56,250</u>
Total revenues	<u>\$ 56,900</u>

Contract balances

Contract liabilities are comprised of unamortized initial franchise fees received from franchisees, which are presented as "Deferred revenues" on the accompanying balance sheet. A summary of significant changes in deferred revenues for the period from January 10, 2023 (inception) through December 31, 2023 is as follows:

	<u>2023</u>
Deferred franchise revenues - beginning of year	\$ -
New deferrals due to cash received	3,240,000
Revenue recognized during the year	<u>(56,250)</u>
Deferred franchise fees - end of year	<u>\$ 3,183,750</u>

Deferred franchise fee revenues are expected to be recognized as revenue over the remaining term of the associated franchise agreements as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 155,001
2025	216,252
2026	242,085
2027	253,752
2028	263,752
Thereafter	<u>2,052,908</u>
Total	<u>\$ 3,183,750</u>

Deferred franchise fees consisted of the following at December 31, 2023:

	<u>2023</u>
Franchise units not yet opened	\$ 3,183,750
Opened franchise units	<u>-</u>
Total	<u>\$ 3,183,750</u>

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**DECEMBER 31, 2023**

**NOTE 4. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)**

Contract balances (continued)

The direct and incremental costs, principally consisting of commissions, are included in "Prepaid commissions" in the accompanying balance sheet, expected to be recognized over the remaining term of the associated franchise agreements at December 31, 2023, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 2,283
2025	3,179
2026	3,887
2027	4,199
2028	4,199
Thereafter	<u>23,649</u>
Total	<u>\$ 41,396</u>

**NOTE 5. CONCENTRATIONS OF CREDIT RISK**

The Company places its cash, which may at times be in excess of Federal Deposit Insurance Corporation insurance limits, with a major financial institution. Management believes that this policy will limit the Company's exposure to credit risk.

**NOTE 6. RELATED-PARTY TRANSACTIONS**

License agreement

On January 31, 2023, the Company entered into a 100-year non-exclusive license agreement with the Licensor for the use of the registered name "Ace Pickleball Club" (the "license agreement"). Pursuant to the license agreement, the Company acquired the right to sell "Ace Pickleball Club" franchises, and the right to earn franchise fees, royalties and other fees from franchisees. In accordance with the license agreement, the Company will pay the Licensor a one-time start-up license fee in the amount of \$1.

Due from affiliates

In the ordinary course of business, the Company periodically advance funds to affiliated entities related through common ownership and control. Advances to affiliates are noninterest bearing and have no specific date for repayment. Such amounts are expected to be satisfied within the next year and, accordingly, have been classified as current assets. The balance due from affiliates amounted to \$303,188 at December 31, 2023

**NOTE 7. PROPERTY, PLANT AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2023.

Computer equipment	\$ 32,423
Less: accumulated depreciation	<u>2,686</u>
Property and equipment, net	<u>\$ 29,737</u>

Depreciation expense amounted to \$2,686 for the period from January 20, 2023 (inception) through December 31, 2023.

**ACE PICKLEBALL CLUB FRANCHISE, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**DECEMBER 31, 2023**

**NOTE 8. ADVERTISING FUND**

Pursuant to the structured form of the franchising arrangement, the Company reserves the right to collect advertising fund fees of up to 1% of franchisees' reported sales. These funds are to be spent solely on advertising and related expenses for the benefit of the franchisees with a portion designated to offset the Company's administrative costs to administer the funds, all at the discretion of the Company. As of December 31, 2023, the brand fund was not established.

