



FRANCHISE DISCLOSURE DOCUMENT
MACU INTERNATIONAL LLC
dba MACU®

A Washington Limited Liability Company
800 E Wishkah St. No.1008
Aberdeen, WA 98520
253-900-2316
E-mail: overseas@macutea.com.tw
URL: www.maculife.com.tw

As a MACU® franchisee, you will operate a retail food establishment that sells items from a focused menu featuring a variety of teas and juice drinks, using proprietary teas, milk teas and juices, tapioca balls, recipes, and preparation techniques, freshly prepared and available for carry-out or consumption on the premises.

The total investment necessary to begin operation of a MACU® franchise business is \$108,000 to \$165,000 for a single outlet. This includes \$70,000 to \$90,000 that must be paid to the franchisor 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 government 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 Hsiu Chuan Chien at Macu International LLC, 800 E Wishkah St. No.1008, Aberdeen, WA 98520, telephone 253-900-2316.

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

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CA-UNIT

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
How much can I earn?	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 C.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only MACU® business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be MACU® franchisee?	Item 20 or Exhibit C lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	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 E.

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 California. 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 California than in your own state.
2. **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.
3. **Financial Conditions.** 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.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

MACU INTERNATIONAL LLC
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Exhibits

"A"	Franchise Agreement
"B"	Financial Statements
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"E"	State Franchise Administrators and Agents for Service of Process
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ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language, this disclosure document uses “we” or “us” to mean Macu International LLC (hereafter “Macu”). “You” means the individual or entity buying the Macu franchise and become franchisee of your delineated area.

(1) The Franchisor, Parents and Affiliates

We are the franchisor for the Macu franchise system in the United States. Our principal business address is 800 E Wishkah St. No.1008, Aberdeen, WA 98520.

Our parent entity is Macu Company Limited (“Macu-Taiwan”), a Taiwan limited company that does business as MACU®. Macu-Taiwan operates beverage outlets and offers franchises in Taiwan. Macu-Taiwan’s principal business address is 2 F., No. 712, Mingcheng 3rd Rd., Gushan Dist., Kaohsiung City 80453, Taiwan.

Macu-Taiwan (and in the future one or more affiliated companies) provides the Macu franchise system with the proprietary food ingredients and other products necessary to prepare MACU® beverages and other menu items. Otherwise, we are not controlled by, controlling, or under common control with any other entity that provides goods or services to our franchisees or that offers franchises in any line of business.

(2) Predecessors

We have no predecessor during the 10-year period immediately before the close of our most recent fiscal year.

(3) Name Used by the Franchisor

We conduct business under the name MACU®. We do not use other name to conduct any business.

(4) Agent for Service of Process

Our agent for service of process is specified in **Exhibit E**.

(5) Business Organization Used by the Franchisor

We are a limited liability company registered on January 18, 2022, with Washington Secretary of State.

(6) Franchisor's Business

We act solely as a franchisor of MACU® franchise. We have never franchised our brand to any franchisees. We do not operate businesses of the type being franchised in this state and we do not engage in other business activities.

(7) Unit Franchise Offering

This Franchise Disclosure Document pertains to the offering of a unit franchise for Macu. As a Macu franchisee, you will have the right to open and operate a tea shop under the Macu brand name. The tea shop will specialize in selling a variety of beverages, including tapioca milk tea, milk tea, and fruit tea, all available with various toppings and flavors. Macu is dedicated to providing high-quality tea products and a unique customer experience. Our franchise system includes training, marketing support, and access to our proprietary recipes and processes.

(8) Separate Master Franchise Offering

Please note that we also offer master franchises under a separate Franchise Disclosure Document (FDD). The master franchise offering is distinct from this unit franchise offering and is intended for individuals or entities interested in sub-licensing Macu-branded to subfranchisees. For more information on the master franchise opportunity, please refer to the separate FDD specific to master franchises.

(9) Offer of Unit Franchises

We are the Franchisor of the MACU® franchise, and we are selling unit franchises in this state. For consideration paid to us, you will be granted rights related to selling beverages to customers in a delineated geographic area. You will be a party to a Franchise Agreement with us specifying the location where you may open the franchise business.

(10) General Market for Franchised Products and Services

The general market franchisees will operate the business involving retail tea and coffee shops and other restaurants offering specialty teas and other food products like MACU® Products. The market for MACU® Products is all individuals within reasonable proximity to the Outlet. This type of business is fully developed and is not seasonal. Our initial approach to the marketing of our business is to develop the franchise business in areas where the population of ethnic Taiwanese and other Asians is most significant and where potential customer awareness of the brand is most likely. After establishing franchises in those areas, we will expand our marketing efforts to other regions of the United States, which will not involve sales

primarily to a particular group.

(11) Industry Specific Laws or Regulations

You will need business licenses and reseller's permits to comply with federal, state, and local laws that apply to the operation and licensing of our type of business. You will also need to obtain all appropriate health permits and inspections and approvals by municipal, county, or state health departments that regulate food handling and foodservice operations. Franchisee's MACU® Outlet must also meet applicable municipal, county, state, and federal building codes, and handicap access codes.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and state and local health departments administer and enforce food preparation and service regulations. State and local agencies inspect restaurants and other retail food service providers to comply with these laws and regulations.

(12) Competition

To offer the franchise to potential customers, you will face competition against other providers in this catering business locally. The customers who intend to purchase beverages may consider other providers under different tradenames that also sell tea-based drinks or coffees. The market for this type of service is very competitive because there are many brand names out there that are well-known in this field. You must consider carefully or consult some franchise experts before deciding to be our franchisee.

All our outlets of MACU® franchise will compete with other tea shops, coffee shops, and restaurants that offer and sell specialty teas and tea drink combinations. Competitors include franchised operations, national and regional chains, and independent operators that offer specialty teas, tea drink combinations, and other products comparable to the MACU® Products.

(13) Prior Experience of Franchisor and Predecessors

In 2013, our parent entity, Macu-Taiwan, was formed to sell tea-based beverages to customers. In 2014, Macu-Taiwan started to license the franchise to franchisees in Taiwan.

We have not previously offered any franchises providing the type of business you will operate. Nor have we ever offered franchises in other lines of business. We do not operate businesses of the type being franchised, and we do not engage in other business activities.

We have no affiliates that offer franchises in any line of business. However, Macu-Taiwan will provide you with products and services.

ITEM 2 BUSINESS EXPERIENCE

Hsiu Chuan Chien: President

Hsiu Chuan Chien is our Founder, and she was named our President since our inception on January 18, 2022. She also serves as the President of our parent entity, Macu-Taiwan.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

(1) Initial Franchise Fee

The Initial Franchise Fee for a unit franchisee to open a single Outlet is \$25,000. The Fee is due and payable in full, by cashier's check or money order or wire transfer to our bank account when you sign the Franchise Agreement.

(2) Security Deposit

The security deposit is \$10,000. If you breach the terms and conditions of the Franchise Agreement, we will use the security deposit to cure the default or to compensate for our damages. After we use and deduct the security deposit, we will notify you in writing of such usage and deduction. You will need to restore the deposit to its original amount within ten days after the notice. After the termination or expiration of the Franchise Agreement, we will use the security deposit to compensate for our expenditures and damages. We will return the remainder to you within thirty 30 days after the termination or expiration of the Franchise Agreement. If the security deposit is not enough to compensate for our expenditures or damages, we will give you a written notice of such insufficiency. You must return the insufficient amount to us within thirty 30 days after receiving such notice.

We will not provide a separate account for the security deposits; therefore, the funds will be commingled with our funds.

Our internal financial department will keep records of each security collected from different franchisees to ensure that we do not mistakenly withdraw from one franchisee's

security deposit when we mean to withdraw from another's. We will provide an accounting of the expenditures or damages incurred due to termination or expiration.

(3) Equipment and Inventory Fee

Before opening your outlet, you must purchase equipment and inventory from us. The estimated expenditure of purchasing equipment and inventory for the first three months of operation of the outlet will range from \$20,000 to \$40,000.

The equipment includes a refrigerator(s), icemaker(s), teapresso(s), sealing machine(s), induction cooker(s), measure, chairs, tables, and any other equipment necessary to provide the food and beverage service at your outlet. The inventory includes various kinds of tea leaves, tapiocas, sugar, syrup, jams, cups, straws, milk, fresh fruits, and any other items to make beverages specified in our menu.

(4) Know-How Transfer Fee

In return for the receiving the know-how, techniques, and necessary skills to run the MACU® franchise business, you need to pay us the Know-How Transfer Fee of \$15,000 on or before the execution of the Franchise Agreement.

(5) Refundability of Fees

The Initial Franchise Fee, Equipment and Inventory Fee, and Know-How Transfer Fee are *not refundable*. The security deposit is refundable after we deduct the necessary expenses and damages.

ITEM 6 OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Service Fee (Royalty) ^{1,2}	\$2,000/month	10 th of January, April, July, and October	Beginning on the Opening Date, you must pay us a monthly Service Fee of \$2,000, which shall be pre-paid every three months. The Service Fees are payable every three months, and each payment is a prepayment of the following three months. The first payment of the Service Fees is \$2,000 and payable before the opening of the Tea Shop, and the subsequent payment of the three-month Service Fees is payable within three months following the signing of the

			Franchise Agreement. <i>See Section 4.2 of the Franchise Agreement.</i>
Renewal Fee ¹	\$20,000	Before you sign the Renewal Agreement	You must clear all the payment you owe us before being eligible to sign the Renewal Agreement. <i>See Section 4.4 of the Franchise Agreement.</i>
First Stage Training ¹	\$1,000 if you fail the evaluation of the Training	Before the extended First Stage Training starts	At the end of the First Stage Training, the trainees shall receive a training evaluation. If the one or more of the trainees fail the evaluation, the First Stage Training shall extend additional five days. You should bear the cost of \$1,000. <i>See Section 6.1 of the Franchise Agreement.</i>
Second Stage Training ¹	\$2,800 for each trainer if you asked us to extend the Second Stage Training	When you request the extended Second Stage Training ³	Before the first day of trial operation and during an outlet's initial opening, we will dispatch two (2) trainers and perform on-site training for twenty-one days. The Second Stage of Training is free of charge, but if request us provide extended Second Stage Training, the fee is \$2,800 for each trainer for fourteen days. <i>See Section 6.2 of the Franchise Agreement.</i>
Optional Training	\$3,500 for each trainer	When we demand you to receive the Optional Training	During the franchise term, we may request you take the Optional Training, which will consist of a fourteen-day training course. You need to bear the cost of \$3,500 for each trainer. <i>See Section 6.3 of the Franchise Agreement.</i>
Design Fee ^{1,3}	\$3/ft ² if you ask us to provide the outlet design	Before we start to design	We will provide you with floor, three-dimensional, and constructional plans in for the first outlet. You may design from the second outlet without asking us. If you ask us to design for you, the Design Fee is \$3/ft ² . <i>See Section 4.12 of the Franchise Agreement.</i>
De-identification Fees ^{1,3}	\$2,000/day	When a violation occurs	Within thirty days after expiration, termination, or rescission of the Franchise Agreement, you have to remove any signs, printing, and publicity materials that bear our trademark. If you fail to remove within the period, you have to pay us \$2,000 per

			day until the date of removal. <i>See Section 13.1(e) of the Franchise Agreement.</i>
Reimbursement Fees to De-identification ^{1,3}	Actual Cost of Removal	When the Fees incurred	We may remove the signs, printing, and publicity materials after thirty days of expiration, termination, or rescission of the Franchise Agreement. You have to pay us the actual fee incurred. <i>See Section 13.1(e) of the Franchise Agreement.</i>

(1) All fees are imposed and collected by and are payable only to us. Except as indicated in Item 5 or otherwise in the table above, all fees are non-refundable. All fees are uniformly imposed.

(2) This fee may be adjusted by changes since the effective date of the Franchise Agreement in the annual average of the Consumer Price Index for All Urban Consumers (“CPI”), published by the Bureau of Labor Statistics of the United States Department of Labor, or the highest similar future index if these figures become unavailable.

(3) If any payment is not paid when due, you must pay a late charge of 5% of the amount past due plus interest on the unpaid amount at an annual percentage rate (“APR”) of 10% (which is the highest interest rate allowed by law in California), and you must reimburse us immediately upon demand for all reasonable costs of collection relating to delinquent amounts. Interest begins from the date payment was due.

ITEM 7 ESTIMATED INITIAL INVESTMENT

Your Estimate Initial Investment To Open an Outlet

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee ^{1,2}	\$25,000	Lump sum	When you sign the Franchise Agreement.	Us
Design Fee ^{1,2}	\$1,000 to \$2,000	Lump sum	When we consent to the site for your Outlet.	Us
Security Deposit ^{1,2}	\$10,000	Lump sum	When you sign the Franchise Agreement.	Us
Equipment and Inventory Fee ^{2,6,10}	\$20,000 to \$40,000	As incurred	Before we ship the equipment and inventory	Us

Know-How Transfer Fee	\$15,000	Lump sum	When you sign the Franchise Agreement	Us
Training expenses ^{2,3}	\$3,000 to \$8,000	As incurred	During training	Airline, travel and lodging vendors
Lease of Outlet premises and lease security deposit ^{2,4}	\$5,000 to \$10,000	As incurred	As arranged	Landlord, utilities and other suppliers
Leasehold improvements ^{2,5}	\$5,000 to \$10,000	As arranged	As arranged	Landlord and other vendors
Point of Sale System ^{2,7}	\$1,000 to \$2,000	As incurred	As arranged	Suppliers and vendors
Interior and Exterior Signs and Graphics ^{2,8}	\$2,000 to \$5,000	As incurred	As arranged	Suppliers and vendors
Professional fees ^{2,9}	3,000 to \$10,000	As incurred	Before and during opening	Attorneys, accountants and other professionals
Business licenses and permits ^{2,4}	\$2,000 to \$5,000	Lump sum	As arranged	Government agencies
Business insurance ^{2,11}	\$1,000 to \$3,000	Lump sum	As arranged	Insurance companies
Additional funds – 3 months ^{2,12}	\$20,000 to \$30,000	As incurred	After opening	Employees, suppliers, utilities
TOTAL¹³	\$108,000 to \$165,000			

(1) You must pay the fees in full at the time indicated. To be eligible to sign the Franchise Agreement, you must provide us with reasonable proof of your financial ability to make the initial investment described above. You must authorize us to conduct a credit check to confirm your financial ability to purchase and develop the Outlet.

(2) Although we cannot assure you this will happen, if you do not open for business, you may receive a refund from us for any remaining Security Deposit and from other suppliers for unused inventory, unspent advertising, and canceled insurance. Otherwise, the payments listed in the table above (including the Initial Franchise Fee, Initial Area Development Fee, Design Fee, Training Fee,

and Equipment Fee) are nonrefundable.

(3) The First Stage Training and the Second Stage Training are free of charge unless you fail the evaluation at the end of the First Stage Training or request us to provide an extension to the Second Stage Training. These expenses represent the travel and living expenses and your staff during training.

(4) You will need to rent a suitable retail site for your Outlet, and the rent or lease deposit amount will vary depending on the location. A security deposit and first month's rent are standard requirements to execute a commercial lease. The cost range in the table above does not include the last month's rent of the premises. Still, it does include connection charges and security deposits for utilities provided to the Outlet, business licenses, and related prepaid opening expenses.

(5) You will need to conduct the necessary build-out of your leased space according to our designs and other requirements. The size of Outlets generally ranges from 400 square feet to 1000 square feet of floor space, but we may allow a smaller size of Outlet under exceptional circumstances subject to our approval (e.g., "island" style store in a mall). The amounts listed in this type of expenditure are estimates based on the basic build-out of our Outlet design. Still, they do not include many variables related to the pre-existing condition of any one location. Your build-out cost may be reduced by a Tenant Improvement ("TI") allowance or rebate from the landlord, which varies depending on the terms of each lease agreement. However, in most cases, you will be required to complete the build-out and satisfy all related invoices to contractors and service providers to qualify for the TI rebate from the landlord.

(6) The equipment and fixtures you need to obtain includes a label printer, sealing machine, fructose dispenser, 2 door commercial glass reach-in refrigerator, chest freezer with sliding glass door, half- moon type ice maker machine, 30-gallon kettle, steam maker, 30-liter automatic water softener, citrus juicer, induction cooker, 43-inch TV, multifunctional 8 types-timer, wireless transmitter/display kiosks, and time clock. The furniture you need to obtain includes tables, chairs, and shelving.

(7) This includes a Point of Sale ("POS") system with a cash register, receipt printer, computer system, and credit card reading/charging equipment.

(8) The quantity, size, type, and cost of signs will vary substantially per lease space and in accordance with stipulations of each landlord and local governmental regulations. These estimates include the average filing fees for obtaining the necessary sign permits.

(9) This includes professional legal and accounting fees to review the franchise and set up the Outlet.

(10) You must buy initial proprietary tea, fruit, and other ingredients needed to make MACU® beverages, proprietary administrative supplies, including flyers, recruitment canvas strips, grand

opening canvas strips, sale trial canvas strips, advertising sign stand, and promotion rack from our us.

(11) As an independently owned and operated franchisee, you are responsible for all costs or liabilities arising from the operation of your Outlet, and it is imperative you carry adequate insurance to protect yourself. We recommend you obtain insurance coverage from a local carrier. The currently required minimum coverage and insurance limits are (i) general liability insurance with limits of at least \$1,000,000 per occurrence and \$2,000,000 aggregate and (ii) workers' compensation insurance to meet the statutory coverage of the state where your Outlet is located. To the extent permissible under law, these insurance requirements may be satisfied with primary, umbrella, and excess policies. All insurance policies will name you as named insured and, except for Workers' Compensation policies, will name us and any of our subsidiaries and affiliates of these companies existing or which may hereafter exist as additional insureds, including their employees, officers, and directors on additional insured endorsement forms. The costs of premiums will vary based on the Outlet location and any prior claim history. The required coverage and limits are subject to change.

(12) It is always good to have some cash reserves available to cover initial operating expenses. The estimates of the additional funds you will need for your first three months, not including payroll costs for your first 30 days of operation, are set forth separately in the table. These figures are estimates, and we cannot guarantee that you will not have additional expenses during your first three months of operation. The estimation of the additional funds is based upon our experience in operating our direct outlets and data collected from our franchisees in other countries for the past five years. Your costs will depend on factors such as how many trainers and administrative employees you intend to hire; how much you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for our products and services; the prevailing wage rate; competition; and the sales level reached during the initial period.

(13) This estimates your initial start-up expenses. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. We do not finance any part of the initial investment. You should review these figures carefully with a business advisor before deciding to purchase the franchise.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

(1) Required Purchases of Goods or Services, including Computer and Point of Sale System

Point of Sale (POS) Systems Requirement

As a unit franchisee, you are required to purchase, lease, or otherwise obtain Point of Sale (POS) systems exclusively from us or our designated suppliers. The POS systems are essential for the operation of your franchised business, and they include both hardware and software components that facilitate transaction processing, inventory management,

customer relationship management, and other operational functions.

Specific Requirements and Conditions:

(a) Approved Suppliers:

You must purchase the POS systems from the franchisor or from suppliers we designate. We have pre-approved certain suppliers to ensure compatibility, quality, and consistency with our franchise system standards. A list of our approved suppliers for POS systems will be provided to you after you sign the unit franchise agreement. We reserve the right to modify this list at our discretion.

(b) Specifications and Standards:

The POS systems must meet specific technical and operational standards established by us. These standards ensure that all franchise locations maintain a uniform level of service, data integrity, and operational efficiency. Detailed specifications and standards for the POS systems can be found in the Franchise Operations Manual and are subject to periodic updates.

(c) Installation and Maintenance:

The POS systems must be installed by qualified technicians approved or designated by us. Proper installation is crucial to ensure the systems function correctly and integrate seamlessly with our proprietary software and network. You are responsible for the maintenance and upkeep of the POS systems, including software updates and hardware repairs. Maintenance services may be obtained from our approved suppliers or directly from us.

(d) Costs and Payments:

The cost of the POS systems, including installation and any necessary peripheral equipment, must be borne by you. These costs will be outlined in a separate agreement provided by the supplier or franchisor. Payment terms for the POS systems will be specified in the purchase agreement with the supplier. These terms typically include an initial payment upon order placement and subsequent payments as per the agreed schedule.

(e) Software Licensing and Updates:

The software components of the POS systems are licensed to you on a non-exclusive basis. You must comply with all terms of the software license agreements, including

restrictions on copying, modifying, or distributing the software. Regular software updates are mandatory and will be provided by us or our designated suppliers. These updates are necessary to maintain system security, introduce new features, and ensure compliance with operational standards.

(f) Consequences of Non-Compliance:

Failure to purchase, install, or maintain the approved POS systems may result in a breach of your franchise agreement. This breach could lead to termination of your franchise rights, in accordance with the terms outlined in the agreement. We reserve the right to inspect your POS systems at any time to ensure compliance with our standards. Non-compliance may also result in additional corrective measures, including mandatory upgrades or replacements at your expense.

By enforcing these requirements, we aim to maintain a consistent and high-quality customer experience across all franchised locations, protect the integrity of our brand, and ensure the smooth operation of the franchise network. If you have any questions or require further clarification regarding the POS systems requirements, please refer to the Franchise Operations Manual or contact our support team.

You must purchase items bearing our trademarks only from us, our affiliated companies, or other reputable suppliers. You must use fixtures and equipment items, including food preparation and storage equipment, display cases, cash registers, computer systems, storefront, supplies, and signs that we have approved to meet our specifications and standards for appearance, function, and design quality and performance. You must place or display at the premises of your Outlet (interior and exterior) only such signs, emblems, lettering, logos, and display materials that we approve in writing. All equipment leases will be between you and the lessor. Under no circumstances can you sign any lease as you were us or on our behalf.

(2) Obligation to Purchase Products and Services from Franchisor

You must purchase all proprietary tea and other ingredients to be used in preparing MACU® Products from us or designated suppliers and administrative supplies containing the MACU® logo. You are not allowed to purchase from any other third parties unless we approve that provider.

(3) Approved Suppliers and Approval of Alternative Suppliers

We currently do not have any designated or approved suppliers of required inventory or administrative supplies on this issuance date of the Franchise Disclosure Document. None of our officers owns an interest in designated or approved suppliers. If we do so in the future, we

will only designate or approve suppliers who demonstrate the ability to meet our standards and specifications to our satisfaction. The suppliers must possess adequate quality control and capacity to promptly and reliably supply your needs and have been approved by us in the Manual or otherwise in writing. Designation of a supplier may be conditioned on factors established by us, including performance relating to the frequency of delivery, standards of service, and payment or other consideration to parties or us designated by us. We may designate single or multiple suppliers for any given item or service and may allow purchases with one or more suppliers. No franchisor officer owns an interest in any supplier.

The current list of approved products and suppliers is found in the Manual. We may change these lists or other parts of the Manual, which we will provide to you. Suppose you desire to purchase products other than those provided by approved suppliers. In that case, you must submit a written request for approval of the proposed supplier and such evidence of conformity with our specifications and program specifications as we may reasonably require. We will have the right to demand that our representative be permitted to inspect the supplier's facility and deliver samples from the supplier for evaluation and testing, either to an independent testing facility designated by us or to us. You must pay a charge not to exceed the reasonable costs of assessment and testing. Our criteria for supplier approvals are contained in the Manual. Within 60 days after our receipt of the completed request or completion of the evaluation and testing (if required), we will notify you in writing of our approval or disapproval of the proposed supplier. We will not unreasonably withhold the consent. You must not sell or offer to sell any products or services from a proposed supplier until you receive our written approval of the proposed supplier.

We may revoke our approval of particular products or suppliers if we determine in our sole discretion that the products or suppliers no longer meet our standards. Upon receiving written notice of such revocation, you must cease purchasing or selling any disapproved product.

(4) Issuance of Specifications and Standards

We issue specifications and standards regarding authorized MACU® products and services to you through the Manual and other communications in writing or by email. We also issue specifications and standards regarding authorized MACU® products and services to its designated and approved suppliers in writing or by email. We may modify these specifications and standards at any time but only after delivering written notification of the modifications and providing you or suppliers a reasonable amount of time to implement the modifications.

(5) Revenue from Franchisee Purchases

In the last twelve (12) months, except as disclosed below, neither we nor any of our affiliates derived revenue, rebates, or other material consideration from required purchases or leases. Our parent company, Macu Company Limited, derives revenue from required purchases

or leases by franchisees. In 2023, Macu Company Limited generated revenue of \$13,329,857, of which \$6,375,534, was derived from mandatory purchases and leases made by franchisees. This accounted for 47.8% of Macu Company Limited's total revenue, emphasizing the significant contribution of required purchases and leases to the company's overall earnings. The revenue of the required purchases and lease is based on the financial statements of Macu Company Limited.

Payments to us and purchases from designated vendors and approved suppliers (i) in establishing your franchise business will range from 28% to 36% of your subfranchisee's total initial investment and (ii) in operating the Outlet will range from 23% to 27% of your total monthly expenses.

(6) Purchase Arrangements

We do not negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees.

(7) Cooperatives

We are not presently involved in establishing purchasing or distribution cooperatives for franchisees. We will not establish purchasing or distribution cooperatives for franchisees.

