

(4) With our approval (which will not be unreasonably withheld), if you are a sole proprietor or general partner, your business may continue to be operated under your Membership Agreement (Nonbranded) and Ace Brand Agreement after your death by your estate or by the person(s) to whom ownership of your business will be distributed by your estate, or by the person(s) or partnership succeeding to your interest, in the case of a deceased partner. If your business does not continue to be operated with our consent as described above, then your Membership Agreement (Nonbranded) and Ace Brand Agreement will be deemed to have automatically terminated upon your death.

## **ITEM 18** **PUBLIC FIGURES**

We do not use any public figure to promote sales of 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 this 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.

Upon our request, members are required to furnish their stores' financial results to us. In addition, members may participate in the Retail Financial Report (RFR) which is prepared by Profit Planning Group, Inc., (PPG) of Boulder, Colorado. The data submitted to PPG, by our members, is the basis of this financial performance representation. The financial performance representation does not include data from Ace stores operated by our subsidiaries Westlake or GLA.

The 2023 RFR prepared by PPG used single store operations data voluntarily supplied by 689 participating Ace branded stores ("Reporting Stores"). The Reporting Stores represent 14.3% of total domestic Ace branded member stores operating as of December 31, 2023. All of the Reporting Stores had been open at least one (1) full year. The average number of years each Reporting Store had been operated, as of the end of 2023, was approximately 17.8 years, ranging from 1 to 71 years and the median was 13 years. As of December 31, 2024, all of the Reporting Stores are still operating; but 22 stores underwent a change in ownership in 2024. Summary data used in preparing the RFR is available to prospective members upon reasonable request.

The Reporting Stores are classified into the following retail formats: Hardware Stores (Express, Convenience, Core and Super) and Home Centers. Hardware Stores cater to Do-It-Yourself consumers, focusing on repair, replacement, and small projects. Hardware Stores are further separated into four different categories by hardware square footage. Home Centers serve the small contractor as well as the Do-It-Yourself consumer, carrying basic hardware plus expanded millwork, windows and doors, lumber and building materials, and kitchen and bath lines.

Of the Reporting Stores, 13 (1.8%) are in the Express Hardware Format, stores with a retail selling space up to 3,500 square feet. The median annual sales volume of the Reporting stores in the Express Hardware Format is \$1,393,582. The average annual sales volume of the Reporting Stores in the Express Hardware

Supply Format was \$1,664,867. The highest and lowest sales results for the Reporting Stores were \$4,726,773 and \$113,887.

Of the Reporting Stores, 83 stores (12%) are in the Convenience Hardware Format, stores with a retail selling space up to 6,000 square feet. The median annual sales volume of the Reporting Stores in the Convenience Hardware Format was \$1,619,311. The average annual sales volume of the Reporting Stores in the Convenience Hardware Format was \$2,254,853. The highest and lowest sales results for the Reporting Stores in the Convenience Hardware Format were \$15,815,653 and \$569,065.

Of the Reporting Stores, 343 stores (49.7%) are in the Core Hardware Format, stores with a retail selling space of 6,001 to 12,000 square feet. The median annual sales volume of the Reporting Stores in the Core Hardware Format is \$2,690,215. The average annual sales volume of the Reporting Stores in the Core Hardware Format was \$2,997,732. The highest and lowest sales results for the Reporting Stores were \$13,822,437 and \$249,683.

Of the Reporting Stores, 194 (28.1%) are in the Super Hardware Format, stores with a retail selling space of more than 12,001 square feet. The median annual sales volume of the Reporting Stores in Super Hardware Format is \$4,394,953. The average annual sales volume of the Reporting Stores in the Super Hardware Format was \$5,308,506. The highest and lowest sales results for the Reporting Stores were \$22,111,634 and \$1,301,349.

Of the Reporting Stores, 56 (8.12%) are in the Home Center Format. The median annual sales volume of the Reporting stores in the Home Center Format is \$7,903,519. The average annual sales volume of the Reporting Stores in the Home Center Format was \$9,185,533. The highest and lowest sales results for the Reporting Stores were \$59,905,297 and \$1,684,982.

When reviewing the financial performance representation, please remember that Reporting Stores within the hardware format contain diverse types of outlets including but not limited to, grocery stores and traditional retail outlets.

Individual retailer operating and financial performance is dependent on the following factors, among others:

- **Type of store/outlet** - Financial performance for these varying types of businesses is significantly different, with different cost structures. Performance can also vary significantly within type.
- **Location** - In the current retail environment, the location of the store in relation to the target market is a critical decision and factor in retail success. Although we often assist the member or prospective member in market and demographic studies for both new businesses and expansion plans, the final decision rests with the member.
- **Management abilities of the owner** - Since all stores are independently owned, this is one of the most important factors. Ownership and management of a retail store is difficult and demanding. Store hours, depending on location, can cover up to 80 hours per week. You select both management and hourly employees for your store. Although training programs currently are offered by us, we are not required to provide any training; all store training is controlled by you. We believe that owner-operators are more successful than absentee owners.
- **Capitalization** - Initial capitalization is of the utmost importance in opening a new store. Retailers must expect to operate unprofitably for a period of time and have adequate capital to fund the project until acceptable results are obtained. Adequate inventory levels must be maintained to support sales. Adequate capital in the business continues to be important to be competitive within

local economic and competitive conditions and to fund growth of the business or store expansions and remodeling.

- **Local/regional economy and competition** - Every marketplace is different and changing. Although we assist retailers with market analysis, conditions may change within a very short period of time. Competition from mass merchandisers, online retailers and discount chains has also increased and intensified, with a few competitors having very aggressive, and unpredictable, expansion plans. Members in all markets, large and small, must be prepared for changing economic conditions and increased competition, both through aggressive retail programs, quality management and adequate capitalization.

You are responsible for developing your own business plan for your store, including budgets for investments in inventory, leasehold improvements and fixtures and equipment, forecasts of sales and operating expenses and other elements appropriate to your particular circumstances. Prospective members generally utilize industry data and knowledge about the actual proposed location and market to prepare a detailed business plan, sales forecast, and proforma financial statement tailored for the specific operation. The prospective member's sales forecast is often done at various ranges of performance whereas his or her proforma financial statement is based on his or her single best estimate. While our field personnel may assist prospective members with their business plans, sales forecasts and/or proforma financial statements, the prospective member is responsible for the soundness of all assumptions contained in all such plans, forecasts and proformas. Consult with your own financial, business and legal advisors, to forecast sales, estimate expenses and prepare budgets for your store.

**Some Ace stores have sold and earned these amounts. Your individual results may differ. There is no assurance that you'll sell or earn as much.**

Other than the preceding, we do not make any financial performance representations about a franchisee's future financial performance, or the past financial performance of company owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**  
**Systemwide Outlet Summary**  
**For Years 2022 to 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	4540	4645	+105
	2023	4645	4759	+114
	2024	4759	4885	+126
Company-Owned	2022	211	222	+11
	2023	222	235	+13
	2024	235	259	+24
TOTALS	2022	4751	4867	+116
	2023	4867	4994	+127
	2024	4994	5144	+150