**THESE FINANCIAL STATEMENTS ARE PREPARED  
WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES  
OR SELLERS OF FRANCHISES SHOULD BE ADVISED  
THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS  
AUDITED THESE FIGURES OR EXPRESSED AN  
OPINION WITH REGARD TO THE CONTENT OR FORM.**

# Ace Pickleball Club Franchise, LLC

## Profit and Loss

January - February, 2025

	<b>Total</b>
<b>Income</b>	
410000 Franchise fee revenue	35,000.28
411000 Royalty revenue	61,061.77
412000 Technology fee revenue	10,920.00
<b>Total Income</b>	<b>\$ 106,982.05</b>
<b>Cost of Goods Sold</b>	
511000 Franchise fee commissions	1,378.99
512000 Technology Fee Costs	8,702.36
<b>Total Cost of Goods Sold</b>	<b>\$ 10,081.35</b>
<b>Gross Profit</b>	<b>\$ 96,900.70</b>
<b>Expenses</b>	
610000 Compensation and Benefits	402,840.70
620000 Advertising & marketing	38,311.59
630000 Legal & Professional Fees	27,683.30
640000 Office expenses	23,004.94
650000 Business Development	179,261.66
660000 Tech, Dues and Subscriptions	24,644.13
670000 Travel	49,841.52
680000 Utilities	3,657.67
<b>Total Expenses</b>	<b>\$ 749,245.51</b>
<b>Net Operating Income</b>	<b>-\$ 652,344.81</b>
<b>Other Income</b>	
701000 Credit card rewards	2,299.15
<b>Total Other Income</b>	<b>\$ 2,299.15</b>
<b>Other Expenses</b>	
Unrealized Gain or Loss	0.00
691000 Depreciation	2,508.96
703000 Non-Reoccurring Expenses	150.00
<b>Total Other Expenses</b>	<b>\$ 2,658.96</b>
<b>Net Other Income</b>	<b>-\$ 359.81</b>
<b>Net Income</b>	<b>-\$ 652,704.62</b>

# Ace Pickleball Club Franchise, LLC

## Balance Sheet

As of February 28, 2025

	<u>Total</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Bank Accounts</b>	
112000 Franchise operating BOA - 5068	236,877.42
119200 Bill.com Money Out Clearing	5,125.00
<b>Total Bank Accounts</b>	<b>\$ 242,002.42</b>
<b>Accounts Receivable</b>	
120000 Accounts Receivable (A/R)	64,288.09
<b>Total Accounts Receivable</b>	<b>\$ 64,288.09</b>
<b>Other Current Assets</b>	
131000 Deferred franchise fee commissions	147,046.84
133000 Prepaid expenses	88,017.19
134000 Deferred club costs	6,028.75
136000 Deferred tech fee's	18,372.54
140000 Intercompany	-75,392.10
Payments to deposit	0.00
<b>Total Other Current Assets</b>	<b>\$ 184,073.22</b>
<b>Total Current Assets</b>	<b>\$ 490,363.73</b>
<b>Fixed Assets</b>	
160000 Fixed Assets	29,098.40
<b>Total Fixed Assets</b>	<b>\$ 29,098.40</b>
<b>Other Assets</b>	
171000 Security deposits	4,150.92
172000 Right of Use Asset	81,796.46
<b>Total Other Assets</b>	<b>\$ 85,947.38</b>
<b>TOTAL ASSETS</b>	<b>\$ 605,409.51</b>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
210000 Accounts Payable (A/P)	9,113.00
211000 Accounts Payable (A/P) - GBP	0.00
<b>Total Accounts Payable</b>	<b>\$ 9,113.00</b>
<b>Credit Cards</b>	
220000 Ramp	5,235.33
<b>Total Credit Cards</b>	<b>\$ 5,235.33</b>
<b>Other Current Liabilities</b>	
231000 Accrued expenses	12,571.64
232100 Deferred franchise fees	5,463,331.28

233200 Payroll tax to pay	1,407.02
235000 Lease Liability Short Term	0.00
<b>Total Other Current Liabilities</b>	<b>\$ 5,477,309.94</b>
<b>Total Current Liabilities</b>	<b>\$ 5,491,658.27</b>
<b>Long-Term Liabilities</b>	
251000 Lease Liability Long Term	55,879.80
<b>Total Long-Term Liabilities</b>	<b>\$ 55,879.80</b>
<b>Total Liabilities</b>	<b>\$ 5,547,538.07</b>
<b>Equity</b>	
313000 Ace Corp Investment in Franchise	150,100.00
320000 Retained Earnings	-4,439,523.94
<b>Net Income</b>	<b>-652,704.62</b>
<b>Total Equity</b>	<b>-\$ 4,942,128.56</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 605,409.51</b>