(8) Material Benefits Based on Franchisee Purchases

We do not provide any material benefits to you based on your purchase of specific products or services or your use of specific suppliers.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under Franchise Agreement. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

	Obligation	Section in Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	7.1, 7.2	6,11
b.	Pre-opening purchases/leases	7.2, 7.3	8
c.	Site development and other pre-opening requirements	7.1, 7.2	6, 7, 11
d.	Initial and ongoing training	6.1-6.4	11
e.	Opening	3.3, 7.2, 7.3	11

f.	Fees	4.1-4.13, 5.2	5, 6
g.	Compliance with standards and policies/ operating manual	8.1-8.3	11
h.	Trademarks and proprietary information	8.8, 9.1-9.5	13, 14
i.	Restrictions on products/services offered	3.2, 3.4, 8.1, 8.13	16
j.	Warranty and customer service requirements	3.3, 8.1	11
k.	Territorial development and sales quotas	N/A	12
l.	Ongoing product/service purchases	7.3	8
m.	Maintenance, appearance and remodeling requirements	5.2, 7.2, 8.5	11
n.	Insurance	8.10	6, 8
o.	Advertising	4.3, 7.4, 8.8, 8.13, 10.1, 10.2	6,11
p.	Indemnification	16.2	6
q.	Owner's participation/management/staffing	3.6, 6.1, 6.2, 6.3, 8.1, 12.6	11,15
r.	Records and reports	8.7	6
s.	Inspections and audits	8.7, 8.11	6,11
t.	Transfer	12.1-12.7	17
u.	Renewal	5.2, 5.3	17
v.	Post-termination obligations	11.2, 15.1, 15.2	17
w.	Non-competition covenants	11.1-11.3	17
x.	Dispute resolution	14.1-14.5	17
y.	Compliance with anti-terrorism and other federal laws	16.12	N/A

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease, or other obligation.

ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

(1) Our Pre-Opening Obligations

Before you open your business, we will:

(A) Designate your franchise territory (see section 3.1 and Exhibit 1 of the Franchise Agreement).

(B) Provide you with initial training and orientation in the MACU® system and how to operate the Outlet (see section 6.1 of the Franchise Agreement and the Training Program described below in this Item 11). Your Store Manager must complete initial training to our satisfaction before you can open your Outlet.

(C) Provide you with a general plan for the layout, furnishing, and equipping of your Outlet, together with a written schedule of all foods and beverages that you must sell at the Outlet and a list of approved and designated suppliers (see section 7.2(a) of the Franchise Agreement).

(D) Assist you in selecting a site for your Outlet. Although we do not typically pre-select the site for your Outlet, we must give our final consent to the location before your Outlet can be placed there (see section 7.2(a) of the Franchise Agreement). We will determine or approve the location of future units and any territories for those units, and our then-current standards for sites and territories will apply. You have 180 days after signing the Franchise Agreement to locate an acceptable site for your Outlet. We will review and either consent to or decline the proposed site for your Outlet within five business days after you provide us with its address. If you cannot locate an acceptable site within 180 days, we can terminate the Franchise Agreement (see section 7.2(a) of the Franchise Agreement). The factors that we consider in consenting to a site for the Outlet include general location, neighborhood, population demographics, public awareness of the MACU® brand, traffic patterns, parking, size, physical characteristics of existing buildings, and lease or rental terms. We do not own and lease the premises on which the Outlet will be located. Our review and consent to the Outlet location is no guarantee or assurance that you will be successful there.

(E) Provide you with a copy and electronic access to the Manual (see section 7.2 of the Franchise Agreement).

(2) Length of Time to Open the Outlet

We estimate the typical length of time between the signing of the Franchise Agreement (when you make your first payment to us for the franchise) and your Outlet opening will be nine months. Factors that may affect this length of time include the satisfactory completion of initial training by your designated attendees, location of an acceptable site, ability to obtain an appropriate lease, financing arrangements, compliance with zoning and local ordinances, weather conditions, shortages, the contractor's ability to complete construction of the Outlet, and delivery and installation of equipment, fixtures, and signs. If you do not begin operating your Franchised Business within 180 days after we consent to the site for your Outlet, or within 365 days after you sign the Franchise Agreement, we may terminate the Franchise Agreement (see section 7.2(a) of the Franchise Agreement). If we do so under those circumstances, we are not obligated to refund your initial franchise fee and development fee.

(3) Our Obligations during the Operation of the Franchise

During the operation of the franchised business, we:

(A) Will provide you with access to and integrate information about your Outlet into the MACU® website (see sections 8.2 and 8.3 of the Franchise Agreement).

(B) Will be reasonably available by phone and e-mail for guidance in the operation and management of your Outlet (see sections 8.2 and 8.3 of the Franchise Agreement). However, we do not provide you with assistance in hiring employees, and it is your sole responsibility to hire full-time or part-time employees.

(C) May visit you periodically at no cost to you to provide additional sales and administrative review and assistance, including assistance with establishing and using administrative, bookkeeping, accounting, and inventory control procedures. If you request this assistance and we agree to provide it, you must reimburse us for the cost of our representative's transportation and lodging. We may also, at our discretion, charge for MACU® training courses, seminars, conferences, or other programs that we require you or your representatives to attend. Our representatives' nature, frequency, and duration of this assistance will be at our sole discretion. (See section 6.4 of the Franchise Agreement.)

(D) In connection with your ongoing obligation to maintain the Outlet under the standards, we will notify you if your Outlet's general state of repair, appearance, or cleanliness does not meet our standards. We will specify the action you must take to correct the deficiency (see section 8.11 of the Franchise Agreement).

(E) May recommend retail prices for **MACU** Products you sell at your Outlet and other products or services we authorize for sale at your Outlet. The purpose of advising retail prices is to enhance uniformity in the delivery of goods and services to retail customers by our franchises and the strength of our Marks in inter-brand competition. And if we do so, you may not advertise or promote (whether by telephone, printed materials, or any other media, including, without limitation, social media) retail prices that are inconsistent with these recommended prices (see section 8.1(b) of the Franchise Agreement).

(4) Advertising Program for the Franchise System

We intend to use digital media (Internet, Facebook, Twitter, *etc.*) and targeted print media in our marketing and advertising efforts. And in the future, we may use local radio and television advertising. We will be using in-house advertising personnel to do this, but we also intend to hire advertising and public relations firms to assist us in these efforts. We are not required to

spend any advertising fees in your franchised territory, although we may do so, and we spend the Advertising Fees to benefit all franchisees, including you.

Although we are not obligated to do so, we may provide you with general advertising programs, sales promotion, and campaign advertising materials. You may develop advertising materials for your use at your own cost. But we must approve all advertising materials in advance and writing.

We do not yet have a franchisee council that advises us on advertising policies, but we may establish one in the future. If we do so, we will request input on advertising informally from franchisees. We do not have a marketing fund; therefore, you are not required to pay any for the advertising fund. We will not establish any marketing fund in the future; consequently, you will not be required to pay or contribute to the marketing or advertising fund.

We will provide you with general advertising programs, sales promotions, campaigns, and sample advertising materials. You may develop advertising materials for your use at your own cost, but we must approve all advertising materials in advance and in writing. You grant us a right to use the name, image, and likeness of you, all Principal Equity Owners, and any of your affected employees, for commercial purposes in connection with the marketing and promotion of the Marks, MACU® Products, any MACU® Outlet, and franchise system. (See section 9.1(d) of the Franchise Agreement.).

(5) Electronic Cash Registers and Computer Requirements

You must purchase POS System and allow us to track and process retail sales at the Outlet (see section 8.4(a) of the Franchise Agreement). We estimate the cost of purchasing or leasing this POS is \$1,000 to \$2,000. You will use this POS system to complete point-of-sale transactions and track your sales. There are no contractual limits on our independent access to the information and data stored on your POS system. You are responsible for all ongoing maintenance ,repairs, and upgrades. We anticipate that the annual cost of optional or required maintenance, updating, operating, or support regarding the POS system will range from \$500 to \$1,000.

We also require you to maintain an e-mail account to communicate with us regularly concerning sales and operations at your Outlet, in the manner we specify in the Manual or otherwise in writing (See section 8.4(b) of the Franchise Agreement). We estimate that the annual cost of optional or required maintenance, updating, operating or support contracts regarding the e- mail account is \$200 to \$500.

(6) Providing Equipment, Signs, Fixtures, Opening Inventory, and Supplies

We will assist with providing equipment, signs, fixtures, opening inventory, and supplies.

We will provide the type of assistance directly you. We will provide written specifications for these items. We will arrange delivery of these items to your Outlet, but we will not install the items for you. You must arrange the installment service from independent contractor or by yourself or your employees.

(7) Conforming the Premises to Laws

We will not assist with conforming the premises to local ordinances and building codes, obtaining any required permits, constructing, remodeling, or decorating the premises, and hiring and training employees.

(8) Advertising Cooperatives

You do not need to participate in a local or regional advertising cooperative.

(9) Operations Manual

We will loan you one copy of our Manual (containing 50 pages) and other applicable manuals during the relevant phases of initial training. The Manual contains mandatory and suggested specifications, standards, and procedures for the operation of your Outlet.

We will modify the Manual, and you must comply with these changes when you receive them, but no modification will alter your status and rights under the Franchise Agreement. This Manual is confidential and remains our property. Suppose you lose or allow the unauthorized duplication of the Manual, or any other confidential manuals or proprietary materials loaned to you by us. In that case, you will be deemed to violate the Agreement and all other agreements you have with us, and we would be entitled to recover damages from you.

The following is the Table of Contents of the Manual as of the date of this disclosure document:

Topic	Number of Pages
CHAPTER 1: BRAND ORIGIN AND BUSINESS PHILOSOPHY	3
CHAPTER 2: NEW EMPLOYEE'S TRAINING AND WORKING REGULATIONS	2
CHAPTER 3: RULES AND REGULATIONS	1
CHAPTER 4: EMPLOYEE'S DRESSING CODE	1
CHAPTER 5: THE INTRODUCTION OF THE INGREDIENTS / RAW MATERIALS AND STORAGE METHODS	2
CHAPTER 6: THE INTRODUCTION OF HARDWARE APPLIANCES	5
CHAPTER 7: THE INTRODUCTION OF BEVERAGES	5

CHAPTER 8: STANDARD OPERATION PROCEDURE OF BEVERAGES	7
CHAPTER 9: CALCULATION OF SUGAR LEVEL	1
CHAPTER 10: STANDARD ICE LEVEL OF MACU®	1
CHAPTER 11: STANDARD OPERATING PROCEDURES OF DAILY OPEN	1
CHAPTER 12: STANDARD OPERATING PROCEDURES OF DAILY CLOSE	1
CHAPTER 13: EACH WORKING STATION'S WORKING DETAILS-FRONT DESK AREA	2
CHAPTER 14: EACH WORKING STATION'S WORKING DETAILS-BAR AREA	1
CHAPTER 15: EACH WORKING STATION'S WORKING DETAILS-KITCHEN AREA	3
CHAPTER 16: EQUIPMENT'S SET-UP AND BASIC MAINTENANCE	6
CHAPTER 17: WAYS TO DEVELOP NEW CUSTOMER AND MARKETING STRATEGY	4
CHAPTER 18: PURCHASE ORDER MANAGEMENT	2
CHAPTER 19: EMPLOYEE'S WORKING SCHEDULES	2
Total Pages	50

Currently, we have no policy under which we will render services to you not required by your Franchise Agreement (or other agreements with us) or the Manual.

(10) Training Program

Day	Topics	Hours of Classroom Training	Hours of On-The-Job Training	Location
1	Operation Manual Introduction to Drinks; Quiz on Tea Making & Charts	8	0	Taichung Taiwan
2	Tea Cooking & Store Opening Procedure Order Taking & Equipment: Operation Practice In-Store Field Work (Position Assignment) Quiz on Flavored & Unflavored Tea; Operation Manual (Supplementary)	8	0	Taichung Taiwan

3	Store Opening In-Store Field Work (Position Assignment) Quiz on Sugar Cane & Old-Fashioned Drink Operation Manual (Supplementary)	8	0	Taichung Taiwan
4	Store Opening In-Store Field Work (Position Assignment) Quiz on Fresh Milk Tea & Fruit Tea Operation Manual (Supplementary)	8	0	Taichung Taiwan
5	Store Opening In-Store Field Work (Position Assignment) Quiz on Fresh Milk Tea & Winter Drinks Operation Manual (Supplementary)	8	0	Taichung Taiwan
6	Store Opening In-Store Field Work (Position Assignment) Drinks Final Exam Operation Manual (Supplementary)	8	0	Taichung Taiwan
7	Operation Manual (Teaching on Profit/Loss Calculation) Machine Operation Practice In-Store Field Work (Position Assignment) Store Closing	8	0	Taichung Taiwan
8	Operation Manual Drinks Final (Timed Drink Making) Machine Operation Practice In-Store Field Work (Position Assignment) Store Closing	8	0	Taichung Taiwan
9	Supplementary Material End of Training Assessment (written) In-Store Field Work (Position Assignment)	8	0	Taichung Taiwan
10	Make-up Written Test Practical Implementation Practice Drinks Final Exam (Practical Implementation Practice) Make-up Test	8	0	Taichung Taiwan
11 to 15	Operational Training. Preparation of Cold Drinks and Hot Drinks; Customer Service at an	0	40	Taichung Taiwan

	Operational Outlet			
	Total	80	40	

The training program above is effective as of the date of this disclosure document. Initial classroom training is typically provided within 60 days before starting the franchise business and is generally scheduled not more frequently than monthly. All classroom training takes place in Taichung, Taiwan, or another training center designated by us. All on-the-job training takes place at our outlet in Taiwan so that your personnel will be familiar with the on-field operation.

The instructional material consists of appropriate handouts and information directly from the Manual. Our principal instructor is our President.

We do not charge for this training or service for the designated Manager and any other Principal Equity Owners. You must pay all travel and living expenses of persons you send to training.

Your designated Manager's successful completion of initial training to our satisfaction is a condition to your opening of an Outlet to the public. If your designated Manager fails to complete initial training satisfactorily, you will have the option of sending a replacement approved by us to initial training. We will issue a Certificate of Completion upon successful completion of the training.

After your franchise outlet is opened, and upon reasonable notice, we may require your designated personnel to attend training courses, seminars, conferences, or other programs other than Initial Training or mandatory meetings that we deem relevant or appropriate to the operation of the Franchised Business. You expressly agree in the Agreement that only persons we train or under your supervision will have overall responsibility for the outlet's operation and conduct of the franchised business there. You will send your store manager to us for additional training if we request this. We may, at our discretion, charge you an additional training fee for MACU® training courses, seminars, conferences, or other programs that we require you or your representatives to attend. We will not initiate additional training unless we receive requirements from you or customer complaints about the poor quality of goods and service provided at the outlets.

You must pay all the expenses incurred by your trainees and attendees in connection with the training program and any other training, conferences, conventions, or other meetings your trainees attend, including, for example, their salaries, transportation costs, meals, lodging, and other living expenses.

We may periodically conduct an annual conference, convention, or training session, and if we do, we will determine its duration, curriculum, and location. At these meetings, attendance of at least one Principal Equity Owner will be mandatory (and is highly recommended for your other Principal Equity Owners).

ITEM 12 TERRITORY

You will receive an exclusive territory (“Territory”) within a defined area surrounding your Outlet based on population density as determined by us with your consent and specified in your Franchise Agreement. The Territory is usually defined as a geographical area surrounding the Outlet as depicted in a map attached to the Franchise Agreement. A radius around your Outlet may also define the Territory, typically varying from ¼ mile in densely populated areas to 1 mile in rural areas. We will determine or approve the location of future units and any territories for those units, and our then-current standards for sites and territories will apply.

By “exclusive” Territory we mean that so long as you continue to fulfill your material obligations under your Franchise Agreement (as reasonably determined by us), we will not grant a MACU® franchise to any other person, nor will we or any of our affiliated entities operate an Outlet within your Territory. You will not receive an exclusive territory. You may face competition from other franchisees, outlets that we own, or other distribution channels or competitive brands that we control.

You may relocate your Outlet with our written consent, which will not be unreasonably withheld. Unless prior notice is impractical, not less than 90 days before the desired relocation date, you must make a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location. Within 20 business days, after we receive your request, we will either approve or disapprove in writing such closure or relocation at our sole discretion. If we disapprove of a proposed relocation, you may request an alternative proposed new location.

We reserve the right to develop other systems involving similar or dissimilar services or goods under dissimilar service marks, trademarks, and trade names, without necessarily granting you any rights in those systems. We reserve all rights to market and sell MACU® products under our principal trademarks or other trademarks at venues other than Outlets and through other distribution channels (including the Internet), within your Territory, and anywhere else. We are not required to pay you compensation for soliciting or accepting orders in your Territory at venues other than Outlets or through other distribution channels.

You may only offer and sell MACU® products to customers at your Outlet, and you are restricted from advertising MACU® products outside your Territory without our prior written consent. You may not engage in mail order solicitations, catalog sales, telemarketing, or television solicitation programs or use any other advertising media outside your Territory without our prior written approval. Also, you may not offer or sell MACU® products directly or indirectly through the Internet, except as authorized by us in the Manual or otherwise in writing. We will publish all website content and list your Outlet location on our master website. We will maintain the “Uniform Resource Locator” (or “URL”) for the MACU®, and you may never own any Internet domain name that contains any of the Marks. Under no circumstances are you authorized to establish your websites (except social media

sites) to advertise your Outlet or our principal trademarks.

As to the conflicts between franchisor and franchisee regarding Territory, customer, and franchisor support, we will negotiate all the issues amicably without resorting to formal legal procedures first. We encourage you to reflect all the issues or problems to us, and we will provide the best support we have and assist you in solving all the issues. The support includes discounting the future order of raw materials and adding more personnel to solve the conflicts. As to the conflicts between the franchisees of the same or each potential competing system, we will treat all franchisees equally without discriminating against the other. If any conflicts occur, we will require franchisees to contact us first, and we will try to solve the disputes before the conflicts accelerate.

We currently have no plan to sell any other franchise other than MACU®. If we develop other franchise systems by using different trademarks or trade names in the future, the Outlet of the new franchise may locate within your Territory. Additionally, we have no plan to maintain physically separate offices and training facilities for the competing business. However, we will not share any information we may receive from one franchise system to the other. Each franchise system will be operated and managed independently.

The continuation of your franchise rights to the Territory does not depend on your attaining a minimum level of sales, revenues, market penetration, or another contingency. The Territory granted by the Franchise Agreement may be altered except if you and we mutually agree. You will maintain rights to your Territory even if the population in those geographic areas increases or changes.

You will not have any options, rights of first refusal, or any other similar right to acquire additional franchises.

ITEM 13 TRADEMARKS

Trademark	Registration Number	Registration Date
MACU	6990225	February 28, 2023

Trademark	Serial Number	Filing Date
	97236473	January 25, 2022

You are licensed to operate and identify the franchise outlets under the principal trademark MACU®, and logotype displayed on the cover of this disclosure document and other current or future trademarks. You are also licensed to advertise as the Franchisee of MACU® and begin to sell MACU® beverages to customers.

On January 24, 2022, Hsiu Chuan Chien, our President, filed the principal trademark MACU® with the United States Patent and Trademark Office (“USPTO”), for registration on the Principal Register in class 43 (for restaurant services), serial number 97234337. The mark is registered on February 28, 2023, and its registration number is 6990225.

On January 25, 2022, Hsiu Chuan Chien, our President, filed the principal trademark MACU® with the United States Patent and Trademark Office (“USPTO”), for registration on the Principal Register in class 43 (for restaurant services), serial number 97236473.

There are presently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor any pending interference, opposition or cancellation proceedings involving our parent company’s trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of trademarks listed in this Item in a manner material to the franchise. There is no pending material federal or state court litigation regarding our use or ownership rights in the trademarks. All required affidavits have been filed.

All trademarks are owned by Hsiu Chuan Chien, our President, who granted us the trademark license (the “Trademark License”) and the right to use the principal trademarks and related trademarks, service marks, trade names, logos and symbols (collectively the “Marks”) related to MACU®. We are authorized to franchise the Marks to any persons or entities. The trademark license will continue for 10 years from the issuance date of this franchise disclosure document. If the trademark license agreement were to be terminated, you will continue to have the right to use the Marks till the end of the subfranchise agreement.

You must follow our rules when you use the Marks. You cannot use our principal trademark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the trademarks in connection with the sale of any unauthorized product or service, or in any manner that we have not authorized in writing.

We have the right to control any administrative proceedings or litigation involving a trademark licensed to you by us. You must notify us promptly when you learn about an alleged infringement, unfair competition, unauthorized third-party use of or challenge to your use of the trademarks. We then will promptly take the action we think appropriate. We will indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition or similar claims about the trademarks. But we have no obligation to defend or indemnify you if the claim against you relates to your use of the trademarks in violation of the subfranchise agreement.

If you learn that any third-party whom you believe is not authorized to use our trademarks is using them or any variant of them, you must promptly notify us. We will determine whether to take any action against the third party.

You must modify or discontinue the use of a trademark if we or the trademark owners modify or discontinue it. You must not directly or indirectly contest our or the trademark owners' rights to the trademarks, trade secrets or business techniques that are part of our business.

Except for the proprietary rights of Hsiu Chuan Chien in the Marks, there are no infringing uses or superior previous rights known to us that can materially affect your use of the Marks in this state or any other state in which the franchised business is to be located.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

(1) Patents and Copyrights

We do not own rights in, or licenses to, patents or copyrights that are material to the franchise and you do not receive the right to use any item covered by a patent or copyright. However, we assert a common law copyright on the contents of the Manual (and only you or your authorized employees can have access to and use the proprietary information in the Manual). You will have the obligation of not to reveal the contents of the Manual to any third-party that is outside your organization or unnecessary to your operation the business.

We do not currently have any pending patent applications that are material to the franchise.

(2) Our Proprietary Rights in Other Confidential Information

You may never reveal any of our confidential proprietary information or trade secrets to another person or use it for another person or business. You may not copy any of our confidential proprietary information or disclose it to a third party except as we authorize. You must also promptly tell us when you learn about unauthorized use of any of our confidential proprietary information. We are not obligated to take any action but will respond to your notification of unauthorized use as we think appropriate. In general, we will initiate legal action to protect ours and your right to use confidential proprietary information, if that is the case, we may require your assistance to the action taken. The assistance includes, but is not limit to, presenting relevant evidence, participating in the litigation, or presenting testimony in front of appropriate authority. Under no circumstances will we require you to bore any fees arising out of or relating to such legal action shall we decide to purse by ourselves.

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We are seeking Franchisees whose principal owner plans to actively participate in the direct licensing, management, and operation of the franchise business. Additionally, you must employ at least one

designated Manager (if you are a sole proprietor, this will be you, and if you are an entity, this will be a Principal Equity Owner of at least 50% of the franchisees' entity) who has successfully completed our initial training program.

You must disclose the identity of the Manager to us and if for any reason the Manager is no longer acting in this capacity; you must notify us immediately and in writing. The Store Manager cannot have an interest or business relationship with any of our business competitors. The Manager must devote full time during normal business hours to the management, operation, and development of the Franchised Business.

(1) Personal Guaranty

Franchisees, owners, partners, or spouses will not need to be personally liable for any obligation under the Franchise or Area Development Agreements.

(2) Confidentiality

Franchisees, owners, partners, or spouses shall not disclose confidential information, trade secrets, recipes, list of suppliers, operational manual, and training materials to any third party during the term of the Franchise Agreement or within three years after termination or expiry of the Agreement.

(3) Non-Competition

Franchisees, owners, partners, or spouse shall not operate or invest in same or similar business that is competing directly with our brand within the same geographic area for three years in accordance with our practice. Direct competition means that the business is selling tea-based drinks and beverages.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell at your Outlet only MACU® Products and other goods and services that we designate as required for all franchisees or have approved.

We have the right to change and add other authorized goods and services that you will be required to offer. There are no limits on our right to do so except that the additional investment required of you for equipment, supplies, and initial inventory will not exceed \$5,000 per year.