Tuesday, Apr 29, 2025 12:40:13 PM GMT-7 - Accrual Basis

**EXHIBIT G**

**LIST OF FRANCHISE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce

State	State Agency	Agent for Service of Process
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8222 Phone	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard State Capitol, 14 <sup>th</sup> Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 (803) 734-2166	Legalinc Registered Agents, Inc. 6650 Rivers Avenue North Charleston, SC 29406
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	<del>Director</del> Department of Washington Financial Institutions Securities Division <del>150 Israel Road, SW Tumwater</del> P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

**EXHIBIT H**

**FRANCHISEE ACKNOWLEDGMENT STATEMENT**

Ace Pickleball Club Franchise, LLC

**- NOT FOR USE IN CALIFORNIA, MARYLAND OR WASHINGTON -**

**Please do not sign if the franchisee is a Maryland resident or if the franchised business will be located within the State of Maryland.**

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement. Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

**No statement, questionnaire, or acknowledgment 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.**

Franchisee hereby acknowledges the following:

1. Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Franchised Business. Franchisee further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee hereby waives any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement.

\_\_\_\_\_  
Initial

2. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.

\_\_\_\_\_  
Initial

3. Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement and that it/she/he understands all the terms and conditions of the Franchise Agreement. Franchisee further acknowledges that the Franchise Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

\_\_\_\_\_  
Initial

4. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement that are contrary to the terms of the Franchise Agreement or the documents incorporated herein. Franchisee acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement. Franchisee represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement.

\_\_\_\_\_  
Initial

5. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement.

\_\_\_\_\_  
Initial

6. Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's Business location does not constitute a warranty, recommendation or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

\_\_\_\_\_  
Initial

7. Franchisee acknowledges that it has received the Ace Pickleball Club Franchise, LLC Franchise Disclosure Document with a complete copy of the Franchise Agreement and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement was executed. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

\_\_\_\_\_  
Initial

8. Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to the Franchise Agreement or the relationship thereby created.

\_\_\_\_\_  
Initial

9. Franchisee, together with Franchisee’s advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement.

\_\_\_\_\_  
Initial

10. Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor’s obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

\_\_\_\_\_  
Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products or services under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products or services will not be sold within Franchisee’s Territory by others who may have purchased such products or services from Franchisor.

\_\_\_\_\_  
Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE’S AND SUCH PRINCIPAL’S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE ACE PICKLEBALL CLUB FRANCHISE, LLC, AND ANY OF THEIR PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, AND SHAREHOLDERS FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE IS SPECIFICALLY INAPPLICABLE TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR’S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE.

\_\_\_\_\_  
Initial

ACKNOWLEDGED:

FRANCHISEE:

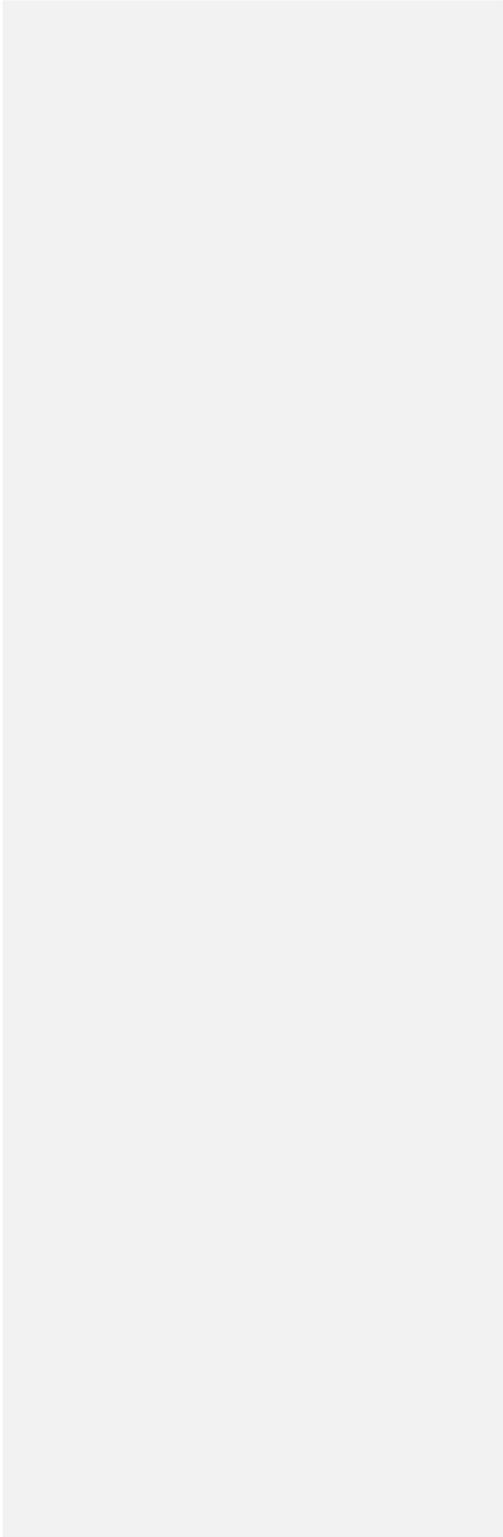
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