There are no restrictions on the customers to whom you may sell MACU® Products and related products at your Outlet.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Table for Franchise Agreement

	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	5.1	The initial term of the Franchise Agreement is four years.
b.	Renewal or extension of the term	5.2	Under the Franchise Agreement, you can add additional 3-year terms upon written notice delivered to us not less than 90 days before the end of the existing term. However, we are not obligated to renew your Franchise if one or more of the conditions in section 5.2(c) of the Franchise Agreement apply to you.
c.	Requirements for franchisee to renew or extend	5.2	Sign Renewal Agreement (or addendum to existing Franchise Agreement extending its term), remodel your Outlet (if necessary), pay renewal fee of \$20,000, and sign release. The Renewal Agreement you sign at renewal may have materially different terms and conditions than your original Agreement.
d.	Termination by franchisee	13.1(b)	If we are in material breach (beyond any applicable cure periods), you can terminate your Franchise Agreement by giving prior written notice and a ten-day grace period to cure the default.
e.	Termination by franchisor without cause	Not Applicable	Not applicable.
f.	Termination by franchisor with cause	13.1-13.10	We can terminate the Agreement only if you are in material default. The material breach includes purchasing raw materials from unapproved suppliers, making the statement that affects our reputation, or you file bankruptcy, abandoning franchise business, and other situations listed under the Agreement.
g.	“Cause” defined – curable defaults	13.1	You have 10 days after notice to cure defaults under your Franchise Agreement (including defaults under a lease for

			your Outlet) that can be cured.
h.	“Cause” defined – non- curable defaults	13.2	Non-curable defaults: your bankruptcy or insolvency; abandonment of the franchise; you engage in conduct that reflects materially and unfavorably upon the operation or reputation of MACU® or our franchise system; you make material misrepresentations relating to your acquisition of the Franchise or you engage in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the System; you fail, for a period of 10 business days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchise; after curing any default, you engage in the same noncompliance whether or not such noncompliance is corrected after notice; you repeatedly fail to comply with one or more material requirements of the Franchise Agreement, whether or not corrected after notice; the Franchised Business or your Outlet is seized, taken over, or foreclosed by a government official, creditor, lien holder or lessor, or that a final judgment against you remains unsatisfied for 30 days; you are convicted of a felony or any other criminal misconduct that is relevant to the operation of the Franchise; you fail to pay any franchise fees or other amounts due to us or our affiliate within 5 days after receiving written notice that such fees are overdue; we make a reasonable determination that your continued operation of the Franchise will result in an imminent danger to public health or safety; or your financial condition is impaired to the point that it is reasonable to conclude that you will not be able to fully discharge your obligations under this Agreement and that impairment continues for at least 30 days.
i.	Franchisee’s obligations on termination or non- renewal	15.1	Obligations include removal of our Brand and other trademarks, return of all confidential and proprietary information and erasure of all copies of confidential and proprietary information, forwarding of telephone number and payment of amounts due (also see r. in this Table, below).
j.	Assignment of contract by	12.1	No restriction on our right to assign. However, no assignment will be made except to an assignee that in

	franchisor		good faith and judgment of the franchisor is willing and financially able to assume our obligations as franchisor under the Franchise Agreement.
k.	“Transfer” by franchisee – defined	12.2	Includes transfer of contract or assets or ownership change.
l.	Franchisor’s approval of transfer by franchisee	12.2	We have the right to approve all transfers (including transfers of (i) more than 50% of the equity or (ii) controlling interest in a franchisee entity), but we will not unreasonably withhold approval.
m.	Conditions for franchisor approval of transfer	12.2	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you, and current agreement signed by new franchisee (see r. below). Within 30 days after our receipt of all necessary information and documentation required under the Franchise Agreement, or as specified by written agreement between us and you, we will notify you of the approval or disapproval of the proposed transfer of the Franchise by you. This notice will be in writing and delivered to you by business courier.
n.	Franchisor’s right of first refusal to acquire franchisee’s business	12.3, 12.4, 12.5, 12.6	We can match any legitimate offer for your business, but we have no right of first refusal if the transfer is (i) between or among individuals (including their immediate family members) or (ii) to your heirs, personal representatives or conservators in the case of death or legal incapacity of the individual franchisee or Majority Equity Owner or (iii) to an affiliated entity organized for purposes of operating the franchised business and owned in same amount of ownership as prior to such transfer.
o.	Franchisor’s option to purchase franchisee’s business	15.2(d)	Within 30 days after the termination, expiration or non-renewal of the Franchise Agreement, we have the option, but not an obligation, to purchase all or any portion of your reusable inventory, apparel containing the Marks, proprietary equipment, parts, fixtures and furnishings owned and used by you in your franchised operation.
p.	Death or disability of franchisee	12.5	Your interest in the Agreement must be transferred as soon as practicable after the death in accordance with your will, or you die without a will, in accordance with laws of intestacy governing the distribution of your estate.
q.	Non-competition covenants during	11.1, 11.3	You cannot engage in competing business selling goods or offering services like MACU® products or the

	the term of the franchise		franchise business or divert franchise business or customers to any competitor.
r.	Non-competition covenants after the franchise is terminated or expires	11.2, 11.3	No competing business for three years within 25 miles of your Outlet or any other MACU® Outlet (this obligation also applies to you if you assign your franchise).
s.	Modification of the agreement	8.2, 16.12	No modifications generally, but Manual subject to change.
t.	Integration/merger clause	16.12	Only the terms of the franchise agreement are binding (subject to state and federal law). Any representations or promises outside of the disclosure document, Franchise Agreement and Area Development Agreement may not be enforceable. The Section is subject to state law.
u.	Dispute resolution by arbitration or mediation	14.1-14.5	The parties agree in the Franchise Agreement to submit disputes (not including your failure to pay us sums due under the Franchise Agreement, or an act of yours allowing us to immediately terminate the Franchise Agreement) initially to a meeting in person of our executive officers and your Principal Equity Owners at our principal executive office (without our respective legal counsel) within 5 business days after a dispute arises to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. If this meeting does not result in a settlement of the dispute (or the meeting does not take place), within 10 business days after the date the meeting took place (or should have taken place), the parties may submit the dispute to non-binding mediation in California. If a mediation takes place but does not resolve the dispute, or no mediation takes place, the dispute will be resolved by arbitration by and before American Bar Association Or if the parties mutually agree, the dispute may be submitted to arbitration by and before another mutually acceptable arbitration organization. The Sections are subject to state law.
v.	Choice of forum	14.2	Arbitration proceedings must take place in Washington. Any mediation proceeding will take place at a mutually agreed location. Any litigation proceedings will be filed in an appropriate court in Washington. The Sections are subject to state law.

w.	Choice of law	16.13	The Federal Arbitration Act (9 U.S.C. §1 et seq.) governs the arbitration of disputes under the Franchise Agreement. Otherwise, the laws of Washington govern the Franchise Agreement. The Section is subject to state law.
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ITEM 18 PUBLIC FIGURES

We do not currently pay or provide any other benefit to a public figure for the right to use their name to promote the sale of MACU® franchises, but we may do so in the future.

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.

We do not make any representation 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. If your subfranchisee is purchasing an existing outlet, however, we may provide your subfranchisee 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 our President, Hsiu Chuan Chien, Macu International LLC, 800 E Wishkah Street #1008, Aberdeen, WA 98520, telephone 253 900 2316; 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 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	2	+2

Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	0	0	0
	2022	0	0	0
	2023	0	2	+2

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2021 to 2023

State	Year	Number of Transfers
Totals	2021	0
	2022	0
	2023	0

Table No. 3
Status of Franchised Outlets For years 2021 to 2023

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
CA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
WA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Totals	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2

Table No. 4
Status of Company-Owned Outlets For years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
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				Franchisees			
Totals	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

Table No. 5
Projected New Franchised Outlets as of December 31, 2023

State	Franchise Agreements Signed but Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
CA	0	1	0
NY	0	1	0
WA	0	1	0
Totals	0	3	0

Exhibit C lists, as of December 31, 2023, (i) the names, addresses, and telephone numbers of all open and operating MACU® franchise outlets, and (ii) the names, addresses, and telephone numbers of all ~~subfranchisors and~~ franchisees who signed the Franchise Agreements but have not yet opened their MACU® Outlets.

Exhibit D lists, as of December 31, 2023, the contact information of every franchisee that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during our most recently completed fiscal year or that has not communicated with us within the ten weeks ending on 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.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with MACU®. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you. However, we have not signed any agreements with current or former franchisees during the last three fiscal years that included confidentiality clauses.

We have not created, sponsored, or endorsed any trademark-specific franchisee organizations associated with the MACU® franchise being offered. No independent franchisee organizations have asked to be included in this disclosure document.

ITEM 21 FINANCIAL STATEMENTS

Exhibit B to the disclosure document contains our audited financial statements ended December 31, 2023, 2022 and unaudited financial statements from January 1, 2024 to May 31, 2024 (We were organized on January 18, 2022, have not been in business for 3 years or more, and cannot include all financial statements required under the FTC's Franchise Rule). Our fiscal year end is December 31.

ITEM 22 CONTRACTS

Exhibit A - Franchise Agreement

ITEM 23 RECEIPTS

You will find copies of a detachable receipt in **Exhibit H** at the very end of this disclosure document.

FRANCHISE AGREEMENT



MACU INTERNATIONAL LLC

**800 E WISHKAH ST #1008
ABERDEEN, WASHINGTON 98520**

EXHIBIT A

FRANCHISE AGREEMENT

MACU

This Franchise Agreement ("Agreement") is executed on _____, 2022 (the "Effective Date"), by and between MACU INTERNATIONAL LLC, dba "MACU" and _____, with reference to the following terms and conditions.

RECITALS

An entity affiliated with Franchisor (the "Owner of the Marks") owns the **MACU** trademarks, service marks and other intellectual property and all rights in respect thereof the Owner of the Marks has authorized Franchisor to license them to **MACU** franchisees.

Franchisees desires to be franchised and licensed by Franchisor to use Franchisor's "System" (as defined in Article I below), "Marks" (as defined in Article I below) and goodwill to conduct the "Franchised Business" (as defined in Article I below) from a specific "Outlet" (as defined in Article I below and identified in Exhibit 1 attached).

Franchisor is willing to grant Franchisee a "Franchise" (as defined in section 3.1 hereof), in accordance with the provisions of this Agreement and the Confidential Operations Manual.

I. DEFINITIONS

Abandoned. The term "Abandoned" means cessation of operation of the Franchised Business for a period of five consecutive Business Days, without Franchisor's prior written consent. A repeated pattern of inactivity at Franchisee's Outlet for periods of less than five consecutive Business Days may result in the Franchised Business being deemed Abandoned by Franchisee if in Franchisor's judgment such inactivity adversely impacts the Franchised Business. However, the Franchised business will not be deemed Abandoned if the inactivity is due to natural disasters or other matters reasonably beyond Franchisee's control, provided that Franchisee gives Franchisor notice of any such closure within five Business Days after the initial occurrence of the event resulting in such inactivity, and Franchisee acknowledges in writing that such inactivity is due to one of the foregoing causes, and provided further that Franchisee re-establish the Franchised Business and be fully operational within 180 calendar days after the initial occurrence of the event resulting in such inactivity, or such longer period as Franchisor may permit.

Anniversary Year. The term "Anniversary Year" means the 12-month period between the Execution Date of the Agreement and the first anniversary thereof and between each succeeding anniversary.

Assistant Manager. The term "Assistant Manager" means the individual (may be a Principal Equity

Owner) who has been designated by Franchisee as a person who is authorized to assist the “General Manager” (as defined in this Article I) in the day-to-day operation of the Outlet, and who has successfully completed “Initial Training” (as defined in this Article I).

Business Day. The term “Business Day” means any day except any Saturday, any Sunday, any day which is a legal holiday in Taiwan and the United States.

Confidential Information. The term “Confidential Information” means information, know-how, and materials, other than Trade Secrets, that is of value to Franchisor (or other third party, as applicable) and treated as confidential by any of the foregoing and is disclosed or made known or available to Franchisee or its employees or agents. Without limiting the generality of the foregoing, the term Confidential Information includes, without limitation (i) the Confidential Operations Manual, (ii) all technical and non-technical information, including without limitation, information concerning finances, financing and capital raising plans, accounting or marketing, business opportunities, affiliate lists, business plans, forecasts, predictions, projections, recipes, products, research, development, and know-how, (iii) Intellectual Property, the Marks, “MACU Products” (as defined in Article I), insignias, designs, and materials subject to copyright, patent or trademark registration, (iv) any developments, inventions, improvements, additions, modifications, enhancements, derivatives, ideas, reports, analyses, opinions, studies, data or other materials or work product, whether prepared by Franchisor or otherwise, that contain or are based upon Proprietary Information, (v) information regarding customers and potential customers of the Franchised Business, including customer lists, names, needs or desires with respect to the products or services offered, contracts and their contents and parties, the type and quantity of products and services provided or sought to be provided to customers and potential customers of the Franchised Business and other non-public information relating to customers and potential customers, (vi) information regarding any Franchisor’s business partners or affiliates and their services, including names, representatives, proposals, bids, contracts and their contents and parties, the type and quantity of products and services received the discloser, and other non-public information relating to business partners, (vii) information regarding personnel, including compensation and personnel files, and (viii) any other non-public information that a competitor of Franchisor could use to the competitive disadvantage of Franchisor.

Confidential Operations Manual. The term “Confidential Operations Manual” means the manual or manuals (regardless of title) containing the policies and procedures, menus, food preparation techniques and other proprietary requirements to be adhered to by the Franchisee in performing under this Agreement, including all amendments and supplements thereto provided to Franchisee from time to time.

Control. The term “Control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

Force Majeure. The term “Force Majeure” means a natural disaster (such a tornado, earthquake, hurricane, flood fire or other natural catastrophe), strike, lockout or other industrial disturbance, war, terrorist act, riot, or other civil disturbance, epidemic, or other similar force which Franchisee could not by the exercise of reasonable diligence have avoided, provided however, neither an act or failure to act by any federal, central, state, provincial, county, municipal and local governmental and quasi-governmental agency, commission or authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by anylender, landlord, or other person will be a Force Majeure, except to the extent such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise a Force Majeure. To avoid any potential misunderstanding, Franchisee’s financial inability to perform or Franchisee’s insolvency will not be a Force Majeure.

Franchised Business. The term “Franchised Business” means the sale of items from a focused menu featuring MACU Products, as well as other authorized goods and services at the Outlet pursuant to the business methods and procedures set forth by Franchisor for the operation of such a retail business.

General Manager. The term “General Manager” means the individual (may be a Principal Equity Owner) who has been designated by Franchisee as the person responsible for the day-to- day operation of the Outlet, and who has successfully completed “Initial Training” (as defined in this Article I).

Gross Revenue. The term “Gross Revenues” means all revenues, however, generated or received, derived by Franchisee from operating the Franchised Business at or through Franchisee’s Outlet, excluding only applicable sales or use taxes and legitimate refunds, and not modified for uncollected accounts.

Initial Training. The term “Initial Training” means training in the System provided by Franchisor, as described in and required by section 6.1 hereof.

Intellectual Property. The term “Intellectual Property” means intangible property, including “Trade Secrets” (as defined in this Article I), inventions, pictorial, literary, graphic and photographic works of authorship, designs, symbols, and trademarks, domain names, othernames and logos owned by Franchisor and used in the Franchised Business or at the Outlet.

Intellectual Property Rights. The term “Intellectual Property Rights” means all past, present, and future rights of the following types, which may exist or be created under the laws of any jurisdiction in the world: (i) rights associated with works of authorship, including exclusive exploitation, rights, copyrights, moral rights, and mask work rights, (ii) trademark and tradename rights and similar rights, (iii) trade secret rights, (iv) patent and industrial property rights, (v) other proprietary rights in intellectual property of every kind and nature, and (vi) rights in or relating to registrations, renewals, extensions, combinations, divisions, and reissues of, and applications for, any of the rights referred to in clauses (i) through (v) of this sentence.

Marks. The term “Marks” means the proprietary marks that are associated with the System and associated designs in respect of which registrations have been obtained from or applied for with the local intellectual property office, as well as all common law trademarks and service marks, domain names, trade names, logos, insignias, designs and other commercial symbols which Franchisor now or hereafter are authorized to use or authorize others to use to identify the Franchised Business. Franchisor will list in the Confidential Operations Manual a schedule of Marks Franchisee is authorized to use under this Agreement and update this schedule as necessary.

Opening Date. The term “Opening Date” means the day Franchisee opens its Outlet, furnished, inventoried and equipped in accordance with Franchisor’s requirements, and Franchisee begins operating the Franchised Business at this Outlet.

Outlet. The term “Outlet” means a retail food establishment at a location Franchisor consents to, which is dedicated to the operation of the Franchised Business under the Marks and in accordance with the System.

Proprietary Information. The term “Proprietary Information” means, refers to, and includes Trade Secrets and Confidential Information of Franchisor (or if any other third party provided such information to or on behalf of Franchisor). No formal identification of Proprietary Information will be required. Without limiting the generality of the foregoing, Proprietary Information may take the form of documentation, drawings, specifications, software, technical engineering data and other forms, and may be communicated orally, in writing, by electronic means or media, by visual observation and by other means.

Required Inventory. The term “Required Inventory” means the proprietary teas and other proprietary ingredients needed to make “MACU Products” (as defined in this Article I).

MACU Products. The term “MACU Products” means a variety of teas and juice drinks, using proprietary teas, milk teas and juices, tapioca balls, recipes and preparation techniques, freshly prepared and sold to retail customers at the Outlet.

Suggestions. The term “Suggestions” means any new products or services, specifications, suggestions or other feedback made by Franchisee or Principal Equity Owners to modify the System.

System. The term “System” means comprehensive marketing and operational systems prescribed by Franchisor to be used in the conduct of the Franchised Business, as set forth in this Agreement and the Confidential Operations Manual. The System includes: (i) the Marks, (ii) know-how relating to MACU Products, (iii) advertising, marketing and sales programs and techniques, (iv) training programs, and (v) related materials, artwork, graphics, layouts, slogans, names, titles, text and other Intellectual Property Rights that Franchisor makes available to Franchisee. In its sole discretion,

Franchisor may improve or change the System from time to time (including but not limited to adding to, deleting or modifying elements of the System and amending the Confidential Operations Manual) for the intended purpose of making the System more effective, efficient, economical or competitive, adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions, enhancing the reputation or public acceptance of the System, or better serving the public.

Territory. The term “Territory” means the designated and agreed geographic area surrounding Franchisee’s Outlet as outlined in Exhibit 1 attached hereto. The “Territory” further implies that the Franchisee enjoys its exclusive area within _____ miles radius from its outlet. The exclusivity does not prevent the Franchisor from licensing the master franchise in this country or state.

Trade Dress. The term “Trade Dress” means the unique and distinctive layout, design and color schemes relating to the Outlet, and furnishings, menus, the textures, sizes, designs, shapes, and placements of words, graphics, and decorations on products and packing, point of purchase materials, and signs related to MACU Products.

Trade Secret. The term “Trade Secret” means information constituting a trade secret within the meaning of Taiwan Trade Secrets Act, as amended from time to time.

Transfer. The term “Transfer” means a sale, assignment, transfer, conveyance, pledge, mortgage, encumbrance, abandonment, elimination or giving away, voluntarily or involuntarily, by operation of law or otherwise.

II. THE FRANCHISED BUSINESS

2.1 Franchisor’s Business

Franchisor is engaged in the administration, development, operation and licensing of businesses that operate Outlets offering the Franchised Business, using the Marks, operational techniques, service concepts and proprietary information owned or authorized to be used by and identified with Franchisor and its affiliated companies. Franchisor’s activities in general and the System (including proprietary products and services, logos, equipment and operations, designs and layouts for the Outlets, marketing and advertising, specialty retail items and promotional activities) are undertaken to develop, maintain and enhance the Marks and Franchisor’s business reputation.

2.2 The Franchise System

As a result of Franchisor’s expenditure of time, skill, effort and money, Franchisor has developed and supervises the franchise System under the Marks operated in accordance with the provisions of this Agreement and Franchisor’s Confidential Operations Manual, as amended from time to time.

III. GRANT OF FRANCHISE

3.1 Grant of Franchise

(a) By their respective signatures below, Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, a license (“Franchisee”) to participate in and use the System by conducting the Franchised Business at Franchisee’s Outlet within Franchisee’s Territory as described in Exhibit 1 attached hereto, in strict accordance with this Agreement and the Confidential Operations Manual, from the time of commencement of the Franchised Business until the end of the term hereof and any additional term, unless sooner terminated. So long as Franchisee complies with this Agreement, Franchisor will not authorize another **MACU** Franchise to operate, or operate itself, an Outlet in Franchisee’s Territory.

(b) Franchisee acknowledges that Franchisor may have granted and may in the future operate or grant other licenses and franchises for other retail and wholesale food service businesses outside the Territory.

(c) Franchisee acknowledges that the Franchisee will not receive an exclusive territory and may face competition from other franchisees, from outlets that the Franchisor owns, or from other channels of distribution or competitive brands that we control, provided, however, the franchisee is entitled to an option of the right of first refusal if the Franchisor decides to open another Outlet targeting the Territory. In the event that the Franchisor desires to open another Outlet targeting the same type clientele within the Territory, the Franchisor will give the Franchisee a prior written notice of such desire, setting forth in such notice all of the available details of such contemplated store, including without limitation thereto, the updated terms and conditions of such proposed franchise, the identity and address of the proposed franchisee, and the potential location (the “Notice”). The Franchisee will have one (1) month after receipt of such Notice (the “ROFR Deadline”) to exercise in writing its right of first refusal option to purchase the franchise within the Territory. If the Franchisee does not so exercise its right of first refusal option after the ROFR Deadline, such franchise may be sold to the proposed franchisee pursuant to the terms and conditions set forth in such notice.

(d) **FRANCHISEE MAY NOT USE FRANCHISOR’S MARKS, OPERATIONAL TECHNIQUES, SERVICE CONCEPTS OR PROPRIETARY INFORMATION IN CONNECTION WITH ANY BUSINESSES OR SERVICES OTHER THAN THE FRANCHISED BUSINESS AT THE OUTLET WITHOUT FRANCHISOR’S EXPRESS PRIOR WRITTEN PERMISSION.**

3.2 Reserved Rights

(a) Nothing contained herein accords Franchisee any right, title or interest in or to the Marks, System, marketing and operational techniques, service concepts, proprietary information or goodwill or Franchisor or associated with the System, except such rights as may be granted hereunder. **THIS AGREEMENT GRANTS FRANCHISEE ONLY THE RIGHT TO OPERATE THE FRANCHISED BUSINESS AT FRANCHISEE’S OUTLET AND NOWHERE ELSE UNLESS**

FRANCHISOR SPECIFICALLY ALLOWS FRANCHISEE TO OFFER MACU PRODUCTS ELSEWHERE. ALL OTHER RIGHTS ARE RETAINED BY AND RESERVED TO FRANCHISOR.

(b) Franchisor reserves the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to Franchisor, without necessarily granting Franchisee any rights in those systems. Franchisor reserves all rights to market and sell **MACU** Products at venues other than Outlets and through other channels of distribution anywhere, including within Franchisee's Territory.

3.3 Promotion and Development of Franchisee's Outlet

Franchisee must: (i) diligently and effectively promote, market and engage in the Franchised Business at its Outlet, (ii) develop, to the best of its ability, the potential for future Franchised Business within Franchisee's Territory, and (iii) devote and focus a substantial portion of Franchisee's attentions and efforts to such promotion and development.

3.4 Extent of Grant

(a) Franchisee understands and agrees that Franchisee is licensed hereby only for the operation of the Franchised Business at and from Franchisee's Outlet and only within Franchisee's Territory. Franchisee must offer and sell at Franchisee's Outlet and within Franchisee's Territory only **MACU** Products and other goods and services that Franchisee will then be required to offer.

(b) Franchisee may not deliver **MACU** Products (or other products or services ordered from Franchisee's Outlet or otherwise associated with the Marks) outside Franchisee's Territory without Franchisor's prior written consent. If Franchisee does so without Franchisor's consent, it will be a material violation of this Agreement.

(c) Franchisee may not sublicense, sublease, subcontract or enter any management agreement, concession agreement, partnership agreement or joint venture agreement providing for, the right to operate the Franchised Business or to use the System granted pursuant to this Agreement.

3.5 Electronic Execution and Copies

(a) An executed counterpart of this Agreement (or any portion of this Agreement) may be delivered by any of the parties by fax, electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (any such medium is referred to in this section 3.5(a) and the following section 3.5(b) as "electronic"), and such delivery will be effective and binding upon such party, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement.

(b) Franchisee acknowledges and agrees Franchisor may create an electronic record of any or all agreements, correspondence or other communication between Franchisor and Franchisee or involving third parties, and Franchisor may thereafter dispose of or destroy the original of any such document or record. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form and will be maintained in and readable by hardware and software generally available. Notwithstanding any statute, regulation or other rule of law to the contrary, Franchisee agrees any such electronic version of this or any other agreement or correspondence between the parties will have the same legal effect, validity and enforceability as an original of any such document, even if the original of such document has been disposed of or intentionally destroyed.

3.6 Obligations of Entity Franchisee

(a) If Franchisee is an entity, Franchisee must provide Franchisor at the Effective Date with a copy of its organizational document and by-laws, shareholders' agreement, operating agreement or other agreement between the equity owners.

(b) If Franchisee is an entity, any person or entity that at any time after the Effective Date becomes a Principal Equity Owner will automatically acquire all of the obligations of a Principal Equity Owner under this Agreement at the time such person or entity becomes a Principal Equity Owner. Before approving and entering into any transaction that would make any person or entity a Principal Equity Owner, Franchisee must notify such person about the content of this section 3.6(b).

(c) If Franchisee is an entity, Franchisee must place the following legend on all certificates evidencing an equity interest:

“THE TRANSFER OF THE EQUITY IN INTEREST IN THE ENTITY REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A FRANCHISE AGREEMENT DATED _____, 20__, BETWEEN THIS ENTITY AND **MACU CORPORATION. DBA MACU.** REFERENCE IS MADE TO SUCH FRANCHISE AGREEMENT AND THE RESTRICTIVE PROVISIONS CONTAINED HEREIN AND AS MAY BE OTHERWISE SET FORTH IN THE ORGANIZATIONAL DOCUMENTS AND OPERATING AGREEMENTS OF THIS ENTITY.”

IV. FEES AND ON-GOING PAYMENTS BY FRANCHISEE

Unless mandated otherwise under the terms and conditions of the Franchise Agreement, all payments made under this Agreement and other charges due hereunder are exclusive, free and clear of, and without deduction or withholding for, all applicable present or future taxes (including value-added tax or sales taxes), imposts, duties, levies, surcharges, assessments, or other charges of whatever nature now or hereafter imposed by, or according to the laws, statutes, regulation of, any authority,

government or government agency of any jurisdiction or by any political subdivision or taxing authority thereof or therein concerning such payments, the payment of which shall be the sole responsibility of the Franchisee, and the Franchisee agrees to indemnify and hold the Franchisor harmless from any liability therefore.

4.1 Initial Franchise Fee

(a) The “Initial Franchise Fee” (which includes complete initial training and review and consent to the location of the Outlet) for a single franchised Outlet is \$25,000.

(b) The Initial Franchise Fee (and all other payments to Franchisor for goods or services received from Franchisor before Franchisee’s **MACU** location opens for business) is due and payable in full, by cashier’s check or money order or wire transfer to Franchisor’s bank account, on or before execution of the Agreement. **The Initial Franchise Fee is fully earned by Franchisor when paid and not refundable.**

(c) If before Franchisees successful completion of initial training, Franchisor decides, in its sole discretion, that Franchisee should not operate a **MACU** business, or if Franchisee does not obtain Franchisor’s consent to the location of Franchisee’s Outlet within ninety (90) calendar days after the Effective Date (see section 7.2 below) or open the outlet within three hundred and sixty (360) days after execution of the Agreement, Franchisor may cancel this Agreement, without any liability to Franchisor.

4.2 Security Deposit

The Security Deposit is a refundable, noninterest bearing \$10,000 fee. Security Deposit will be returned to the Franchisee upon the expiration or termination of the Franchise Agreement if the Franchisee has not materially breached the Franchise Agreement. Suppose the Franchisee has breached this Agreement, the Confidential Operations Manual, or the Franchisor’s instruction, and fails to correct such breach in the buffer period provided in the Evaluation sheet as provided in Exhibit 2 (the “Evaluation”). In that case, the Franchisor will deduct the applicable fine as listed in the Evaluation accordingly. Franchisee shall reimburse the insufficient Security Deposit within seven (7) days after the deduction. Once the Security Deposit is fully deducted, the Franchisor reserves the right to terminate this Agreement upon providing a 30-calendar day written notice. Suppose the Franchisee chooses to make up the insufficient Security Deposit. Under the circumstances, the Franchisor shall not terminate the Franchise Agreement.

4.3 Service Fee

(a) Beginning on the Opening Date, Franchisee must pay to Franchisor a monthly “Service Fee” of \$2,000, which shall be pre-paid every three (3) months. The Service Fees are payable every three (3) months, and each payment is a prepayment of the following three (3) months of Service Fee. As such, the first payment of the Service Fees is \$2,000 and payable before the opening of the Tea Shop,

and the subsequent payment of the three-month Service Fees is payable within three months following the signing of the Franchise Agreement.

(b) All future Service Fees of \$2,000 are due and payable every ninety (90) calendar days after that, covering the next three-month period. Franchisee shall make the payment on or before tenth (10th) date of January, April, July, and October.

(c) In the event that the outlet's monthly net sales meet or exceed \$50,000, franchisee shall remit to the franchisor a fee amounting to 2% of the outlet's monthly net sales.

4.4 Renewal Fee

On or before execution of the Renewal Agreement, the Franchisee shall pay a \$20,000 renewal fee to the Franchisor.

4.5 Marketing, Advertising and Promotion

(a) Franchisee is not required to pay Franchisor any marketing, advertising, or promotion fees. However, Franchisee is encouraged to spend additional amounts on the local marketing, advertising, and promotion of the Franchisee's Outlet using marketing and promotional materials pre-approved in the Confidential Operations Manual or otherwise authorized or approved by Franchisor.

(b) On a regional or system-wide basis, Franchisor may impose an assessment upon affected franchisees for specially designated advertising or promotional activities. If Franchisor has a marketing campaign, Franchisee will use commercially reasonable effort to cooperate fully with the marketing campaign.

(c) Franchisee must fully participate with any gift card, customer loyalty, referral, and other contests and promotions Franchisor arranges for, requires, or authorizes **MACU** franchisees to participate in details regarding such contests and promotions will be outlined in the Confidential Operations Manual.

(d) With respect to regional, national, or system-wide advertising, Franchisor determines the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location, and other matters relating to such advertising.

(e) Franchisee may perform independent marketing activities or projects within its territory; however, Franchisee is obligated to notify Franchisor thirty (30) days before the promulgation of marketing activities or projects.

(f) Franchisee shall submit all promotional and advertising content for Franchisor's review. The content includes all materials used in fan clubs, delivery platforms, webpages, and media

exposure. Franchisee shall bear the cost of all promotional and advertising activities and projects.

(g) Franchisor is the sole proprietor of all derivative goods and products relating to promotional and advertising materials. Franchisee shall not make, produce, or manufacture the goods and products without first obtaining Franchisor's prior written consent.

4.6 Electronic Funds Transfer

Franchisor requires payment for Required Inventory and of Service Fees by electronic funds transfer ("EFT") through the Automated Clearing House ("ACH") electronic network for financial transactions (or such other automatic payment mechanism Franchisor may designate) directly from Franchisee's account into Franchisor's operating account. Franchisee must execute or re-execute and deliver to Franchisor bank-required pre-authorized check forms and other instruments or drafts to enable Franchisor to draw directly from Franchisee's bank account all fees payable under the terms of this Agreement. Franchisee must also, in addition to those terms and conditions set forth in the Confidential Operations Manual, maintain a single bank account for such payments (with overdraft protection from Franchisee's operating account) and must maintain such minimum balance in such account as Franchisor may reasonably specify from time to time. Franchisee must not alter or close such account except upon Franchisor's prior written approval. Any failure of Franchisee to implement such EFT system in strict accordance with Franchisor's instructions will constitute a material default of this Agreement.

4.7 Fees Fully Earned, No Setoffs

All payments made by Franchisee to Franchisor pursuant to Article IV are fully earned and non-refundable when paid. All payments to be made by Franchisee to Franchisor will be made without setoff, deduction, defense, counterclaim or claims in recoupment.

4.8 Late Fee, Interest on Delinquent Payments

Any payments for Required Inventory or Service Fees and any other fee required under this Agreement not received by Franchisor when due will be a material breach of this Agreement and will be subject to a late charge of zero-point one percent (0.1%) of the amount past due. In connection therewith, Franchisor and Franchisee agree that the late charge is reasonable and good faith estimate by Franchisor and Franchisee of such costs because (i) as a result of any such late payment, Franchisor will incur certain costs and expenses including, but without limitation, administrative costs, collection costs, loss of interest, and other direct and indirect costs in an uncertain amount, and (ii) it would be impractical or extremely difficult to fix the exact amount of such costs in such event.

4.9 No Accord or Satisfaction

If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount provided for under this Agreement for any payment due hereunder, such payment or receipt will be applied against the earliest amount due Franchisor. Franchisor may accept any check or payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement of any check or payment or in any letter accompanying any check or payment or elsewhere will constitute or be construed as an accord or satisfaction.

4.10 Adjustments

Any stated dollar amount in this Agreement may be adjusted in Franchisor's discretion based on changes in the applicable consumer pricing index since the Effective Date.

4.11 Taxes and Payment Conditions

(a) The Franchisee shall bear the remittance fee collected by the bank or other financial institutions. All the payment under the Agreements is in U.S. dollars.

(b) The Franchisee shall pay the franchise fee, the security deposit, and the Know-How fee on or before execution of the Agreement.

(c) Withholding taxes, goods and service taxes, charges, or any other payment required by law in terms of all payment payable to Franchisor under this Agreement, including but not limited to, Initial Franchise Fee and Service Fee, which are net of such taxes and charges, shall be the sole responsibility of Franchisee.

(d) Franchisee shall bear all costs of remittance and other fees charged by financial institutions. Franchisee shall remit all the fees mandated under the Agreement from Franchisee's Account. If Franchisee is an organization or entity, it shall remit the fees from the organization or entity's bank account.

(e) Franchisor reserves the right to adjust the Franchisee's purchase of required raw materials, equipment, and supply. Franchisor may notify Franchisee in advance if the international currency exchange fluctuates more than three percent (3%) within three (3) months.

4.12 Design Fees

(a) Franchisor shall provide Franchisee with floor, three-dimensional, and construction plans in Mandarin for the outlet. If Franchisee changes the outlet's location after Franchisor initiates the Design, Franchisee shall bear the additional cost of Design.

(b) Franchisee shall bear the Design cost of \$3/ft². The Design includes the outlet's whole area, including the kitchen and toilet. Franchisee shall make the payment before Franchisor initiates the Design.

4.13 Know-How

In return for the receiving the know-how, techniques, and necessary skills to run the MACU franchise business, Franchisee shall pay to Franchisor a non-refundable fee for Know-How of \$15,000 on or before the execution of the Agreement.

V. INITIAL TERM AND RENEWAL TERMS

5.1 Initial Term

(a) The initial term of this Agreement (applicable solely to the Outlet franchised hereunder) commences on the Effective Date and expires on the fourth anniversary of the Effective Date, unless sooner terminated pursuant to the provisions of this Agreement.

(b) The Franchisee may receive an extension of the initial term for up to six (6) months if the local business situations disable the Franchisee to open the Outlet soon after the execution of the Agreement. Under the circumstances, the Franchisee shall enter into another agreement to specify the exact extension term.

5.2 Renewal Terms

(a) Upon written notice delivered to Franchisor not less than ninety (90) calendar days before the end of the existing term hereof, Franchisee may renew its rights granted under this Agreement for additional four-year terms commencing on the expiration date of the previous term, subject to the provisions of sections 5.2(b) through 5.2(g) below.

(b) At the time of renewal, Franchisee must (i) then be solvent (which means that Franchisee can pay its debts as and when promised by Franchisee and that Franchisee has assets that are greater than its debts), (ii) not have abandoned the Outlet, (iii) not be operating the Franchise in a manner that endangers public health or safety or materially harms the **MACU** brand or reputation, and (iv) not have knowingly submitted false or incomplete reports to Franchisor during the Initial Term.

(c) Notwithstanding section 5.2(a) above, Franchisor is not obligated to renew Franchisee's rights granted under this Agreement for an additional term if one or more of the following applies or occurs:

(i) Franchisee gives Franchisor written notice of Franchisee's intention not to renew this

Agreement at least ninety (90) calendar days before the expiration of the initial term or any successor term;

(ii) Termination of this Agreement would be permitted pursuant to sections 13.1 or 13.2 hereof;

(iii) Franchisee and Franchisor agree not to renew the Franchise;

(iv) Franchisor withdraws from distributing Franchisor's products or services through Franchises in the geographic market served by Franchisee, provided that:

(A) Upon the expiration of the Franchise, Franchisor agrees not to seek to enforce any covenant of the non-renewed franchisee not to compete with Franchisor or its franchisees; and

(B) The failure to renew is not for the purpose of converting the business conducted by Franchisee pursuant to this Agreement to operation by Franchisor's employees or agents for Franchisor's own account.

(v) At the time of renewal, Franchisee or any Principal Equity Owner has been convicted of a felony or crime involving moral turpitude, consumer fraud or any other offense that is reasonably likely, in Franchisor's reasonable judgment, to have materially adverse effect on the Marks, the System or the goodwill associated with the Marks or System.

(d) As a condition to renewing Franchisee's rights, duties, and obligations hereunder, Franchisor will require Franchisee to sign either: (i) Franchisor's then-current standard Franchise Agreement not later than thirty (30) calendar days before the end of the term that is expiring; or (ii) an addendum to this Agreement extending its terms for an additional three-year term ("Renewal Franchise Agreement"). **IN ADDITION TO NOT GRANTING ANY ADDITIONAL RIGHTS BEYOND THOSE GRANTED IN THIS AGREEMENT, THE RENEWAL FRANCHISE AGREEMENT MAY CONTAIN OTHER TERMS THAT ARE SUBSTANTIALLY DIFFERENT FROM THOSE IN THIS AGREEMENT.** The Renewal Franchise Agreement, when executed, will supersede this Agreement.

(e) At the time of renewal, Franchisee must have satisfied all monetary obligations owed by Franchisee to Franchisor and Franchisor's affiliates and all other material obligations under this Agreement, and Franchisor may examine Franchisee's books and records to verify compliance with this requirement anytime during regular business hours within 60 calendar day of Franchisee's renewal date.

(f) Before or not later than 90 calendar days after Franchisee executes of Renewal Franchise Agreement for an additional term, Franchisor may require Franchisee to update the Trade Dress used

at Franchisee's Outlet. Such updates will be contained in the Confidential Operations Manual or otherwise provided to Franchisee in writing. It may require Franchisee to install new color schemes, logos, signage, or other visual elements to accommodate new **MACU** Products, if any. Franchisee must also bring Franchisee's Outlet and equipment materials and supplies into compliance with the standards then applicable to new **MACU** franchises.

(g) Upon signing the Renewal Franchise Agreement, Franchisee is obligated to pay a \$20,000 Renewal Fee.

(h) If any of the parties to the Agreement decides not to renew the franchise relationship, Franchisee shall sell the outlet to Franchisor at a reasonable and fair market price. Suppose both Parties cannot agree on the terms and conditions of the transaction. In that case, Franchisee shall terminate and cease the outlet operation and remove all the MACU signboards and advertisements accordingly.

5.3 Month to Month Extension, Longer Notice of Expiration Required by Law

(a) At Franchisor's option, to be exercised in Franchisor's sole and absolute discretion, if the renewal procedures described in section 5.2 above have not been completed, or in lieu of formal renewal of the Franchise, Franchisor may extend this Agreement on a month-to-month basis by notifying Franchisee. Said month-to-month extension will continue until Franchisor gives Franchisee at least a 30-day notice that the Franchise rights must be formally renewed in accordance with section 5.2, or the Agreement will expire and be terminated.

(b) If applicable law requires Franchisor to give a longer period of notice to Franchisee, then herein provided prior to the expiration of the initial term or successor term, Franchisor will give such additional required notice. If Franchisor does not give such required additional notice, this Agreement will remain in effect on a month-to-month basis only until Franchisee has received such required additional notice.

VI. TRAINING AND ASSISTANCE

6.1 First Stage Training

(a) Franchisee shall dispatch up to three (3) trainees to Franchisor's place (located in Taiwan) to receive a twenty-one (21) day training. The twenty-one (21) day training includes six (6) days off.

(b) Franchisee shall communicate with Franchisor thirty (30) days before training to facilitate and ascertain details of the training program. Franchisee shall bear the cost of the trainees' accommodation, transportation, and meals.

(c) At the end of the First Stage Training, the trainees shall receive a training evaluation. If the one or more of the trainees fail the evaluation, the First Stage Training shall extend additional five (5) days. Franchisee shall bear the cost of \$1,000 for the additional training. If the trainees fail the training evaluation again after the additional five (5) day training, they shall retake the training until passing the evaluation.

6.2 Second Stage Training

(a) Before the first day of trial operation and during an outlet's initial opening, Franchisor shall dispatch two (2) trainers to the Franchisee's outlet and perform on-site training for fourteen (14) days. The fourteen (14) day training includes four (4) days off. The Second Stage Training starts from the first date Franchisor's trainers leave Taiwan.

(b) Franchisee shall provide the trainers with accommodation of four-star hotels, transportation, and meals.

(c) If the Franchisee requests the trainers to provide additional training, each extension shall be fourteen (14) days, and Franchisee shall bear the cost of \$2,800 for each trainer. The extension of Second Stage Training includes four (4) days off.

6.3 Optional Training

During the franchise term, Franchisee may request Franchisor provide the Optional Training, which will consist of a fourteen (14) day training course. The Optional Training includes four (4) days off. Franchisee shall bear the cost of \$3,500 for each trainer. Franchisee shall provide the trainers with accommodation of four-star hotels, transportation, and meals.

6.4 Periodic Training

(a) Franchisor may request Franchisee receive the five (5) days Periodic Training depending on actual operation situation. The Period Training could occur at Franchisor's office or a local outlet.

(b) Franchisee shall bear the cost of the trainees' accommodation, transportation, and meals if the Periodic Training takes place at the Franchisor's Office. Franchisee shall pay the cost of the trainers' accommodation, transportation, and meals if the Periodic Training takes place at the Franchisee's outlet.

VII. OPENING OF OUTLET AND FRANCHISED BUSINESS

7.1 Franchisee's Outlet

The Franchised Business may only be operated from Franchisee's Outlet. If Franchisee's Outlet has not been identified when Franchisee signs this Agreement, the exact location of Franchisee's Outlet will be inserted into a restated Exhibit 1 attached to this Agreement as soon as its location has been determined. In order to promote the orderly and timely service of **MACU** customers, Franchisee may not cater or deliver **MACU** Products outside Franchisee's Territory without Franchisor prior written consent.

7.2 Building Out Franchisee's Outlet

(a) Premises acceptable to Franchisor where Franchisee's Outlet will be operated should be located and secured by Franchisee and reviewed and consented to by Franchisor within ninety (90) calendar days after the Effective Date. Within five (5) Business Days thereafter, Franchisor will renew and either consent to or disapprove the location (and if Franchisor disapproves, Franchisee must promptly propose an alternative location). If Franchisee has not located a site for Franchisee's Outlet that is acceptable to Franchisor within one hundred and eighty (180) calendar days after the Effective Date and configure and equip an Outlet (and commence operation of the Franchised Business there) within three hundred and sixty (360) calendar days after the Effective Date, Franchisor may cancel this Agreement on the basis of Franchisee's failing to find an acceptable site, and please note that the Initial Franchise Fee is not refundable.

(b) Franchisor does not assist Franchisee in the site selection process and franchisee has the sole responsibility for locating, securing, and obtaining suitable premises for Franchisee's Outlet. However, Franchisor reserves the sole right of final review and consent to any location of the Outlet. **Franchisor's final review and consent to the location of the Franchisee's Outlet is not a guarantee that a MACU business can be successfully operated there or anywhere else.**

(c) Franchisor has the right to regularly inspect Franchisee's Outlet and any other site where Franchisee conducts the Franchised Business. Franchisee must provide the Franchisor's with proof of all applicable licenses and permits at least 30 calendar days prior the opening of the Outlet.

7.3 Initial Inventory, Additional Inventory, Fixtures and Equipment

(a) Within the time frames that Franchisor specifies before the Opening Date, Franchisee shall order from (and if necessary to pre-pay to) Franchisor's affiliates, or other designated or approved suppliers, (i) the "Initial Required Inventory" and other supplies and accessories necessary for Franchisee to provide **MACU** Products to Franchisee's customers, (ii) number of pieces of required fixtures and equipment, and (iii) other proprietary supplies, items and accessories as specified in the Confidential Operations Manual, with delivery scheduled for not later than two weeks before the Opening Date. After that, Franchisee must buy a replacement or additional Required Inventory ("Additional Required Inventory"), fixtures, equipment, accessories, and other authorized items only from Franchisor's affiliates or other designated or approved suppliers. The term "Initial Required Inventory" means at least \$ _____ worth of proprietary supplies, items, and accessories necessary

to provide **MACU** Products to Franchisee's customers as specified in the Confidential Operations Manual for the first year after the Opening Date. The term "Additional Required Inventory" means at least \$_____ worth of proprietary supplies, items, and accessories necessary to provide **MACU** Products to Franchisee's customers as specified in the Confidential Operations Manual for every additional year after the Opening Date. Franchisor shall deliver the Initial Inventory and Additional Required Inventory only after Franchisor receives payment from Franchisee, and Franchisor has provided written confirmation to Franchisee (FOB shipping method under Incoterms shall be adopted).

(b) Franchisee must also purchase apparel containing the Marks, other materials comprising the Marks, and any other signs having the Marks from Franchisor's affiliates or other designated or approved suppliers, with delivery scheduled for not later than two weeks before the opening date. Franchisee may not use an unauthorized supplier for the apparel or print Marks on unauthorized apparel.

(c) Franchisee shall purchase paper goods, services, packaging, forms, other products, and supplies that constitute Franchisee's complete initial inventory from reputable suppliers. The delivery schedule shall not be later than two weeks before the Opening Date.

(d) Franchisor and its affiliated entities reserve the right to derive and receive revenues, rebates, or other material consideration due to the Franchisee's necessary purchases. The Franchisor may retain or use such revenues, rebates, or material consideration as it deems appropriate.

7.4 Marketing and Advertising Boundaries

Franchisee may not directly promote, advertise or otherwise market the Franchised Business outside the boundaries of the Territory or other advertising boundary that Franchisor designates, except with Franchisor's prior written consent. The marketing and advertising boundaries are determined by Franchisor and may be changed by Franchisor or overlap with territories of other franchised Outlets as market conditions or type of media warrant, all in Franchisor's sole discretion. Such marketing and advertising boundaries may exceed the Territory provided herein, in Franchisor's sole discretion.

7.5 Shipment Term-Free on Board

(a) The shipping term of ingredients, raw materials, equipment, and supply is Free on Board ("FOB") at Franchisor's designated port. FOB means that Franchisor shall be liable for the cost of transportation to any port in Taiwan. Franchisee shall be responsible for insurance and transportation fee of the goods once the goods are delivered to freight carriers.

(b) Franchisor shall deliver Franchisee's order within forty-five (45) working days after receiving seventy percent (70%) of payment. Franchisee shall pay the remaining thirty percent (30%) to Franchisor when the order arrives at Port of Loading.

(c) Franchisee shall place orders only on the 15th or 30th date of each month under Taiwan's date.

(d) The forty-five (45) working days requirement under Section 4.7(b) is subject to adjustment owing to unforeseeable situations. Unforeseeable situations mean natural disasters, strikes, lockouts, or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which Franchisor could not by the exercise of reasonable diligence have avoided. However, that neither an act nor failure to act by any federal, state, county, municipal and local governmental and quasi-governmental agency, commission or authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisor by any lender, landlord, or other people will be the unforeseeable situations.

7.6 Safety of Ingredients and Materials

(a) Franchisor shall provide relevant information for raw materials, and Franchisee shall understand the requirement to import raw materials and give Franchisor prior written notice before placing orders. Suppose the local rules and regulations prevent Franchisor from exporting certain raw materials and Franchisee fails to inform or disclose such information to Franchisor. In that case, Franchisee shall bear the cost relating to importing, custom clearance, and destroying illegal goods and raw materials.

(b) Franchisee shall give Franchisor written notice within fourteen (14) days after clearing the customs concerning the safety of ingredients and raw materials. If the franchisee does not raise any concerns regarding defects in the raw materials and supplies within fourteen (14) days after clearing the customs, the franchisee shall be deemed to have accepted the raw materials and supplies as is and shall waive the right to claim or assert any defects thereafter.

VIII. OPERATION OF FRANCHISED BUSINESS

8.1 Operational Requirements

(a) The General Manager must ensure that Franchisee fulfills its obligations to the Franchisee's customers in a timely and professional manner and he or she may not engage in any other business requiring his or her active participation during normal business hours. The Assistant Manager will assist the General Manager as directed in managing and operating the Outlet. If neither the General Manager nor the Assistant Manager is a Principal Equity Owner, at least one Principal Equity Owner must directly oversee or participate personally in the operation of the Outlet.

(b) Franchisee understands and agrees that the maintenance of the quality of **MACU** Products offered by each **MACU** Franchise is of primary importance to Franchisor in order to properly promote

and protect the public image of these goods and services, and to protect the Marks under which **MACU** franchisees are licensed to operate. Franchisee therefore agrees to provide at its Outlet only **MACU** Products that are properly prepared in accordance with Franchisor's confidential recipes and procedures. Franchisee must sell to customers at Franchisee's Outlet only **MACU** Products and other food and beverages specified in Franchisor's then authorized menu, and related products and accessories supplied by designated vendors and approved suppliers for resale by Franchisee at Franchisee's Outlet in accordance with this Agreement and the Confidential Operations Manual (as amended from time to time by Franchisor). Franchisee must only operate the Franchised Business at Franchisee's Outlet, in strict accordance with the procedures set forth in the Confidential Operations Manual or otherwise provided to Franchisee by Franchisor in writing. Franchisee must at all times maintain an adequate level of supplies and required inventory in order to properly operate Franchisee's Outlet. Franchisee must use the standard signs and formats that Franchisor prescribes in operating the Outlet and conducting the Franchised Business.

(c) To protect and maintain the integrity, reputation and goodwill of the System and the Marks, Franchisor requires that Franchisee comply with the methodology Franchisor prescribes in providing **MACU** Products to customers. To enhance uniformity in the delivery of goods and services to retail customers by Franchisor's franchises and the strength of Franchisor's Marks in inter-brand competition, and subject to applicable antitrust laws, Franchisor may recommend retail prices for specific **MACU** Products and other products and services Franchisor authorize for sale at Franchisee's Outlet. If Franchisor does so, Franchisee may not advertise or promote (whether by telephone, printed materials or any other media, including, without limitation, social media) retail prices that are inconsistent with these recommended prices.