PRINCIPALS:

\_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_



### State Effective Dates

—The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

State	Effective Date
California	Not Registered
Connecticut	<u>July 17, 2024</u> Pending
Hawaii	Not Registered
Illinois	<u>August 23, 2024</u> Pending
Indiana	<u>February 28, 2024, amended May 10, 2024</u> Pending
Maryland	<u>April 1, 2024, amended May 10, 2024</u> Pending
Michigan	<u>March 15, 2024</u> Pending
Minnesota	<u>August 1, 2024</u> Pending
New York	<u>August 23, 2024</u> Pending
North Dakota	Not Registered
North Carolina	<u>June 18, 2024</u> >Pending
Rhode Island	<u>March 14, 2025</u> Pending
South Dakota	Not Registered
South Carolina	<u>March 15, 2023</u> Pending >
Virginia	<u>July 30, 2024</u> Pending
Washington	Not Registered
Wisconsin	<u>May 10, 2024</u> 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 or seller-assisted marketing plans.

**RECEIPT**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Ace Pickleball Club Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Ace Pickleball Club Franchise, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC, 20580, and to your state authority listed on Exhibit G.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

Joe Joseph Sexton  
1425 Market Boulevard, Suite 200  
33 Mansell Court,  
Roswell, Georgia, 30076  
916 524 2046

Issuance Date: April 30, 29, 2025, 2024

I received a Disclosure Document dated April 30, 29, 2025, 2024, that included the following Exhibits:

- ~~EXHIBIT~~ Exhibit A – Franchise Agreement
- ~~EXHIBIT~~ Exhibit B – Multi-Unit Development Agreement
- ~~EXHIBIT~~ Exhibit C – State Addenda
- ~~EXHIBIT~~ Exhibit D – Table of Contents of Operations Manual
- ~~EXHIBIT E:~~ List of Franchisees and Former Franchisees
- ~~EXHIBIT~~ Exhibit E – Franchised Outlets
- Exhibit F – Financial Statements
- ~~EXHIBIT~~ Exhibit G – List of Franchise Administrators/Agents for Service of Process
- ~~EXHIBIT H:~~ Franchisee Acknowledgment Statement

Date Received: \_\_\_\_\_ DATE: \_\_\_\_\_  
(If other than date signed)

Print Name: \_\_\_\_\_

Print Address: \_\_\_\_\_

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

Exhibit H – Franchisee Acknowledgment Statement

Date Received: \_\_\_\_\_ DATE: \_\_\_\_\_  
(If other than date signed)

Print Name: \_\_\_\_\_

Print Address: \_\_\_\_\_

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

**KEEP FOR YOUR RECORDS**

**RECEIPT**

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City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

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(If other than date signed)

Print Name: \_\_\_\_\_

Print Address: \_\_\_\_\_

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

**Please return signed Receipt to: Ace Pickleball Club Franchise, LLC**  
1425 Market Boulevard, Suite 20033 Mansell Court, Roswell, Georgia 30076