(d) Franchisee's Outlet must be open during normal business hours that apply to the premises where the Outlet is located. The obligation to remain open will not apply if Franchisee is subjected to an event of Force Majeure.

(e) Franchisee must promptly satisfy any bona fide indebtedness that Franchisee incurs in operating the Franchised Business. Contractors, subcontractors, vendors and suppliers providing services to the Franchised Business must be paid in accordance with the terms of their agreements with Franchisee.

(f) Franchisee must comply with all health, administrative and governmental regulations relating to the storage, sale and shipment of **MACU** Products. Franchisee must notify Franchisor in writing within 10 calendar days after Franchisee receives actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other governmental authority that pertains to the Franchised Business or that may adversely affect Franchisee's operation at the Outlet or Franchisee's ability to meet its obligations hereunder.

(g) Upon the occurrence of any event that occurs at the Outlet or in the Territory that has caused

or may cause harm or injury to customers or employees, or that may damage the System, Marks, or image or reputation of the Franchised Business or Franchisor or its affiliates, Franchisee must immediately inform Franchisor's designated contact person as instructed in the Confidential Operations Manual by telephone, e-mail, text or other electronic messaging medium authorized by Franchisor for this purpose. Franchisee must cooperate fully with Franchisor with respect to the Franchisor's response to an incident described in section 8.1(g).

(h) If there is any bona fide dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity of that amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, Franchisee may not permit a tax sale or seizure by levy or similar writ or warrant, or attachment by a creditor against the premises of the Outlet or any of its improvements.

(i) Franchisee may not engage in any co-branding in the Outlet or otherwise in connection with the Franchised Business except with Franchisor's prior written consent. Franchisor is not required to approve any co-branding chain or arrangement except in Franchisor's discretion, and only if Franchisor recognizes that co-branding chain as an approved co-brand for operation within the System. "Co-branding" includes the operation of an independent business, product line or operating system owned or licensed by another entity (not Franchisor) that is featured or incorporated within Franchisee's Outlet or the Franchised Business Franchisee operate in Franchisee's Territory or is adjacent to Franchisee's Outlet and operated in a manner which is likely to cause the public to perceive it to be related to the Outlet and Franchised Business licensed to Franchisee hereunder.

8.2 Confidential Operations Manual

(a) Franchisee must operate the Franchised Business in accordance with the Confidential Operations Manual, a copy of which will be provided to Franchisee. To the extent that the Confidential Operations Manual is furnished in a printed "hard" copy rather than electronically, Franchisee will only grant authorized personnel access to the Confidential Operations Manual and take adequate precautions to ensure that the Confidential Operations Manual is kept in a locked receptacle at the Outlet when not in use by authorized personnel. To the extent that the Confidential Operations Manual is furnished electronically or in an equivalent format, Franchisee will only share the access password with authorized personnel. Franchisee will promptly notify Franchisor if any part of the Confidential Operations Manual that is maintained in a tangible media is lost or destroyed for any reason.

(b) Franchisee must keep the Confidential Operations Manual confidential and current, and the master copy of Confidential Operations Manual maintained by Franchisor at its principal office will control in the event of a conflict related to the contents of the Confidential Operations Manual. Franchisor has the right to modify the Confidential Operations manual at any time by the addition, deletion or other modification of the provisions thereof. All such additions, deletions or modifications are effective on the next Business Day after the digital copy maintain on Franchisor's website is

changed.

(c) All additions, deletions or modifications to the Confidential Operations Manual are equally applicable to all similarly situated **MACU** franchisees. As modified by Franchisor from time to time, the Confidential Operations Manual will be deemed to be an integral part of this Agreement and references to the Confidential Operations Manual made in this Agreement, or in any amendments or exhibits hereto, are deemed to mean the Confidential Operations Manual. However, the Confidential Operations Manual, as modified or amended by Franchisor from time to time, will not alter Franchisee's fundamental status and rights under this Agreement. If there is any discrepancy or dispute about the version of the Confidential Operations Manual that Franchisee may have printed and maintained, the master copy of the Confidential Operations Manual that Franchisor maintains at its headquarters and available on Franchisor's website will be the controlling version and will supersede all prior versions.

(d) If Franchisee loses printed portions of, or allows unauthorized access to or duplication of, the Confidential Operations Manual or any other confidential manuals or proprietary materials loaned to Franchisee by Franchisor, Franchisee pay to Franchisor \$1,000 for a replacement Confidential Operations Manual within 30 calendar days of demand, and Franchisee will be deemed to be in material breach of this Agreement and all other agreements Franchisee has with Franchisor and its affiliated entities.

(e) Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee must immediately return to Franchisor any printed portions of the Confidential Operations Manual then in Franchisee's possession. Except as specifically permitted by Franchisor, at no time may Franchisee, or Franchisee's employees or agents, (i) make, or cause to be made, any copies or reproductions of all or any portion of the Confidential Operations Manual, (ii) give online access to the Confidential Operations Manual to unauthorized persons, or (iii) disclose any part of the Confidential Operations Manual to any other person except Franchisee's authorized employees and agents when required in the operation of the Franchised Business. Franchisee must also permanently erase anything relating to Franchisor's Trade Secrets or other Proprietary Information from any computers and other media storage devices Franchisee retains after expiration, cancellation or termination of this Agreement.

8.3 Menu and Standards of Operation

(a) A standard menu format is required by Franchisor and must be used by Franchisee. Any changes, additions or deletions in the menu format to be used at the Outlet must be approved in writing by Franchisor prior to its use by Franchisee. Franchisee agrees to indemnify and hold Franchisor and Franchisor's affiliated entities, equity owners, managers, officers, employees and agents harmless from and against any and all loss, damage, cost or expense, including reasonable attorney's fees, resulting from any change Franchisee makes in the standard menu or for any deviation of Franchisee's products from the descriptions contained in Franchisor's approved menu. Franchisor

may change the standard menu format at any time and from time to time.

(b) Franchisor is entitled to prescribe standard uniforms and attire for all Franchisee's **MACU** personnel in order to enhance the customer experience at the Outlet and to protect Franchisor's reputation for quality service. Franchisee is required to obtain such uniforms and attire only from an e-store set up by Franchisor's affiliates or from other approved manufacturers or distributors.

(c) Franchisee agrees that Franchisor, Franchisee and everyone else involved in the System benefits from the maintenance of the highest standards of uniformity, quality, similar appearance and prominent display of the Marks at Franchisee's Outlet and elsewhere in Franchisee's Territory. Therefore, Franchisee agrees to maintain the uniform standards of quality, appearance and display of the Marks in strict accordance with this Agreement, the architectural plans and the Confidential Operations Manual as it may be revised from time to time, and as Franchisor may otherwise direct in writing. In order that Franchisor may establish and maintain an effective network of franchisees, Franchisee specifically agrees it will not display the Marks except in the manner Franchisor authorizes.

8.4 Point of Sale System

(a) Franchisee is required to use and maintain the specific computerized point of sale cash collection system and integrated business computer ("POS System") that Franchisor's authorized supplier provides. Franchisee must authorize Franchisor to have unlimited access to the POS System and review Franchisee's records. Franchisor may also require that Franchisee acquire and use a suitable computer system to manage and record its sales and operations.

(b) Franchisee shall submit a report relating to the operation, sales, cups, and customer numbers to Franchisor on the tenth (10th) date of every month. Franchisee shall bear all costs of installation, maintenance, and updating the POS System.

8.5 Maintenance of and Refurbishments to the Outlet

(a) Franchisor requires that Franchisee maintain, and from time to time refurbish, the Outlet to conform to the then-current Trade Dress and color schemes applicable for an Outlet. Such maintenance and refurbishment may require expenditures by Franchisee on, among other things, structural changes, installing new equipment, remodeling, redecoration and modifications to existing improvements and such modifications as may be necessary to comply with System-wide standards then in effect for Outlets, or to accommodate new **MACU** Products. In this regard the following requirements are applicable:

(i) Franchisee must maintain all equipment and furnishings used at the Outlet in good working order and make repairs or perform maintenance on an as needed basis and Franchisee must immediately and completely resolve to Franchisor's satisfaction any maintenance

deficiencies Franchisor identifies.

(ii) Franchisee must make any and all upgrades to equipment and any technology used in Franchisee's Outlet that Franchisor may require.

(iii) Franchisor may periodically require Franchisee to update the Trade Dress used at Franchisee's Outlet. Such updates will be contained in the Confidential Operations Manual or otherwise provided to Franchisee in writing. Such updates may require Franchisee to install new color schemes, logos, signage or other visual elements. Franchisor anticipates that such Trade Dress updates will be required no more frequently than once every four (4) years.

(b) Franchisor will only require the types of modifications and expenditures described herein where there is good cause. In this context, "good cause" means that Franchisor make a good faith determination that Franchisee's Outlet is substantially inconsistent with prevailing System-wide standards (for example, either in terms of the Trade Dress, the overall condition of the Outlet, or the type, quality or condition of the equipment needed to adequately prepare, promote and sell **MACU** Products) and that, as a result of its appearance or condition, Franchisee's Outlet is either (i) not adequately positioned to promote and sell **MACU** Products as then required or (ii) damaging the integrity of the **MACU** image, brand and/or Marks.

8.6 Relocation of Franchisee's Outlet

(a) If Franchisee desires to relocate the Outlet, Franchisee may do so provided that not less than 90 calendar days prior to the desired date of relocation (unless prior notice is impractical because of a required relocation in which event notice must be given as soon as possible), Franchisee makes a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location.

(b) Within 20 Business Days after receiving Franchisee's request, Franchisor will either approve or disapprove in writing such closure or relocation in Franchisor's reasonable discretion. In the event of disapproval of a proposed relocation, Franchisee may request an alternative proposed new location pursuant to the provisions of this section 8.6.

8.7 Record Keeping and Reporting Requirements

(a) Franchisee agrees to track, account for and report if and when requested by Franchisor on the financial performance of the Franchised Business.

(b) All financial or statistical information Franchisee provides to Franchisor must be accurate and correct in all material respects.

(c) Franchisor has the right to use any financial or statistical information that Franchisee

provides Franchisor, as Franchisor deems appropriate. Franchisor will not identify Franchisee, Franchisee's Outlet or Franchisee's Territory as the source of the information, and will not disclose any of this information except (i) with Franchisee's written consent, (ii) as required by law or compulsory order or (iii) in connection with audits or collections under this Agreement.

(d) Franchisee must maintain and preserve all books, records and accounts of or relating to the Franchised Business for at least five years after the close of the fiscal year to which the books records and accounts relate.

8.8 Signs and Display Materials

All signs, display materials and other materials containing the Marks must be in full compliance with specifications provided in, and in conformity with, the Confidential Operations Manual. Franchisor will designate or approve the suppliers of such signs, display materials and other materials containing the Marks in accordance with Confidential Operations Manual guidelines.

8.9 Telephone Numbers

At its sole expense, Franchisee must list the telephone number for Franchisee's Outlet in accordance with procedures prescribed by the Confidential Operations Manual or Google listing to ensure that the Outlet is searchable. The Franchisor may use or publicize such contact information for its own internal or compliance purpose. At the time of termination or expiration of this Agreement, for any reason, Franchisee must transfer the telephone number for Franchisee's Outlet to Franchisor or cancel them and de-list them from any applicable telephone directory or other telephone number listing service.

8.10 Insurance

(a) Franchisee must have an effect on the Opening Date and maintain during the term of this Agreement comprehensive general liability insurance in the minimum total amount of two million U.S. dollars (\$2,000,000) limit for each occurrence and other insurance that is legally required or reasonably prudent for Franchisee to operate Franchisee's business (for example, worker's compensation insurance). Policy coverage requirements and limitations and other terms relating to insurance may be set forth in the Confidential Operations Manual. Any policies of insurance that Franchisee maintains must contain a separate endorsement naming Franchisor and the Owners of the Marks (and Franchisor's other affiliated companies identified by Franchisor in writing), and their respective shareholders, members, managers, directors, officers, employees, and agents as additional insureds to the full extent of coverage provided under the insurance policies. Franchisee's insurance coverage will be primary as respects Franchisor, the Owner of the Marks, and other affiliated companies identified by Franchisor in writing, and their respective shareholders, members, managers, directors, officers, employees, and agents. Any insurance or self-insurance maintained by Franchisor, the Owner of the Marks, and other affiliated companies identified by Franchisor in

writing, and their respective shareholders, members, managers, directors, officers, employees, and agents will be excess of Franchisee's insurance and will not contribute with it. Franchisee must provide Franchisor a copy of the policy and endorsement upon issuance and upon each renewal. Franchisee hereby grants Franchisor a waiver of any right of subrogation, which any insurer of Franchisee may acquire against Franchisor by virtue of payment of any loss under such insurance. This provision applies regardless of whether Franchisor has received a waiver of subrogation endorsement from the insurer. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A-VII or better and authorized to do business in the state where the Franchisee's Outlet is located, unless otherwise approved in writing by Franchisor.

(b) Within 30 calendar days after the Opening Date and within 30 calendar days after each succeeding anniversary of the Opening Date, Franchisee must deliver to Franchisor a certificate evidencing such insurance is in full force and effect. Such insurance certificate must contain a statement to the effect the certificate cannot be cancelled without 30 calendar days (10 calendar days for non-payment) prior written notice to Franchisee and to Franchisor. Franchisee must notify Franchisor in writing immediately regarding any cancellation, non-renewal or reduction in coverage or limits.

(c) The failure of Franchisee, for any reason, to procure and maintain the insurance coverage required under this Agreement will be deemed a material breach of this Agreement.

8.11 Review and Inspection

(a) Franchisor has the right to send representatives at reasonable intervals at any time (announced or unannounced) during normal business hours, to Franchisee's Outlet (or any other facility from which Franchisee sells MACU Products or any other offices relating to Franchisee's conduct of the Franchised Business) to review and inspect Franchisee's operations, business methods, service, management and administration relating to the Franchised Business or its equivalent, to determine the quality thereof and the faithfulness of Franchisee's compliance with the provisions of this Agreement and the Confidential Operations Manual and to ensure Franchisee is in compliance with System standards prescribed by Franchisor and specified in the Confidential Operations Manual.

(b) Franchisor or Franchisor's designated agents also have the right at all reasonable times, upon 10 Business Days prior notice, to examine, copy and audit the books and records relating to the Outlet and Franchisee's operation of the Franchised Business. If an examination or audit discloses any underpayment of any fee, Franchisee must promptly pay the deficient amount plus interest calculated daily from the due date until paid at an annual percentage rate of 18% (or the highest rate of interest allowed by Franchisee's state's law if this is less than 18%). If an examination or audit discloses an underpayment or understatement of any amount due Franchisor by 5% or more, or if the examination or audit is made necessary by Franchisee's failure to furnish required information or documents to Franchisor in a timely manner, or it takes Franchisor's auditors an unreasonable amount of time (more than eight hours) to assemble Franchisee's records for audit, Franchisee must reimburse Franchisor

for the cost of having Franchisee's books and records examined or audited (this remedy will be in addition to any other rights or remedies Franchisor has under this Agreement or otherwise, including Franchisor's right to terminate this Agreement).

(c) Franchisee must fully cooperate in permitting Franchisor's representatives to access Franchisee's Outlet (or any other facility from which Franchisee sells **MACU** Products or any other offices relating to Franchisee's conduct of the Franchised Business) during normal business hours to conduct reviews and inspections, and to render such assistance as Franchisor's representative may reasonably request. Upon notice from Franchisor or Franchisor's representatives, Franchisee must immediately begin such steps as may be necessary to correct any deficiencies noted during any such inspection.

8.12 Compliance with Laws

Franchisee must (i) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, (ii) comply with all applicable wage, hour and other laws and regulations of the federal, provincial or local governments, (iii) prepare and file all necessary tax returns and (iv) pay promptly all taxes imposed upon Franchisee or upon Franchisee's business or property. Franchisee represents and warrants that it will obtain and at all times maintain all necessary permits, certificates or licenses necessary to conduct the Franchised Business in the locality within which the Outlet is situated. Franchisee must provide the Franchisor with proof of all applicable licenses and permits at least 30 calendar days prior to the opening of the Outlet. Franchisee must immediately notify Franchisor of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving the Franchisee, or any entity affiliated with Franchisee, or any agent, employee, owner, director or partner of Franchisee, which notification must include relevant details in respect thereof.

8.13 Web Site and Internet Marking

(a) During the term of this Agreement, Franchisee will use the **MACU** website, and any other internet or social media only as specifically authorized by Franchisor in section 6.2(a) of this Agreement, the Confidential Operations Manual or otherwise in writing to market the Franchised Business conducted at Franchisee's Outlet. Franchisee may not register an internet domain or social networking media outlet name using any of the Marks.

(b) All domain names used by Franchisee must be pre-approved by Franchisor who will control the usage and right to use all domain names. Upon termination or expiration of, or transfer of the rights and obligations granted under, this Agreement, Franchisee will have no further need or right to use these domain names.

(c) Any alternative distribution methods and programs Franchisee would like to use to engage

in the Franchised Business, including e-commerce, web sites, internet sub-dealers, telesales and telemarketing, or any other non-retail method of distribution, are subject to Franchisor's prior written approval, which approval will be in Franchisor's sole discretion.

IX. PROPRIETARY MARKS

9.1 License of the Marks

(a) Franchisor hereby grants Franchisee the right during the term hereof to use and display the Marks in accordance with the provisions contained in this Agreement and in the Confidential Operations Manual, solely in connection with Franchisee's operation of the Franchised Business at the Outlet. Neither Franchisee nor any Principal Equity Owner nor any employee, agent, or representative thereof may use, display or permit the use or display of trademarks and service marks approved for use by Franchisor in connection with the Franchised Business. Neither Franchisee nor any Principal Equity Owner nor any employee, agent, or representative thereof may use or display the Marks in connection with the operation of any business or other activity that is outside the scope of the Franchised Business. Franchisee may only use the Marks and Franchisor's Intellectual Property on the internet or other electronic media in the manner and as specifically authorized by Franchisor in the Confidential Operations Manual or otherwise in writing. Franchisee agrees to be responsible for and supervise all of its employees and agents in order to insure the proper use of the Marks in compliance with this Agreement.

(b) Franchisee acknowledges and agrees Franchisee's use of the Marks is a temporary authorized use under this Agreement and that the Owner of the Marks retains all ownership interests in the Marks and that Franchisor, and the Owner of the Marks retain all ownership of the goodwill generated by the Marks. Franchisee acknowledges that the use of the Marks outside the scope of the terms of this Agreement without Franchisor's written consent is an infringement of the Owner of the Marks' and Franchisor's exclusive right, title and interest in and to the Marks. Franchisee agrees that as between Franchisee and Franchisor, all rights to use the Marks within the franchised System are Franchisor's exclusive property. Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation, or ownership thereof by virtue of Franchisee's franchised use thereof or otherwise. It is expressly understood and agreed that ownership and title of the Trade Dress, Confidential Operations Manual and Franchisor's other manuals, bulletins, instruction sheets, forms, methods of operation and goodwill are and, as between Franchisee and Franchisor, remain vested solely in Franchisor, and the use thereof is only co-extensive with the term of this Agreement.

(c) Franchisee agrees that that during the term of the Franchise, and after the repurchase, expiration or termination of the Franchise, Franchisee will not, directly or indirectly, commit an act of infringement or contest or aid others in contesting the validity, distinctiveness, secondary meaning, ownership or enforceability of the Marks or take any other action in derogation of the Marks, and that no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use

of the System or the Marks.

(d) Franchisee hereby grants Franchisor the right at any time to use the name, image and likeness of Franchisee and all Principal Equity Owners for commercial purposes in connection with the marketing and promotion of the Marks, Franchisor's Intellectual Property, **MACU** Products, any **MACU** Outlet and the System, without any form of compensation or remuneration. Franchisee also agrees (i) to have any affected employee of Franchisee who is not a Principal Equity Owner sign a release in the form contained in the Confidential Operations Manual authorizing Franchisor to also use the employee's name, image and likeness for the purposes described in this section 9.1(d), without compensation or remuneration, and (ii) to provide Franchisor with a copy of such signed release. The terms of this section 9.1(d) survive termination or expiration of this Agreement.

(e) Franchisee acknowledges that Franchisor prescribes uniform standards respecting the nature and quality of **MACU** Products provided by Franchisee in connection with which the Marks are used. Nothing herein gives Franchisee any right, title or interest in or to any of the Marks, except a mere privilege and license during the term hereof to display and use the same and Franchisee agrees that all of the Franchisee's use of the Marks under this Agreement inures to Franchisor's benefit and the benefit of the Owner of the Marks.

(f) Franchisee and all Principal Equity Owners agree that all materials associated with Franchisor, **MACU** Products or other services, artwork, graphics, layouts, slogans, domain names, other names, titles, text or similar materials incorporating, or being used in connection with, the Marks which may be created by Franchisee, Franchisee's employees, agents and subcontractors and any other party with whom Franchisee may contract to have such materials produced pursuant to this Agreement will become the sole property of the Owner of the Marks, including copyright and trademark rights. In furtherance thereof, Franchisee hereby and irrevocably assigns to Franchisor all such materials, artwork, graphics, layouts, slogans, names, titles, text or similar materials, whether presently or hereafter existing. Furthermore, Franchisee agrees on behalf of itself, its employees, its agents, its subcontractors and any other party with whom Franchisee may contract to have such materials produced, to promptly execute any and all appropriate documents in this regard. As between Franchisee and Franchisor, the Suggestions and all Intellectual Property Rights in and to the Suggestions are owned exclusively by Franchisor, except as otherwise set forth herein. Franchisee's Suggestions will not entitle Franchisee to any Intellectual Property Rights in and to the System, the System will not become a joint work of authorship as a result of Franchisee's Suggestions under any circumstances. Franchisee's Suggestions will be considered as "work for hire", and such Suggestions will be owned by and for the benefit of Franchisor. To the extent that any such Suggestions by Franchisee may not constitute a work for hire, Franchisee hereby grants, assigns and transfers all right, title and interest in and to such Suggestions, including all rights in and to the Intellectual Property therein, to Franchisor and agrees to execute any and all further documents and things reasonably required by Franchisor to effect and record such assignment. If Franchisee has any such rights that cannot be assigned to Franchisor, Franchisee waives the enforcement of such rights, and if Franchisee has any rights which cannot be assigned or waived, Franchisee hereby grants to

Franchisor an exclusive, irrevocable, perpetual, worldwide, fully paid license (with right to sublicense through multiple tiers) to such rights. Franchisee acknowledges there are, and may be, future rights that Franchisee may otherwise become entitled to with respect to the Suggestions not yet existing, as well as new uses, media, means and forms of exploitation throughout the universe exploiting current or future technology yet to be developed, and Franchisee specifically intends the foregoing assignment of rights to Franchisor will include all such now known or unknown uses, media and forms of exploitation throughout the universe.

(g) If necessary, Franchisee agrees to join with Franchisor and share the expenses in any application to enter Franchisee as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or entity. Upon termination of this Agreement for any reason whatsoever, Franchisor may immediately apply to cancel Franchisee's status as a registered or permitted user and Franchisee hereby consents to the cancellation and agrees to join in any cancellation petition. Franchisee will bear the expense of any cancellation petition.

9.2 Franchisee's Business Name

(a) In connection with Franchisee's operation of the Outlet, Franchisee agrees that at all times and in all advertising, promotions, signs and other display materials, on Franchisee's letterheads, business forms, and at the Outlet and other authorized business sites, in all of Franchisee's business dealings related thereto and to the general public, Franchisee will identify the Franchised Business solely under a trade name containing the Mark "MACU" and authorized by Franchisor ("Business Name") together with the words "INDEPENDENTLY OWNED AND OPERATED" on Franchisee's letterhead, contract agreements, invoices, authorized social media or internet sites, advertising and other written materials containing the Marks as Franchisor may direct.

(b) Franchisee must file and keep a current fictitious business name statement, assumed name certificate or similar document regarding Franchisee's Business Name in the county or other designated jurisdiction in which Franchisee is conducting business and at such other places as may be required by law. Before Franchisee commences engaging in the Franchised Business under the Marks, Franchisee must supply evidence satisfactory to Franchisor that Franchisee has complied with relevant laws regarding the use of fictitious or assumed names.

(c) On expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf any and all documents necessary, in Franchisor's judgment, to end and cause a discontinuance of the use by Franchisee of the Marks and Business Name registrations and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so.

(d) Franchisee further agrees it will not identify itself as (i) Franchisor, (ii) a subsidiary, parent, division, shareholder, partner, agent or employee of Franchisor or the Owner of the Marks, or (iii) any of Franchisor's other franchisees.

(e) If Franchisee is an entity and not an individual proprietor, Franchisee cannot use any of the Marks in its legal name.

9.3 Trade Secrets and Proprietary Information

(a) Under this Agreement, Franchisor is licensing Franchisee access to Franchisor's Proprietary Information, Trade Secrets and other confidential data and information. Franchisee acknowledges that the material and information now and hereafter provided or revealed to Franchisee pursuant to this Agreement (including in particular, but without limitation, the contents of the Confidential Operations Manual) are Franchisor's confidential trade secrets and are revealed in confidence, and Franchisee expressly agrees to keep and respect the confidences so reposed, both during the term of this Agreement and thereafter. Franchisor expressly reserves all confidences so reposed, both during the term of this Agreement and thereafter. Franchisor expressly reserves all rights with respect to the Marks, Proprietary Information, methods of operation and other proprietary information, except as may be expressly granted to Franchisee hereby or in the Confidential Operations Manual. Franchisor will disclose to Franchisee certain Trade Secrets as reasonably needed for the operation by Franchisee of the Franchised Business by loaning to Franchisee, for the term of this Agreement, the Confidential Operations Manual and other written materials containing the Trade Secrets, through training and assistance provided to Franchisee hereunder, and by and through the performance of Franchisor's other obligations under this Agreement.

(b) Franchisee acknowledges that Franchisor is the sole owner of all Proprietary Information, including Franchisor's Trade Secrets, that such information is being imparted to Franchisee only by reason of Franchisee's special status as a franchisee of the System, and that Franchisor's Proprietary Information is not generally known to Franchisor's industry or the public at large and are not known to Franchisee except by reason of such disclosure. To the extent that Trade Secrets are furnished in a printed "hard" copy rather than electronically, Franchisee will only grant authorized personnel access to the Trade Secrets and take adequate precautions to ensure that the Trade Secrets are kept in a locked receptacle at the Outlet when not in use by authorized personnel. To the extent that the Trade Secrets are furnished in electronically or in an equivalent format, Franchisee will only share the access password with authorized personnel. Franchisee will promptly notify Franchisor if any part of its Trade Secrets that is maintained in a tangible media is lost or destroyed for any reason. Franchisee further acknowledges that Franchisee will acquire no interest in the Proprietary Information and Trade Secrets disclosed to Franchisee, other than the right to use them in the development and operation of the Franchised Business during the term of this Agreement.

(c) Franchisee agrees that Franchisee will not do or permit any act or thing to be done in derogation of any of Franchisor's rights in connection with the Marks, either during the term of this Agreement or thereafter, and that Franchisee will use these only for the uses and in the manner franchised and licensed hereunder and as herein provided. Furthermore, Franchisee and Franchisee's employees and agents will not engage in any act or conduct that impairs the goodwill associated with

the Marks.

(d) Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from and against all “Losses” (as defined in section 16.2 below), which Franchisor may sustain as a result of any unauthorized use or disclosure of Proprietary Information or Marks by Franchisee or its employees and agents. Franchisee further agrees and acknowledges that the disclosure or use of Proprietary Information or Marks in a manner not authorized by Agreement will cause immediate and irreparable damage to Franchisor that would be impossible or inadequate to measure and calculate and could not be fully remedied by monetary damages. Accordingly, Franchisor has the right to specifically enforce this Agreement and seek injunctive or other equitable relief as may be necessary or appropriate to prevent such unauthorized disclosures or use without the necessity of proving actual damages by reason of any such breach or threatened breach of this Agreement. Franchisee further agrees that no bond or other form of security is required to obtain such equitable relief and Franchisee hereby consents to the issuance of such injunction and to the ordering of specific performance. Franchisee further agrees and acknowledges that such remedies are in addition to any other rights or remedies, whether at law or in equity, which may be available to Franchisor, including, but not limited to monetary damages.

9.4 Modification of Marks and Trade Dress

Franchisor may add to, substitute, or modify any or all of the Marks or Trade Dress from time to time, by directive in the Confidential Operations Manual. Franchisee agrees to accept, use, display or cease using, as may be applicable, the Marks and Trade Dress, including but not limited to, any such modified or additional trade names, trademarks, service marks, logo types and commercial symbols, and must within 30 calendar days of receiving notification, commence to implement such changes and use its best efforts to complete such changes as soon as practicable.

9.5 Mark Infringement Claims and Defense of Marks

(a) If Franchisee receives notice or otherwise becomes aware of any claim, suit or demand, threatened or pending, against Franchisee by any party other than Franchisor, the Owner of the Marks or any of Franchisor’s affiliates on account of any alleged infringement, unfair competition or similar matter arising from Franchisee’s use of the Marks in accordance with the terms of this Agreement, or any misuse of the Marks by third parties on the internet or otherwise, Franchisee must notify Franchisor within 10 calendar days of any such claim, suit, demand or misuse. Franchisee will have no power, right or authority to settle or compromise any such claim, suit or demand by a third party or to intervene to stop misuse, without Franchisor’s prior written consent. Franchisor will defend, compromise, or settle at Franchisor’s discretion any such claim, suit or demand and take steps to stop misuse at Franchisor’s cost and expense, using attorneys selected by Franchisor or the Owner of the Marks, and Franchisee agrees to cooperate fully in such matters.

(b) Franchisor will indemnify Franchisee and hold Franchisee harmless from and against any

and all judgment resulting from any claim, suit or demand arising from Franchisee's authorized use of the Marks or Franchisor's Intellectual Property in accordance with the terms of this Agreement. Franchisor has the sole discretion to determine whether a similar trademark or service mark that is being used by a third party is confusingly similar to the Marks or Franchisor's Intellectual Property being used by Franchisee or constitutes a misuse of the Marks or Franchisor's Intellectual Property, and whether and what subsequent action, if any, should be undertaken with respect to such similar trademark or service mark or misuse.

(c) Franchisee hereby indemnifies Franchisor and holds Franchisor harmless from and against any and all judgments resulting from any claim, suit or demand arising from Franchisee's unauthorized and improper use of the Marks or Franchisor's Intellectual Property. Furthermore, Franchisor also has the right to exercise any and all remedies available to it at law or equity, including without limitation specific performance and damages (including liquidated damages of US\$20,000 per violation).

X. MARKETING AND PROMOTION

10.1 Marketing and Promotion of the Brand

(a) Franchisor may, but is not obligated to, expend amounts on national, regional or local marketing, advertising, cooperative advertising, market research, public relations and promotional campaigns designed to promote and enhance the value of the Marks and general public recognition and acceptance thereof, and on regional, local or national media or other marketing techniques or programs designed to promote the retail sale of **MACU** Products, the Marks and other aspects of the **MACU** brand, creative and production costs, and for other purposes deemed appropriate by Franchisor to enhance and promote the general recognition of **MACU** franchises. Franchisee shall provide reasonable cooperation to Franchisor's marketing campaign, market research, and other similar effort. Furthermore, Franchisee grants the Franchisor a global, irrevocable, royalty-free, and perpetual right, with the right to sub-license, to use any video, slogan, graphic, marks, or any other copyrighted or advertisement materials that the Franchisee created, licensed, or procured in the Franchisor's marketing campaign.

(b) Franchisor may, but is not obligated to, expend additional amounts on branding and marketing studies, initiatives and research, test marketing new products or concepts, franchisee compliance with System standards and practices through a "mystery shopper" program, the development of marketing strategies, tools, initiatives, and materials, public relations, and market research.

10.2 Advertising Content and Costs

With respect to all regional, national and/or system-wide advertising, Franchisor determines the cost, form of media, content, format, production, timing (including regional or local concentration and

seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns.

XI. NON-COMPETITION

11.1 Exclusive in Term of Dealing

Franchisee acknowledges it will receive valuable specialized training and access to Proprietary Information, including, without limitation, information regarding **MACU** Products and the operational, sales, promotional and marketing methods and techniques of the System and Franchisor's Trade Secrets. In consideration for the use and license of such valuable information, Franchisee agrees that it will not during the term of this Agreement, operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareholder, manager, member, partner or otherwise), or engage in any (i) competing business selling goods or offering services equivalent to **MACU** Products or the Franchised Business, (ii) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System, without Franchisor's express prior written consent, which consent may be withheld in Franchisor's sole and absolute discretion. In the event of a breach of this Article, Franchisor has the right to exercise any and all remedies available to it at law or equity, including without limitation specific performance and damages (including liquidated damages of \$10,000 per violation).

11.2 Post Termination Non-Competition Covenants

(a) For a period of three (3) year after termination of this Agreement or its expiration without renewal pursuant to section 5.2 of this Agreement ("Expiration Date"), Franchisee agrees that neither Franchisee nor any Principal Equity Owner may (either directly or indirectly, for itself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity) operate, manage, own, assist or hold an interest in, any competing business selling goods or offering services equivalent to **MACU** Products or the Franchised Business, within a radius of 25 miles of Franchisee's Territory or any other authorized retail location selling **MACU** Products, without Franchisor's express prior written consent, which consent may be withheld in Franchisor's sole and absolute discretion. In all events, at all times following termination or expiration of this Agreement, Franchisee must refrain from any use, direct or indirect, of any Franchisor's Proprietary Information. In the event of a breach of this Article, Franchisor has the right to exercise any and all remedies available to it at law or equity, including without limitation specific performance and damages (including liquidated damages of \$10,000 per violation).

(b) If any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto limits Franchisor's rights under section 11.2(a)

above, then section 11.2(a) will be deemed amended (or deleted) to conform to the requirements of such laws and regulations, but in such event (unless deleted) the provisions of the Agreement thus affected will be amended only to the extent necessary to bring it within the requirements of the law or regulation.

11.3 General Provisions regarding Non-Competition Covenants

(a) Franchisee acknowledges that the restrictions contained in this Article XI are reasonable and necessary in order to protect Franchisor's legitimate interests, and in the event of violation of any of these restrictions, Franchisor is entitled to recover damages including, without limitation, Service Fees and other fees that would have been payable if such business were included in the Franchised Business, and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights and remedies will be cumulative and in addition to any other rights or remedies to which Franchisor is entitled at law or in equity.

(b) Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from and against all Losses which Franchisor may sustain as a result of any breach of this Article XI by Franchisee, any Principal Equity Owner, or Franchisee General Manager. Franchisee further agrees that a breach of the non-competition covenants set forth above will cause immediate and irreparable damage to Franchisor that would be impossible or inadequate to measure and calculate and could not be fully remedied by monetary damages. Accordingly, Franchisor has the right to specifically enforce this Agreement and seek injunctive or other equitable relief as may be necessary or appropriate to prevent such breach or continued breach without the necessity of proving actual damages by reason of any such breach or threatened breach of this Agreement. Franchisee and each Principal Equity Owner further agree that no bond or other security will be required in obtaining such equitable relief and hereby consents to the issuance of such injunction and to the ordering of specific performance. Franchisee and each Principal Equity Owner further acknowledge that such remedies are in addition to any other rights or remedies, whether at law or in equity, which may be available to Franchisor, including, but not limited to, monetary damages.

(c) This Article XI applies to Franchisee's General Manager, Principal Equity Owners and each of Franchisee's other managers, directors, officers, general partners and affiliates.

(d) Each provision of this Article XI is independent of each other provision of this Agreement. If any provision of this Article XI is held unreasonable by any court, agency or other tribunal of competent jurisdiction, Franchisee agrees to be bound by the maximum duty permitted by law with respect to that provision, which will be deemed restated accordingly, and also agree to be bound by all other provisions of this Article XI.

XII. ASSIGNMENT

12.1 Assignment by Franchisor

Franchisor has the right to Transfer this Agreement, and all of Franchisor's rights and privileges hereunder to any other person, firm or corporation ("Franchisor's Assignee"), provided that, in respect to any Transfer ("Assignment by Franchisor") resulting in the subsequent performance by Franchisor's Assignee of the functions of franchisor hereunder (i) at the time of Assignment by Franchisor, Franchisor's Assignee will be financially responsible and economically capable of performing the obligations of franchisor hereunder, and (ii) Franchisor's Assignee must expressly assume and agree to perform such obligations. If there is an Assignment by Franchisor in compliance with the terms set forth in the preceding sentence, Franchisor will be relieved of all obligations or liabilities after the effective date of the assignment.

12.2 Assignment by Franchisee

(a) This Agreement is being entered into in reliance upon and in consideration of the singular personal skills and qualifications of Franchisee and its Principal Equity Owners and the trust and confidence Franchisor reposes in Franchisee and in them. Therefore, neither Franchisee's interest in this Agreement and the Franchise granted hereunder, nor more than 50% of the equity interest in Franchisee (if Franchisee is an entity), nor all or substantially all of the assets of Franchised Business, nor any controlling interest or non-controlling interest in the Franchised Business may be assigned, transferred, shared or divided, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner (collectively, "Assignment by Franchisee"), without Franchisor's prior written consent and, except for any transfer of a non-controlling interest, subject to Franchisor's right of first refusal provided for in section 12.3 hereof. Franchisor's consent to a specific Assignment by Franchisee is not cumulative and will not apply to any subsequent assignments, in respect of each which Franchisee must comply with this section 12.2.

(b) Prior to any Assignment by Franchisee, Franchisee must notify Franchisor of Franchisee's intent to sell, transfer or assign the Franchise, the Outlet, all or substantially all of the assets of the Franchised Business, or a controlling or non-controlling interest in the Franchised Business. The notice must be in writing, delivered to Franchisor in accordance with section 16.1 hereof and include all of the following:

(i) The name and address of the proposed assignee ("Franchisee Assignee"),

(ii) If requested by Franchisor, a copy of all agreements related to the sale, assignment, or transfer of the Franchise, the assets of the Franchised Business, or the interest of the Franchised Business, and

(iii) Franchisee's Assignee's application for approval to become the successor franchisee. The application must include all forms, financial disclosures and related information generally used by the Franchisor when interviewing prospective new franchisees, if those forms are readily made available to Franchisee. If the forms are not readily available, Franchisee must

request that Franchisor deliver the forms to Franchisee by business counter in accordance with section 16.1 hereof within 15 calendar days. As soon as practicable after the receipt of Franchisee's Assignee's application, Franchisor will notify Franchisee and Franchisee's Assignee, in writing, of any additional information or documentation necessary to complete the transfer application. If Franchisor's then-existing standards for the approval of new or renewing franchisees are not readily available to Franchisee when Franchisee notifies Franchisor of Franchisee's intent to sell, transfer or assign the Franchise, all or substantially all of the assets of the Franchised Business, or the controlling or non-controlling interest in the Franchised Business, Franchisor will communicate the standards to the Franchisee within 15 calendar days.

(c) Within 60 calendar days after the receipt of all the necessary information and documentation required pursuant to section 12.2(b) above, or as specified by written agreement between Franchisor and Franchisee, Franchisor will notify Franchisee of the approval or disapproval of the proposed Assignment by Franchisee. The notice will be in writing and delivered to Franchisee by business counter in accordance with section 16.1 hereof. Should Franchisor elect not to exercise its right of first refusal, or should such right of first refusal be inapplicable, as herein provided, the proposed Assignment by Franchisee will be deemed approved, unless disapproved by Franchisor in writing and for reasons permitted by the law governing this Agreement. If the proposed sale, assignment or transfer is disapproved, Franchisor will include the notice of disapproval with a statement setting forth the reasons for the disapproval. Franchisor may impose, among other things, the following conditions precedent to Franchisor's consent to any such Assignment by Franchisee (these conditions are consistently applied to similarly situated franchisees operating under the Franchise brand).

(i) Franchisee's Assignee must complete Franchisor's application for a Franchise, and in connection therewith, Franchisee and Franchisee's Assignee must fully disclose in writing all of the terms and conditions of the Assignment by Franchisee,

(ii) Franchisee's Assignee and the principal equity owners of Franchisee's Assignee demonstrate they have the skills, qualifications, moral and ethical reputation, and economic resources necessary, in Franchisor's sole judgment, to conduct the business contemplated by this Agreement,

(iii) Franchisee's Assignee and each principal equity owner of Franchisee's Assignee expressly assume in writing for Franchisor's behalf all of Franchisee's obligations under this Agreement,

(iv) Franchisee must have completed fully as of the date of any such Assignment by Franchisee with all of Franchisee's material obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor,

(v) Franchisee must have complied fully as of the date of any such Assignment by Franchisee with all of Franchisee's material obligations to Franchisor, whether under this

Agreement or any other agreement, arrangement or understanding with Franchisor,

(vi) Franchisee's Assignee agrees that (A) a General Manager successfully trained by Franchisor must at all times be employed to operate the Outlet and (B) Franchisor's Initial Training program described in section 6.1 hereof and any other training or orientation programs then required by Franchisor will be satisfactorily completed by Franchisee's Assignee's General Manager and other necessary personnel within 30 calendar days after the execution by Franchisee's Assignee of a Franchise Agreement, provided, however, that Franchisee's Assignee must agree to pay for all their expenses incurred in connection therewith, including any fee Franchisor charges for training (at the rate in effect at the time of transfer), travel, hotel and food and beverage expenses, and

(vii) Not later than 10 calendar days before the transfer, Franchisee must pay Franchisor a non-refundable "Transfer Fee" of \$10,000.00 (the Transfer Fee is not payable if Franchisor exercises its right of first refusal pursuant to section 12.3 of this Agreement). The Transfer Fee is subject to an adjustment in Franchisor's discretion based on corresponding changes in the applicable consumer pricing index since the Effective Date.

(d) Franchisee does not have a right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever (except that with Franchisor's consent, which will not be unreasonably withheld, Franchisee may pledge a security interest in this Agreement in connection with a Small Business Administration loan), nor subfranchise or otherwise transfer, or attempt to subfranchise or otherwise transfer the Franchised Business, or to transfer or subfranchise a portion but not all of Franchisee's rights hereunder without Franchisor's express prior written consent, which will not be unreasonably withheld.

(e) Any attempt by Franchisee to assign or any purported Assignment by Franchisee in violation of this section 12.2 is void and will (i) constitute a material breach of this Agreement, (ii) cause the Agreement (and in Franchisor's sole discretion any or all other agreements between Franchisee and Franchisor, or between Franchisee and Franchisor's affiliates) to be subject to immediate termination without further notice, and (iii) confer no rights or interest whatsoever under this Agreement upon any other party.

(f) Upon Franchisor's consent to any Assignment by Franchisee, Franchisee must bring all accounts with Franchisor current and transfer to Franchisee's assignee all service agreements or contracts signed by customers of the Franchised Business conducted at Franchisee's Outlet. Also, Franchisee must (i) execute an agreement among Franchisee, Franchisor and Franchisee's assignee effecting the Assignment by Franchisee, which will include a mutual release between Franchisee, Franchisor and (ii) enter into an assignment of lease for the Outlet premises (including an assignment to the assignee of Franchisee's rights, title and interest to telephone numbers and utilities respecting the Outlet).

12.3 Right of First Refusal

(a) Except for a Transfer (i) to Franchisee's heirs, personal representatives or conservators in the case of death or legal incapacity as provided in section 12.5 hereof or (ii) between or among individuals (including their immediate family members) who have guaranteed obligations under a Small Business Administration loan, Franchisee's right to Transfer Franchisee's entire interest in the Franchise is granted by this Agreement under section 12.2 hereof is subject to Franchisor's right of first refusal, which will be exercised in accordance with the terms of this section 12.3.

(b) Franchisee must deliver to Franchisor a written notice setting forth (i) all of the terms and conditions of any bona fide offer relating to a proposed Assignment by Franchisee, and (ii) all available information concerning Franchisee's Assignee including a detailed summary of how the proposed assignee meets Franchisor's qualifications for a new **MACU** franchise, and any other related information requested by Franchisor. If the specified terms and conditions include consideration of a non-monetary nature, such consideration must be expressed in reasonably equivalent monetary terms, and if it involves matters that cannot be stated in monetary terms, such consideration will not be considered in connection with Franchisor's right of first refusal.

(c) Within 15 calendar days after Franchisor's receipt of such notice (or if Franchisor requests additional information, within 10 calendar days after receipt of such additional information), Franchisor may either (i) consent or withhold Franchisor's consent to such Assignment by Franchisee, in accordance with this section 12.2 hereof, or (ii) at Franchisor's option, accept the Assignment by Franchisee itself or on behalf of Franchisor's nominee upon the terms and conditions specified in the notice.

(d) If Franchisor elects not to exercise its right of first refusal and consent to the Assignment by Franchisee, Franchisee will for a period of 60 calendar days, and subject to the provisions of section 12.2 hereof, be free to assign this Agreement to such proposed Assignee upon the terms and conditions specified in said notice. If, however, these terms are modified in any material manner (as determined by Franchisor), or if said 60-day period expires, Franchisor will again have such right of first refusal with respect thereto and Franchisee will again be required to comply with section 12.3(b) above. Detailed terms of assignment must be delivered to Franchisor no later than 72 hours following the close of escrow or other consummation of the transaction.

12.4 Transfer to Affiliated Entities

Franchisee or Principal Equity Owner may without Franchisor's consent, upon 30 calendar days prior written notice to Franchisor, Transfer the Franchised Business or an equity interest in Franchisee's franchised entity to an entity that is (i) organized for the purpose of operating the Franchised Business and (ii) owned in the same proportionate amount of ownership as prior to such Transfer, provided that adequate provision is made for the management of the Franchised Business. No Transfer under

this section 12.4 will be subject to Franchisor's right of first refusal set forth in section 12.3 hereof or the Transfer Fee set forth in section 12.2(b)(vii) hereof. However, Franchisee must comply with sections 12.2(b)(i) through (vi) and (to the extent applicable) section 12.2(c) above, as well as provide full disclosure of the terms of said transfer and deliver to Franchisor no later than three Business Days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to Franchisor no less than three Business Days following the close of the transaction. Also, Franchisee acknowledges and agrees that any Transfer to an affiliate will not relieve Franchisee of its obligations under this Agreement.

12.5 Transfers upon the Death or Incapacity of an Individual Franchisee or Majority Equity Owner

(a) Notwithstanding the foregoing, in the event of Franchisee's death or legal incapacity, if Franchisee is an individual, or the death or legal incapacity of a Principal Equity Owner holding a majority equity interest in the franchisee entity ("Majority Equity Owner") if Franchisee is an entity (corporation, limited liability company or partnership), the transfer of Franchisee's or the deceased Majority Equity Owner's interest in this Agreement to his or her heirs, personal representatives or conservators, as applicable, will not be deemed an Assignment by Franchisee provided that a responsible management employee or agent of Franchisee that has been satisfactorily trained by Franchisor will be responsible for the Franchised Business.

(b) Notwithstanding the foregoing, in the event of a sole proprietor Franchisee or the death of a Majority Equity Owner, such person's interest in this Agreement or its equity interest in the franchise entity must Transfer as soon as practicable (but not more than 180 calendar days) after the date of death in accordance with such person's will or, if such person dies without a will, in accordance with laws of intestacy governing the distribution of such person's estate, provided that adequate provision is made for the management of the Franchised Business. If Franchisor determines (i) there is no imminent sale to a qualified successor or (ii) there is no heir or other Principal Equity Owner capable of operating the Franchise, Franchisor may (but is not obligated to) immediately terminate this Agreement.

(c) No Transfer under this section 12.5 will be subject to (i) Franchisor's right of first refusal set forth in section 12.3 hereof or (ii) the Transfer Fee set forth in section 12.2(b)(vii) above, although such refusal right and Transfer Fee will be applicable to any subsequent Transfer by Franchisee's (or a Majority Equity Owner's) heirs, personal representatives, or conservators. However, Franchisee must comply with sections 12.2(b)(i) through (vi) and (to the extent applicable) section 12.2(c) above, as well as provide Franchisor full disclosure of the terms of said transfer not later than three Business Days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to Franchisor no less than three Business Days following the close of the transaction.

12.6 Other Transfers

Except as otherwise provided in this Agreement and subject to Franchisor's right of first refusal provided in section 12.3 hereof, Franchisee or a Principal Equity Owner may consummate any transfer of a direct or indirect interest in this Agreement, the Franchised Business or the economic benefits derived therefrom, or any equity interest in Franchisee's franchised entity, not permitted by the preceding sections 12.4 and 12.5 only after written notice to Franchisor and only with Franchisor's written consent, which will not be unreasonably withheld. Franchisor will exercise Franchisor's good faith business judgment in determining whether to give or withhold Franchisor's consent to a Transfer under section 12.6. Such exercise of good faith business judgment may include Franchisor's consideration of certain skills and qualifications of the prospective transferee which are of business concern to Franchisor, including without limitation, the following experience in business similar to the Franchised Business, financial and operational skills and qualifications, economic resources, reputation and character of such prospective transferee, the ability of such prospective transferee to fully and faithfully conduct the Franchised Business as contemplated by this Agreement, and the effect that the Transfer and the prospective transferee will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the System or Franchisor or any of Franchisor's affiliates.

XIII. DEFAULT AND TERMINATION

13.1 General

(a) This Agreement may be terminated only for good cause, which means a failure of a party to substantially comply with the lawful requirements imposed upon it by this Agreement after being given notice of ten (10) calendar days in advance of the termination and a reasonable opportunity, which in no event will be less than ten (10) calendar days from the date of the notice of noncompliance, to cure the failure (provided that this section 13.1(a) does not apply when there are grounds for immediate termination without notice pursuant to section 13.2 below).

(b) If Franchisor is in material breach of this Agreement, Franchisee may terminate this Agreement by giving Franchisor prior written notice setting forth the asserted breach of this Agreement and giving Franchisor ten (10) calendar days in which to cure the default. A material breach of this Agreement by Franchisor means any unauthorized action or omission seriously impairing or adversely affecting Franchisee or the relationship between Franchisor and Franchisee created by this Agreement. However, if Franchisor becomes insolvent or declares bankruptcy, Franchisee will continue to have the right to operate under this Agreement until and unless a court orders otherwise. If because of the nature of the breach, it would be unreasonable for Franchisor to be able to cure the default within ten (10) calendar days, Franchisor will be given additional time (up to thirty (30) additional calendar days) as is reasonably necessary to cure said breach, upon condition that Franchisor must, upon receipt of such notice from Franchisee, immediately commence to cure such breach and continue to use best efforts to do so.

(c) Notwithstanding anything contained herein to the contrary, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor also has the option, to be exercised in its sole discretion, to choose alternative remedies to its right to terminate the entire Agreement.

(d) Notwithstanding anything contained herein to the contrary, in those circumstances which Franchisor has the right to terminate this Agreement, Franchisor also has the right to exercise any and all remedies available to it at law or equity, including without limitation specific performance and damages (including punitive damages of \$10,000 per violation). If Franchisee (i) uses promotional or advertising materials without first acquiring Franchisor's prior written consent; or (ii) sells unrelated items, goods, foods, or beverages inside MACU outlets or online stores. All rights and remedies provided herein are in addition to and not in substitution of all other rights and remedies available to a party at law or in equity.

(e) Within thirty (30) days after expiration, termination, or rescission of this Agreement, Franchisee shall, at its own expense, remove any signs, printing and publicity materials, business system supplies, symbols, names, equipment, and other articles and documents attached with Franchisor's intellectual property rights, including but not limited to licensed trademark, other trademarks, service marks, copyrights, patents, or enterprise identification system. If Franchisee fails to remove within the required period, it shall be responsible for the sum of \$2,000 per day until the date of complete removal. At its discretion, the Franchisor may remove the signs, printing, and publicity materials after expiration, termination, or rescission of the Agreement. Franchisee shall be liable for the fees.

13.2 Immediate Termination

(a) Franchisor has the right to immediately terminate this Agreement upon notice to Franchisee without an opportunity to cure if:

(i) Franchisee admits its inability to pay its debts as they become due, or Franchisee or the business to which the Franchisee relates (A) has been the subject of an order for relief in bankruptcy, (B) is judicially determined to be insolvent or (C) has all or substantial part of its assets assigned to or for the benefit of any creditor,

(ii) Franchisee Abandons the Franchise by failing to operate the Outlet for five consecutive Business Days during which Franchisee is required to operate the business under the terms of this Agreement, or any shorter period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Franchise, unless such failure to operate is due to fire, flood, earthquake or other

similar causes beyond Franchisee's control,

(iii) Franchisor and Franchisee agree in writing to terminate the Franchise,

(iv) Franchisee makes any material representations relating to the acquisition of the Franchise or Franchisee engages in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the System,

(v) Franchisee fails, for ten (10) Business Days after notification of noncompliance, to comply with any federal, provincial, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the Franchise,

(vi) after curing any failure under section 13.3 below, Franchisee engages in the same noncompliance whether or not such noncompliance is corrected after notice,

(vii) Franchisee repeatedly fails to comply with one or more material requirements of this Agreement, whether or not corrected after notice,

(viii) the Franchised Business or the business premises of the Franchise are seized, taken over or foreclosed by a government official in the exercise of their duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor, provided that a final judgment against Franchisee remains unsatisfied for thirty (30) calendar days (unless an appeal bond has been filed), or a levy of execution has been made upon the license granted by this Agreement or upon any property used in the Franchised Business and is not discharged within five calendar days of such levy.

(ix) Franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the Franchise,

(x) an audit or investigation conducted by Franchisor (A) discloses that Franchisee knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated Franchisee's Gross Revenues or withheld the reporting of any Franchisee's Gross Revenues, or (B) reveals an underreporting or under-recording error on any single occasion of 5% or more, or

(xi) Franchisor makes a reasonable determination that Franchisee's continued operation will result in imminent danger to the public health or safety.

(xii) Franchisee makes any statements publicly that affect the reputation and goodwill of the Franchisor. The statements include, but are not limited to, political affiliation and criticism of public policy or individuals. The definition of "public" includes, but is not limited to, posting

articles or comments on social media, the internet, or discussion forums.

(xiii) Franchisee uses unauthorized raw materials and causes public safety issues that affect customers or general public's opinion and image to Franchisor, its affiliates, employees, and suppliers.

(xiv) If the outlet's gross sales do not meet the \$30,000 threshold for the first month of operation, the franchisor may elect not to terminate the agreement. Instead, the franchisor may impose a penalty of \$5,000 for the violation of this requirement.

(b) The parties recognize that some breaches may involve conduct, which undermines the basis for the Agreement such that the expectation of full and proper contract performance cannot be restored, even if the specific activity giving rise to the claim of breach has ended. In such cases, no period of "cure" will be required. However, the termination will not take effect for 10 calendar days to enable parties to consider whether other alternatives may be possible.

(c) If Franchisee's rights under this Agreement are terminated by Franchisor because of an event described in section 13.2(a) above, section 14.1 below is not applicable, and Franchisor may immediately commence an action under section 14.2 or 14.3 below, as applicable, to collect damages or otherwise enforce its rights.

13.3 Termination After Notice

(a) Except as provided in section 13.2 above, Franchisor may terminate this Agreement only for good cause (as defined in section 13.1(a) above) after giving Franchisee prior written notice setting forth the asserted breach of this Agreement and giving Franchisee 60 calendar days in which to cure the default. Upon receipt of a notice of default, Franchisee must immediately commence diligently to cure said breach, and if Franchisee cures said breach within 60 calendar days, Franchisor's right to terminate this Agreement will cease. If because of the nature of the breach, it would be unreasonable for Franchisee to be able to cure the default within 60 calendar days, Franchisee will be given additional time (up to 15 additional calendar days) as reasonably necessary in Franchisor's determination to cure said breach, upon condition that Franchisee must, upon receipt of such notice from Franchisor, immediately commence to cure such breach and continue to use Franchisee's best efforts to do so. If Franchisee fails to cure, then the Franchisor may terminate this Agreement for good cause by providing a 180 calendar days prior notice.

(b) If Franchisee's rights under this Agreement are terminated by Franchisor for material breach, Franchisor may, at its option, declare Franchisee in default of all of the other franchise agreements or other agreements Franchisee has with Franchisor, and terminate Franchisee's rights under those other agreements as well.

(c) If Franchisee's rights under this Agreement are terminated by Franchisor for Franchisee's failure to make any payment due under this Agreement, section 14.1 below is not applicable, and Franchisor may immediately commence an action under section 14.2 below to collect damages or otherwise enforce its rights.

(d) If Franchisee and Franchisor agree to mutually terminate this Agreement, Franchisee must return a signed counterpart of any document Franchisor prepares to effect the termination not later than 10 calendar days after Franchisee receives it, or the mutual agreement to terminate will be voidable by Franchisor, and Franchisor may thereafter immediately and unilaterally terminate this Agreement and require payment of all sums due and payable to Franchisor at the date of termination.

13.4 Description of Default

The description of any default in any notice served by Franchisor hereunder upon Franchisee in no way precludes Franchisor from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof.

13.5 Statutory Limitations

Notwithstanding anything to the contrary in this Article XIII, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto limits Franchisor's rights of termination hereunder or requires longer notice periods than those set forth herein, and if the parties are prohibited by law from agreeing to the shorter periods set forth herein, then this Agreement will be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected will be amended only to the extent necessary to bring it within the requirements of the law or regulation.

13.6 Extended Cure Period

Notwithstanding anything contained herein to the contrary, including, without limitation, section 13.3(c) hereof, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor also has the right, to be exercised in its sole discretion, to grant to Franchisee in writing only, in lieu of termination of this Agreement, an extended period of time to cure the breach which gave rise to Franchisor's right to terminate, but in no event may such extended cure period exceed six months from the last day of the cure period otherwise applicable to such breach. Franchisee acknowledges that Franchisor's election to grant an extended cure period to Franchisee will not operate as a waiver of any Franchisor's rights hereunder.

13.7 Franchisor's Right to Cure Franchisee's Defaults

In addition to all other remedies herein granted, if Franchisee defaults in the performance of any of

its obligations or breaches any term or condition to this Agreement or any related agreement involving third parties, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to Franchisee, cure the default for Franchisee's account and on Franchisee's behalf, and all costs or expenses including attorney's fees incurred by Franchisor on account thereof will be due and payable by Franchisee to Franchisor on demand.

13.8 Waiver and Delay

No waiver by Franchisor of any breach or sense of breaches or defaults in performance by Franchisee and no failure, refusal or neglect of Franchisor either to exercise any right, power or option to give Franchisor hereunder or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Confidential Operations Manual constitutes a waiver of the provisions of this Agreement or the Confidential Operations Manual with respect to any subsequent breach thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

13.9 Collection Costs

Franchisor is entitled to reimbursement from Franchisee upon Franchisor's demand of all costs. Franchisor has incurred (including reasonable attorney's fees and investigator's fees) to enforce Franchisor's rights under this Agreement, including actions to collect any amounts due and delinquent hereunder.

13.10 Continuance of Business Relations

Any continuance of business relations between Franchisee and Franchisor after termination of this Agreement will not be construed as a renewal, extension, or continuation of this Agreement.

XIV. DISPUTE RESOLUTION

14.1 Initial Steps to Resolve a Dispute, Mediation

(a) Franchisor and Franchisee have entered into a long-term franchise relationship which gives rise to an obligation to make the relationship succeed. The franchise relationship is established in light of the System's best interests, as contemplated by this Agreement. To that end, Franchisee and Franchisor acknowledge that Franchisee and Franchisor need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications between Franchisee and Franchisor are important aspects of that obligation. The parties agree that they will first attempt to resolve any dispute, claim, or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation, or validity thereof

(collectively, “Dispute”) by first having Franchisor’s executive officers and Franchisee’s Principal Equity Owners meet (without their respective legal counsel) in person at Franchisor’s principal executive office (or in Franchisor’s discretion by videoconference) within five Business Days after a party notifies the other party that a Dispute has arisen to conduct a good-faith discussion and negotiation of the issues to arrive at a settlement. Franchisor may proceed to terminate this Agreement in either of the following two situations without a settlement meeting or mediation proceeding: (i) if there is any breach to this Agreement by Franchisee that may result in an immediate termination of this Agreement under section 13.2 above, or (ii) if Franchisee fails to pay any sums due Franchisor under this Agreement which may result in termination of this Agreement under section 13.3 above. Also, suppose a party refuses to participate in the settlement meeting or mediation within the respective time frames in Section 14.1. In that case, the other party may immediately commence an arbitration proceeding under section 14.2 below.

(b) If the parties are unable to settle the Dispute at the settlement conference described in section 14.1 above, within 10 Business Days after the date this conference took place (or should have taken place), Franchisee and Franchisor may submit the Dispute to non-binding mediation conducted by and before a mutually acceptable mediator, and at a location mutually agreeable to both parties. Suppose the Dispute is not referred to mediation within 10 Business Days after the settlement conference (or should have taken place). In that case, the Dispute may be immediately submitted to binding resolution through arbitration proceedings under section 14.2 below. Any mediation proceedings should be completed within 60 calendar days following the date either party first gives notice of the mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert, or counsel for any party with respect to the Dispute and any related matter.

(c) Mediation is a compromise negotiation and will constitute privileged communication under the law governing this Agreement. The entire mediation process will be confidential, and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose, provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of the mediation.

14.2 Governing Law and Venue

The interpretation, effect, and enforceability of the Agreement shall be determined, and other matters not stipulated herein shall be processed according to the laws of the Washington.

The parties agree to resolve all disputes or controversies that arise between the parties hereto, out of or in relation to or in connection with the Agreement, in compliance with the principles of honesty and good faith. In the event of inability to resolve any of such disputes within sixty (60) days after either party raises any dispute or making any claim against the other party through good-faith

negotiation, either party is entitled to submit the dispute or claim to an Arbitration Association and the dispute shall be handled in accordance with the Arbitration Rules of the Association.

Both parties agree that the decision rendered by the arbitrators from the Arbitration committee shall be final and binding upon the parties. Where litigation is inevitable, the parties agree to submit to the Washington court of first instance. The parties hereby agree to continue performance of the Agreement except for the disputed parts before the dispute arising hereunder is resolved.

14.3 Legal Fees and Expenses

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other "Expenses" (as defined in section 16.2(e) below) incurred by the prevailing party in bringing or defending such arbitration, action or proceeding and/or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert or other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or the court. This section 14.4 is intended to expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be merged into the judgment.

14.5 Survival

The terms of this Article XIV shall survive termination, expiration or cancellation of this Agreement.

XV. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION

15.1 Franchisee's Obligations

(a) In the event of termination, cancellation or expiration of this Agreement whether by reason of Franchisee's breach, default, non-renewal, lapse of time or other cause, in addition to any other obligations provided for in this Agreement, Franchisee must forthwith discontinue the use or display of the Marks in any manner whatsoever, and Franchisee may not thereafter operate or do business under the Marks or any other MACU brand or any other name or in any manner that might tend to give the general public the impression that Franchisee is in any way associated or affiliated with Franchisor, or any of the businesses conducted by Franchisor or the Owner of the Marks, including without limitation repainting the business premises in a distinctively different color and removing or rearranging distinctive elements of the Trade Dress. Franchisee must contact online review sites and other online directories and websites which have made reference to Franchisee's Outlet during the 90 calendar days prior to the date this Agreement terminates, is cancelled or expires, and request the removal of all use of the trademarks in connection with the former franchised Outlet (and the physical

address of the former Outlet) and all use of former reviews from the period Franchisee was a **MACU** franchisee. Franchisee also must comply with section 15.2 respecting the return to Franchisor of certain materials and must not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including without limitation, (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements thereto, or (ii) any equipment, videotapes, videodiscs, forms, advertising matter, devices, insignias, slogans or designs used from time to time in connection with the Franchised Business.

(b) If there is a termination, cancellation or expiration as described in section 15.1(a) above, Franchisee must comply with section 11.2 of this Agreement respecting post-termination competition and also promptly:

(i) Remove at Franchisee's expense all signs erected or used by Franchisee and bearing the Marks, or any word or mark indicating that Franchisee is associated or affiliated with Franchisor,

(ii) Erase or obliterate from letterheads, stationary, printed matter, advertising or other forms used by Franchisee the Marks and all works indicating that Franchisee is associated or affiliated with Franchisor,

(iii) Permanently discontinue all advertising of Franchisee that states or implies Franchisee is associated or affiliated with Franchisor or the System (if Franchisee engages in any business thereafter Franchisee must use trade names, service marks or trademarks that are significantly different from those under which Franchisee had done business and must use formats that are significantly different in color and type face, and take all necessary steps to ensure that Franchisee's present and former employees, agents, officers, shareholders and partners observe the foregoing obligations), and

(iv) Assign all interest and right to use all telephone numbers and all listing to applicable Outlet in use at the time of such termination to Franchisor and take all action necessary to change all such telephone numbers immediately and change all such listing as soon as possible.

(c) If Franchisee fails or omits to make or cause to be made any removal or change described in section 15.1(b)(i) through 15(b)(iv) above, then Franchisor will have the right within ten (10) calendar days after written notice to enter Franchisee's Outlet or other premises from which the Franchised Business is being conducted without being deemed guilty of trespass or any other tort, and make or cause to be made such removal and changes at Franchisee's expense, which expenses Franchisee agrees to pay Franchisor promptly upon demand, and Franchisee hereby irrevocably appoints Franchisor as Franchisee's lawful attorney upon termination of this Agreement with the authority to file any document in the name of and on Franchisor's behalf for the purpose of terminating any and all of Franchisee's rights in any trade name Franchisee has used that contains any of the Marks.

15.2 Franchisor's Rights

(a) The termination, cancellation, expiration or assignment of this Agreement will be without prejudice to any of Franchisor's rights against Franchisee and such termination, cancellation, expiration or assignment will not relieve Franchisee of any of Franchisee's obligations to Franchisor existing at the time of termination, cancellation, expiration or assignment or terminate those obligations of Franchisor which, by their nature, survive the termination, cancellation, expiration or assignment of this Agreement.

(b) Franchisor may direct that all applicable suppliers immediately cease providing Franchisee with equipment, inventory, marketing materials, email access, website access, accessories and other items comprising or to be used to provide **MACU** Products.

(c) Franchisee is obligated to return, at no expense to Franchisor, any and all copies of the Confidential Operations Manual and all other **MACU** proprietary materials and any other items that were supplied by Franchisor for Franchisee's use without additional charge in connection with the operation of the Franchised Business. Franchisee must also permanently erase anything relating to Franchisor or the Franchised Business from any computers and other media storage devices Franchisee retains after expiration, cancellation, or termination of this Agreement.

(d) Upon a lawful termination or nonrenewal of this Agreement, Franchisor may purchase from Franchisee, at the value of price paid, minus depreciation, all inventory, supplies, equipment, fixtures, and furnishings purchased or paid for under the terms of this Agreement or any ancillary or collateral agreement by Franchisee to Franchisor or Franchisor's approved suppliers and sources, that are, at the time of the notice of termination or nonrenewal, in Franchisee's possession or used by Franchisee in the Franchised Business. Franchisor is not required to purchase any personalized items, inventory, supplies, equipment, fixtures, or furnishings not reasonably required to conduct the operation of the Franchised Business in accordance with this Agreement or any ancillary or collateral agreement or to which Franchisee, at the cessation of operation of the Franchised Business by Franchisee, cannot lawfully, or does not, grant Franchisor clear title and possession upon Franchisor's payment to Franchisee for the inventory, supplies, equipment, fixtures, or furnishings (we have the right to receive clear title to and possession of all items purchased from Franchisee under this section 15.2(d)). Franchisor may offset against the amounts owed to Franchisee under any such purchase under this section 15.2(d) any amounts Franchisee owes to Franchisor. Notwithstanding the foregoing however, Franchisor's requirement to purchase from Franchisee under this section 15.2(d) will not apply:

(i) when Franchisee declines a bona fide offer of renewal from Franchisor,

(ii) if Franchisor does not prevent Franchisee from retaining control of the Outlet or other principal place of the Franchised Business,

(iii) to any termination or nonrenewal of the Franchise due to a publicly announced and nondiscriminatory decision by Franchisor to completely withdraw from all Franchise activity within the relevant geographic market area in which the Franchisee is located,

(iv) if Franchisor and Franchisee mutually agree in writing to terminate and not renew the Franchise, or

(v) to any inventory, supplies, equipment, fixtures, or furnishings that are sold by Franchisee between the date of the notice of termination or nonrenewal, and the cessation of operation of the Franchised Business by Franchisee, pursuant to the termination or nonrenewal.

XVI. GENERAL TERMS AND PROVISIONS

16.1 Notices

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement must be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable overnight courier, for delivery on the next BusinessDay and addressed as follows:

(i) if to Franchisor:

MACU INTERNATIONAL LLC

(ii) if to Franchisee:

(b) Unless delivered in person by an agent of the sending party, notices between Franchisee and Franchisor will be deemed given the next Business Day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next Business Day,

(c) Any change in the address listed in section 16.1(a) above must be sent to the other party as soon as practicable after the change occurs by reliable overnight courier,

(d) Any notices sent to Franchisee which include a statement of intent to terminate or not renew the Franchise must provide (i) the reasons why and (ii) the effective date of such termination or nonrenewal or expiration.

16.2 Indemnity

(a) Franchisee and its Principal Equity Owners, jointly and severally, hereby agree to protect, defend and indemnify Franchisor, and all of Franchisor's past, present and future owners, affiliates, officers, directors, employees, attorneys and designees, and each of them, and hold them harmless from and against any and all Losses arising out of or in connection with any "Proceeding" (as defined in section 16.2(f) below) concerning Franchisee's intentional tort or negligence, or the intentional tort or negligence of Franchisee's agents, servants or representatives, relating to Franchisee's development, maintenance or operation of the Outlet and the Franchised Business, except if caused by Franchisor's intentional misfeasance, gross negligence or material default of any terms of, or Franchisor's obligations arising under this Agreement.

(b) In order for the indemnification to be effective, each indemnified party ("Indemnified Party") will give the indemnifying party ("Indemnifying Party") reasonable notice of each claim or loss for which the Indemnified Party demands indemnity and defense, except that failure to provide such notice will not release the Indemnifying Party from any obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure. The Indemnifying Party will assume, at its sole cost and expense, the defense of such Proceeding through legal counsel reasonably acceptable to the Indemnifying Party, except that the Indemnified Party may at its option and expense select and be represented by separate counsel. The Indemnifying Party will have control over the Proceeding, including the right to settle, provided, however, the Indemnifying Party will not, absent the written consent of the Indemnified Party, consent to the entry of any judgment or enter into any settlement that (i) provides for any admission of liability on the part of the Indemnified Party or relief other than the payment of monetary damages for which the Indemnifying Party will be solely liable, or (ii) adversely affects the rights of the Indemnified Party under this Agreement, or (iii) does not release the Indemnified Party from all Proceedings and "Losses" (as defined in section 16.2(d) below) in respect thereof. In no event will the Indemnified Party be liable for any Losses that are compromised or settled in violation of this section 16.2. The Indemnifying Party's duty to defend is independent of its duty to indemnify. Each indemnified party must submit all of its claims to its insurers in a timely manner. Any payments made by an indemnified party will be net of benefits received by any indemnified party on account of insurance in respect of such claims.

(c) The term "Losses" means, refers to, and includes all "Expenses" (as defined in section 16.2(e) below), liabilities, obligations, losses, fines, penalties, costs, or damages including all reasonable out of pocket fees and disbursements of legal counsel in the investigation or defense of any of the same or in asserting any party's respective rights hereunder but excluding punitive damages (unless resulting from third party claims).

(d) The term "Expenses" means, refers to, and includes, all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or

expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses will also include Expenses incurred in connection with any appeal resulting from any Proceeding and any federal, provincial, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement. Including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent.

(e) The term “Proceeding” means, refers to, and includes any threatened pending or completed suit, claim, demand, action, suit, arbitration, alternative dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether civil, criminal, administrative or investigative.

16.3 Franchisee’s Relationship to Franchisor as Franchisee, Customer Reviews

(a) It is expressly agreed by the parties they intend by this Agreement to establish between themselves the relationship of franchisee and franchisor. It is further agreed neither Franchisee nor any Principal Equity Owner has the authority to create or assume in Franchisor’s name or on Franchisor’s behalf, any obligation, express or implied, or to act or purport to act as agent or representative on Franchisor’s behalf for any purpose whatsoever. Neither Franchisee (nor any Principal Equity Owner) nor Franchisor is the employer, employee, agent, partner, fiduciary or joint-venturer of or with the other, each being independent. Franchisee and all Principal Equity Owners jointly and severally agree none will hold itself out as Franchisor’s agent, employee, partner or joint-venturer or the Owner of the Marks. All employees or agents hired or engaged by or working for Franchisee will be only the employees or agents of Franchisee and will not for any purpose be deemed employees or agents of Franchisor or the Owner of the Marks, nor subject to Franchisor’s control, and in particular, Franchisor will have no authority to exercise control over the hiring or termination of these employees, independent contractors, or others who work for Franchisee, their compensation, working hours or conditions, or their day-to-day activities, except to the extent necessary to protect the Marks. Franchisee and Franchisor agree to file their own tax, regulatory and payroll reports with respect to their respective employees or agents and operations.

(b) Franchisee agrees to diligently consider customer reviews and respond to customer indications of dissatisfaction with services rendered by Franchisee, its employees and agents, in a diligent and professional manner and Franchisee agrees to cooperate with representatives of Franchisor or the Owner of the Marks in any investigation undertaken by Franchisor of complaints respecting Franchisee’s activities.

16.4 No Third-Party Beneficiaries

This Agreement is not intended to benefit any other person or entity except the named parties hereto

and no other person or entity (other than financing sources to whom Franchisor may have granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder by virtue of so-called “third party beneficiary rights” or otherwise.

16.5 Survival of Covenants

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

16.6 Successors and Assigns

Subject to restrictions on Assignment by Franchisee contained herein, this Agreement is binding upon (i) Franchisor and inures to the benefit of Franchisor’s successors and assigns, (i) Franchisee and inures to the benefit of Franchisee successors and assigns, and (iii) Principal Equity Owners and inures to the benefit of their respective successors and assigns.

16.7 Joint and Several Liabilities

If Franchisee consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several.

16.8 Titles for Convenience Only

Section titles used in this Agreement are for convenience only and do not affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

16.9 Gender

All terms used in any one number or gender will extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any section may require.

16.10 Severability, Partial Invalidity

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to the law. Whenever there is any conflict between (i) any provision of this Agreement or the Confidential Operations Manual and (ii) any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter will prevail, but in such event the provision of this Agreement or the Confidential Operations Manual thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, section, sentence or clause of this Agreement or the Confidential Operations Manual is held to be indefinite, invalid or otherwise unenforceable, that

specific language will be deemed deleted but the remaining parts thereof will continue in full force and effect.

16.11 Counterparts

This Agreement may be executed in multiple copies, each of which will be deemed to be an original, and both which together will be deemed to be one and the same instrument.

16.12 Entire Agreement

(a) The parties to this Agreement each acknowledge and warrant to each other that they wish to have all of the terms of this business relationship defined solely in and by this written Agreement and the Confidential Operations Manual. Recognizing the costs on all parties which attend uncertainty, the signatories to this Agreement each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings (which have been or may in the future be exchanged between them) serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, the signatories each agree and promise each other that this Agreement, and the Confidential Operations Manual supersede and cancel any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements, understandings or any other term), by any of the parties or by anyone acting on their behalf, with respect to the rights and obligations of the parties to this Agreement or the relationship between them. Each signatory to this Agreement agrees and promises the other that they have placed, and will place, no reliance on such discussions or writings.

(b) In accordance with the foregoing section 16.4(a), the parties to this Agreement agree that this Agreement and the Confidential Operations Manual constitutes the entire agreement between the parties and contain all of the terms, conditions, rights and obligations of the parties with respect to the Franchised Business contemplated by this Agreement and any other aspect of the relationship between the parties.

(c) This Agreement cannot be modified or changed except by written instrument signed by all the parties hereto.

XVII. EFFECTIVENESS OF AGREEMENT

This Agreement will become effective only upon the execution thereof by Franchisee and by Franchisor. THIS AGREEMENT IS NOT BINDING ON FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY THE FRANCHISOR.

XVIII. ACKNOWLEDGMENTS AND REPRESENTATIONS

18.1 Acknowledgments and Representations

(a) Franchisee and each of Franchisee's Principal Equity Owners hereby jointly and severally represent and warrant that the following statements in this section 18.1 are true and accurate.

(b) Franchisee does not seek to obtain the Franchise for speculative or investment purposes and has no present intention to sell or transfer or attempt to sell or transfer the Franchised Business or Franchise within 12 months after Opening Date.

(c) Franchisee understands and acknowledges that the value to the System of uniform and ethical standards of quality, appearance and service described in and required by the Confidential Operations Manual and the necessity of operating the Franchised Business under the standards set forth in the Confidential Operations Manual. Franchisee represents that it has the capabilities, professionally, financially and otherwise, to comply with Franchisor's standards.

(d) If Franchisee is an entity, Franchisee is duly organized and qualified to do business in the provincial and any other applicable jurisdiction within which the Outlet is located.

(e) Franchisee's execution of this Agreement will not constitute or violate any other agreement or commitment to which Franchisee is a party.

(f) Any individual executing this Agreement on Franchisee's behalf is duly authorized to do so and the Agreement constitutes a valid and binding obligation of Franchisee and all of Franchisee's Principal Equity Owners.

(g) Franchisee and its Principal Equity Owners (i) carefully read this Agreement and all other related documents to be executed by Franchisee concurrently or in conjunction with the execution hereof, (ii) conducted an independent investigation of the business contemplated by this Agreement, (iii) obtained, or had the opportunity to obtain, the advice of counsel in connection with the execution and delivery of this Agreement, (iv) understand the nature of this Agreement, and (v) intend to comply with the terms hereof and be bound hereby. Franchisee also recognizes that the Franchise involves significant risks, making the success of the Outlet largely dependent on Franchisee's abilities and attention. Franchisor expressly disclaims the making of, and Franchisee agrees that Franchisee has not received or relied on, any representation or warranty from Franchisor regarding the likelihood of Franchisee's success at Franchisee's Outlet or in Franchisee's operating the Franchised Business.

(h) IN ENTERING INTO THIS AGREEMENT, FRANCHISEE HAS NOT RELIED ON ANY REPRESENTATIONS BY FRANCHISOR, OR ANY OF FRANCHISOR'S OFFICERS, MANAGERS, DIRECTORS, PARTNERS, SHAREHOLDERS, EMPLOYEES OR AGENTS, CONCERNING THE FRANCHISED BUSINESS CONTRARY TO THE TERMS OF THIS AGREEMENT, THE DOCUMENTS INCORPORATED INTO THIS AGREEMENT (OR

ATTACHED TO IT).

(i) Franchisee agrees that complete and detailed uniformity among Franchisor's franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agree that Franchisor, in its sole discretion, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. Franchisee further agrees that Franchisor has no obligation to disclose or offer the same or similar variances to Franchisee. Franchisee is aware that other **MACU** franchisees may operate under different agreements and, consequently, that Franchisor's obligations and rights as to those franchisees may differ materially in certain circumstances.

(j) Franchisee received a copy of this Agreement at least 14 calendar days before it is signed.

(k) Franchisee made no payment to Franchisor before Franchisee signed this Agreement.

(l) Franchisee and each Principal Equity Owner acknowledge that in operating the System, Franchisor must take into account the needs of the System as a whole, and the need to protect the Marks, even if Franchisor's actions are contrary to Franchisee's individual interests as a franchisee.

(m) Franchisee and each Principal Equity Owner acknowledge that the success of the business venture is speculative and depends in large part on Franchisee's participation in the daily affairs of the Franchised Business.

IN WITNESS WHEREOF, and each signatory being jointly and severally liable, the parties hereto executed this Agreement as of the Effective Date.

FRANCHISEE

FRANCHISOR
MACU INTERNATIONAL LLC

_____	_____
By: _____	By: _____
Title: _____	Title: _____

List of Exhibits to Franchise Agreement

Exhibit 1 – Territory and Location of Outlet

Exhibit 2 – Evaluation

EXHIBIT 1 – TERRITORY AND LOCATION OF OUTLET

The Exclusive Territory is within _____miles radius from the Outlet.

The Outlet is located at

(If the address of the Outlet is unknown when this Agreement is signed as soon as the address is determined it will be inserted later into the space above or added by addendum to this Exhibit 1).

The Outlet must be open and operating no later than_____.

EXHIBIT 2 – EVALUATION

FINANCIAL STATEMENTS



EXHIBIT B

MACU INTERNATIONAL LLC
Balance Sheet
As of May 31, 2024

3:09 AM
06/19/2024
Accrual Basis
May 31, 24

ASSETS

Current Assets

Checking/Savings

East West Bank 250,904.41

Total Checking/Savings 250,904.41

Accounts Receivable

Accounts Receivable (3,149.57)

Total Accounts Receivable (3,149.57)

Other Current Assets

Deposit Paid 10,625.00

Resale Inventory 4,403.00

Total Other Current Assets 15,028.00

Total Current Assets 262,782.84

Fixed Assets

Acc.Depreciation - R.O.U.A. (17,960.27)

Right-of-use assets 17,960.27

Total Fixed Assets 0.00

TOTAL ASSETS 262,782.84

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Other Current Liabilities

Accounts Payable 29.74

Current account with Director 6,552.85

Taxes Payable 2,624.46

Trade deposit received 95,000.00

Total Other Current Liabilities 104,207.05

Total Current Liabilities 104,207.05

Total Liabilities 104,207.05

Equity

Contributed Capital 100,000.00

Members Equity 65,836.01

Net Income (7,260.22)

Total Equity 158,575.79

TOTAL LIABILITIES & EQUITY 262,782.84

MACU INTERNATIONAL LLC
Profit & Loss
January through May 2024

3:11 AM
06/19/2024
Accrual Basis
Jan - May 24

Ordinary Income/Expense	
Income	
Franchise Income	80,186.68
Total Income	80,186.68
Gross Profit	80,186.68
Expense	
Accounting Expense	8,914.00
Bank service charge	490.00
Independent Contractor	
JAMES I LEE	53,091.50
Total Independent Contractor	53,091.50
Professional fee	15,100.00
State taxes and fees	3,431.50
Total Expense	81,027.00
Net Ordinary Income	(840.32)
Other Income/Expense	
Other Income	
Other income	415.10
Total Other Income	415.10
Other Expense	
Federal Income Tax	6,835.00
Total Other Expense	6,835.00
Net Other Income	(6,419.90)
Net Income	(7,260.22)

MACU INTERNATIONAL LLC

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CONTENTS

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Statement of changes in member's equity	4
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(EXPRESSED IN UNITED STATES DOLLARS)

Independent auditor's report
To the Member of MACU INTERNATIONAL LLC

We have audited the accompanying financial statements of MACU INTERNATIONAL LLC, which comprise the balance sheet as of December 31, 2023, and the related statement of income, changes in member's equity, and cash flows for the year ended December 31, 2023, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MACU INTERNATIONAL LLC as of December 31, 2023, and the results of its operations and its cash flows for the year ended December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Kaizen CPA PLLC

Kaizen CPA PLLC
202 Canal Street, Suite 303, 3/F.,
New York, NY 10013, USA
Date: March 21, 2024

KAIZEN CPA PLLC
KAIZEN CPA LIMITED
202 Canal Street, Suite 303, 3/F.,
New York, NY 10013, USA
+1 646 650 5588
www.kaizen-cpa.com

MACU INTERNATIONAL LLC
Statement of income
For the year ended December 31, 2023

		1/1/2023 to 31/12/2023 US\$	1/18/2022 (Date of formation) to 31/12/2022 US\$
	<u>Note</u>		
Revenue			
Franchise income		318,314	40,000
Administrative expenses		(170,414)	(88,428)
		-----	-----
Profit / (loss) from operations		147,900	(48,428)
Non-operating income / (expenses)			
Sundry income		6,066	4,845
Interest expenses	4	-	(1,364)
		-----	-----
Net non-operating income		6,066	3,481
		-----	-----
Profit / (loss) before taxes		153,966	(44,947)
Income tax expenses	3	(43,183)	-
		-----	-----
Net profit / (loss)		110,783	(44,947)
		=====	=====

The accompanying notes are an integral part of these financial statements.

MACU INTERNATIONAL LLC
Balance sheet
As of December 31, 2023

	<u>Note</u>	<u>2023</u> US\$	<u>2022</u> US\$
ASSETS			
Current assets:			
Accounts receivable		3,695	-
Deposit paid		10,625	5,625
Cash and cash equivalents		311,846	85,031
		-----	-----
Total current assets		326,166	90,656
		-----	-----
Non-current asset:			
Operating lease right-of-use asset	4	-	52,538
		-----	-----
Total non-current asset		-	52,538
		-----	-----
Total assets		326,166	143,194
		=====	=====
LIABILITIES AND MEMBER'S EQUITY			
Current liabilities:			
Accounts payable		182	-
Accrued expenses		10,432	5,000
Amount due to sole member	5	6,553	-
Trade deposit received		99,980	30,000
Taxes payable		43,183	-
Operating lease liabilities	4	-	53,141
		-----	-----
Total liabilities		160,330	88,141
Member's equity:			
Contributed capital		100,000	100,000
Retained earnings / (accumulated losses)		65,836	(44,947)
		-----	-----
Total member's equity		165,836	55,053
		-----	-----
Total liabilities and member's equity		326,166	143,194
		=====	=====

The accompanying notes are an integral part of these financial statements.

MACU INTERNATIONAL LLC
Statement of changes in member's equity
For the year ended December 31, 2023

	Contributed <u>capital</u> US\$	(Accumulated losses)/ <u>retained earnings</u> US\$	<u>Total</u> US\$
At January 18, 2022 (Date of formation)	-	-	-
Contributions	100,000	-	100,000
Net loss	-	(44,947)	(44,947)
	-----	-----	-----
At December 31, 2022 and January 1, 2023	100,000	(44,947)	55,053
Net profit	-	110,783	110,783
	-----	-----	-----
At December 31, 2023	100,000	65,836	165,836
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

MACU INTERNATIONAL LLC
Statement of cash flows
For the year ended December 31, 2023

	1/1/2023 to 31/12/2023 US\$	1/18/2022 (Date of formation) to 31/12/2022 US\$
Cash flows from operating activities		
Net profit / (loss) before tax	153,966	(44,947)
Adjustments to reconcile net profit / (loss) to net cash generated from operating activities:		
Depreciation	-	17,960
Interest expenses	-	1,364
	-----	-----
	153,966	(25,623)
Changes in operating assets and liabilities:		
Accounts receivable	(3,695)	-
Deposit paid	(5,000)	(5,625)
Accounts payable	182	-
Accrued expenses	5,432	5,000
Amount due from due to sole member	6,553	-
Trade deposit received	69,980	30,000
Operating lease liability	(603)	(18,721)
	-----	-----
Net cash generated from / (used in) operating activities and net increase / (decrease) in cash and cash equivalents	226,815	(14,969)
	-----	-----
Financing activity		
Issuance of ordinary shares	-	100,000
	-----	-----
Net cash generated from financing activity	-	100,000
	-----	-----
Net increase in cash and cash equivalents	226,815	85,031
Cash and cash equivalents, beginning of the year / period	85,031	-
	-----	-----
Cash and cash equivalents, end of the year / period	311,846	85,031
	=====	=====

The accompanying notes are an integral part of these financial statements.

MACU INTERNATIONAL LLC
Notes to the financial statements
For the year ended December 31, 2023

1. Corporate information

MACU INTERNATIONAL LLC (the "Company") was organized under the Washington Limited Liability Company Act. The Company is franchising its brands that offer gourmet coffees, teas, coffee or tea-based beverages, compatible food products and desserts in the United States of America.

2. Significant accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

The financial statements are presented in United States Dollars.

(b) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

(c) Subsequent events

The Company has evaluated subsequent events for recognition and disclosure through March 20, 2024, the date that these financial statements were available to be issued. There were no subsequent events that required adjustment or disclosure in the accompanying financial statements.

(d) Right-of-use assets and lease liability

A lessee should recognize the lease liability to make lease payments and the right-of-use asset representing its right to use the underlying asset for the lease term. For operating leases, a right-of-use asset and a lease liability are initially measured at the present value of the lease payments. Depreciation of right-of-use asset is recognized on a straight-line basis over the lease term.

For the lease within a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term.

(e) Cash and cash equivalents

The Company considers all highly liquid assets with original maturities of three months or less when purchased to be cash equivalents. The carrying amount of cash equivalents approximates fair value.

2. Significant accounting policies (cont'd)

(f) Revenue recognition

The Company adopted the provisions of ASU 2021-02: Revenue from Contracts with Customers (Topic 606) and the principal versus agent guidance within the revenue standard.

The Company recognized revenue from fees from franchised restaurants operated by conventional franchisees. Franchise revenue included initial licensing franchise fees and know-how fees.

Revenue from franchise agreement is generally recognized, net of an allowance for uncollectible amounts.

When an individual franchise agreement is made, the Company agrees to provide certain services to the franchisee. Generally, these services include advisory and assistance in site selection, training personnel, and implementation of an operating and quality control program. Initial licensing franchise fees are recognized when the services are completed.

After the franchised restaurants started operation, royalty income is paid by franchisees to the Company for brand maintenance, new product development and consulting services. Continuing royalties, which are either fixed amount per month or as a percentage of net sales of the franchisee, are recognized as revenue when earned and become receivable from the franchisee.

(g) Income taxes

The Company has elected to be taxed as a corporation for federal and state income tax purposes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are computed for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities. Adjustments to prior year's income tax liabilities are added to or deducted from the current year's tax provision.

The Company follows authoritative guidance under ASC No. 740, "Income Taxes" on uncertain tax positions and has analyzed its filing positions in all the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in those jurisdictions. The Company files income tax returns in the US federal and state jurisdictions where it conducts business. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on its financial position, results of operations, or cash flows. Therefore, no reserves for uncertain tax positions have been recorded. The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months.

The Company's policy for recording interest and penalties associated with any uncertain tax positions is to record such items as a component of income before taxes. Penalties and interest paid or received, if any, are recorded as part of other operating expenses in the statement of income.

2. Significant accounting policies (cont'd)

(h) Fair value of financial instruments

The Company utilizes the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy consist of the following:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument

Level 3: Inputs to the valuation methodology are unobservable inputs based upon management's best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions.

As of December 31, 2023, the carrying value of accounts receivable, amount due from a member, cash and cash equivalents, deposit paid, accounts payable, trade deposit received and taxes payable approximated their fair values due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2023.

(i) Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents. The Company maintains cash and cash equivalents at financial institutions. Bank accounts at U.S. institutions are insured up to US\$250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). As of December 31, 2023, the total balance of cash in U.S. institutions did not exceed the amount insured by the FDIC for the Company.

(j) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued since December 31, 2023 up to the date of authorization of the financial statements which are not yet effective and, have not been applied in preparing these financial statements. None of these new standards or amendments to standards when effective is expected to have a material effect on the financial statements of the Company.

MACU INTERNATIONAL LLC
Notes to the financial statements
For the year ended December 31, 2023

3. Income tax expenses

Income tax expenses for the year / period ended December 31, 2023 and 2022 consisted of the following:

	<u>2023</u> US\$	<u>2022</u> US\$
<u>Current</u>		
Federal Tax Expense	31,359	-
State Tax Expense	11,824	-
	-----	-----
Net Income Tax Expense	43,183	-
	=====	=====

No deferred tax has been provided in the financial statements as the recovery of the carrying amount of the Company's asset and settlement of the carrying amount of Company's liabilities will not materiality effect any taxable profit.

4. Lease

As of December 31, 2023 and 2022, supplemental statement of financial position information related to lease was as follows:

	<u>2023</u> US\$	<u>2022</u> US\$
Operating lease right-of-use asset	-	52,538
	=====	=====
Operating lease liability	-	53,141
	=====	=====

For the year ended December 31, 2023 and 2022, supplemental statement of income information related to lease was as follows:

	<u>2023</u> US\$	<u>2022</u> US\$
Right-of-use asset depreciation	-	17,960
	=====	=====
Operating lease interest expenses	-	1,364
	=====	=====
Operating lease expenses	54,765	-
	=====	=====

MACU INTERNATIONAL LLC
Notes to the financial statements
For the year ended December 31, 2023

4. Lease (Cont'd)

Supplemental cash flow information related to lease was as follows:

	<u>2023</u> US\$	<u>2022</u> US\$
Cash paid for amounts included in the measurement of operating lease liability	- =====	18,721 =====
	<u>2023</u> US\$	<u>2022</u> US\$
Remaining undiscounted lease payments	-	54,765
Less: Imputed interest	-	(1,624)
	-----	-----
Net lease liability	-	53,141
Less: current portion	-	(53,141)
	-----	-----
Non-current portion	- =====	- =====

5. Amount Due to Sole Member

The amount due is unsecured, interest-free and repayable on demand.

6. Comparative Figures

The financial statements for the current period cover a period of 12 months from January 1, 2023 to December 31, 2023. The corresponding amount presented for the income statement and related notes cover a period of 11 months and 18 days from January 18, 2022 (date of formation) to December 31, 2022, and therefore may not be comparable with amounts shown for current year.

MACU INTERNATIONAL LLC

**REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 18, 2022
(DATE OF FORMATION) TO DECEMBER 31, 2022**

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(EXPRESSED IN UNITED STATES DOLLARS)

**Independent auditor's report
To the Member of MACU INTERNATIONAL LLC**

We have audited the accompanying financial statements of MACU INTERNATIONAL LLC, which comprise the balance sheet as of December 31, 2022, and the related statement of income, changes in member's equity, and cash flows for the period from January 18, 2022 (Date of formation) to December 31, 2022, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

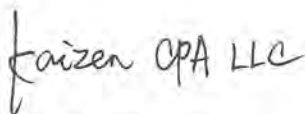
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MACU INTERNATIONAL LLC as of December 31, 2022, and the results of its operations and its cash flows for the period from January 18, 2022 (Date of formation) to December 31, 2022 in accordance with accounting principles generally accepted in the United States of America.



Kaizen CPA PLLC
202 Canal Street, Suite 303, 3/F.,
New York, NY 10013, USA
Date: March 3, 2023

KAIZEN CPA PLLC
KAIZEN CPA LIMITED
202 Canal Street, Suite 303, 3/F
New York, NY 10013, USA
+1 646 850 5888

MACU INTERNATIONAL LLC**Statement of income****For the period from January 18, 2022 (Date of formation) to December 31, 2022**

	<u>Note</u>	US\$
Revenue		
Franchise income		40,000
Administrative expenses		(88,428)

Loss from operations		(48,428)
Non-operating income / (expenses)		
Sundry income		4,845
Interest expenses	4	(1,364)

Net non-operating income		3,481

Loss before taxes		(44,947)
Income tax expenses	3	-

Net loss		(44,947)
		=====

The accompanying notes are an integral part of these financial statements.

MACU INTERNATIONAL LLC
Balance sheet
As of December 31, 2022

		US\$
ASSETS		
Current assets:		
Deposit paid		5,625
Cash and cash equivalents		85,031
Total current assets		90,656
Non-current asset:		
Operating lease right-of-use asset	4	52,538
Total non-current asset		52,538
Total assets		143,194
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accrued expenses		5,000
Trade deposit received		30,000
Operating lease liability	4	53,141
Total liabilities		88,141
Member's equity:		
Contributed capital		100,000
Accumulated losses		(44,947)
Total member's equity		55,053
Total liabilities and member's equity		143,194

The accompanying notes are an integral part of these financial statements.

MACU INTERNATIONAL LLC
Statement of changes in member's equity
For the period from January 18, 2022 (Date of formation) to December 31, 2022

	Contributed <u>capital</u> US\$	Accumulated <u>losses</u> US\$	<u>Total</u> US\$
Contributions	100,000	-	100,000
Net loss	-	(44,947)	(44,947)
At December 31, 2022	<u>100,000</u>	<u>(44,947)</u>	<u>55,053</u>

The accompanying notes are an integral part of these financial statements.

MACU INTERNATIONAL LLC**Statement of cash flows****For the period from January 18, 2022 (Date of formation) to December 31, 2022**

	US\$
Cash flows from operating activities	
Net loss	(44,947)
Adjustments to reconcile net loss to net cash generated from operating activities:	
Depreciation	17,960
Interest expenses	1,364
Changes in operating assets and liabilities:	
Deposit paid	(5,625)
Accrued expenses	5,000
Trade deposit received	30,000
Operating lease liability	(18,721)
Net cash generated from operating activities and net increase in cash and cash equivalents	(14,969)
Financing activities	
Issuance of ordinary shares	100,000
Net cash generated from financing activities	100,000
Net increase in cash and cash equivalents	85,031
Cash and cash equivalents, beginning of the period	-
Cash and cash equivalents, end of the period	85,031

The accompanying notes are an integral part of these financial statements.

MACU INTERNATIONAL LLC**Notes to the financial statements****For the period from January 18, 2022 (Date of formation) to December 31, 2022**

1. Corporate information

MACU INTERNATIONAL LLC (the "Company") was formed on January 18, 2022 and organized under the Washington Limited Liability Company Act. The Company is franchising its brands that offer gourmet coffees, teas, coffee or tea-based beverages, compatible food products and desserts in the United States of America.

2. Significant accounting policies**(a) Basis of accounting**

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

The financial statements are presented in United States Dollars.

(b) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

(c) Subsequent events

The Company has evaluated subsequent events for recognition and disclosure through March 3, 2023, the date that these financial statements were available to be issued. There were no subsequent events that required adjustment or disclosure in the accompanying financial statements.

(d) Right-of-use assets and lease liability

A lessee should recognize the lease liability to make lease payments and the right-of-use asset representing its right to use the underlying asset for the lease term. For operating leases, a right-of-use asset and a lease liability are initially measured at the present value of the lease payments. Depreciation of right-of-use asset is recognized on a straight-line basis over the lease term.

For the lease within a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term.

(e) Cash and cash equivalents

The Company considers all highly liquid assets with original maturities of three months or less when purchased to be cash equivalents. The carrying amount of cash equivalents approximates fair value.

MACU INTERNATIONAL LLC

Notes to the financial statements

For the period from January 18, 2022 (Date of formation) to December 31, 2022

2. Significant accounting policies (cont'd)

(f) Revenue recognition

The Company adopted the provisions of ASU 2021-02: Revenue from Contracts with Customers (Topic 606) and the principal versus agent guidance within the revenue standard.

The Company recognized revenue from fees from franchised restaurants operated by conventional franchisees. Franchise revenue included initial licensing franchise fees and know-how fees.

Revenue from franchise agreement is generally recognized, net of an allowance for uncollectible amounts.

When an individual franchise agreement is made, the Company agrees to provide certain services to the franchisee. Generally, these services include advisory and assistance in site selection, training personnel, and implementation of an operating and quality control program. Initial licensing franchise fees are recognized when the services are completed.

After the franchised restaurants started operation, royalty income is paid by franchisees to the Company for brand maintenance, new product development and consulting services. Continuing royalties, which are either fixed amount per month or as a percentage of net sales of the franchisee, are recognized as revenue when earned and become receivable from the franchisee.

(g) Income taxes

The Company has elected to be taxed as a corporation for federal and state income tax purposes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are computed for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities. Adjustments to prior year's income tax liabilities are added to or deducted from the current year's tax provision.

The Company follows authoritative guidance under ASC No. 740, "Income Taxes" on uncertain tax positions and has analyzed its filing positions in all the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in those jurisdictions. The Company files income tax returns in the US federal and state jurisdictions where it conducts business. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on its financial position, results of operations, or cash flows. Therefore, no reserves for uncertain tax positions have been recorded. The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months.

The Company's policy for recording interest and penalties associated with any uncertain tax positions is to record such items as a component of income before taxes. Penalties and interest paid or received, if any, are recorded as part of other operating expenses in the statement of income.

MACU INTERNATIONAL LLC

Notes to the financial statements

For the period from January 18, 2022 (Date of formation) to December 31, 2022

2. Significant accounting policies (cont'd)

(h) Fair value of financial instruments

The Company utilizes the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy consist of the following:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument

Level 3: Inputs to the valuation methodology are unobservable inputs based upon management's best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions.

As of December 31, 2022, the carrying value of cash and cash equivalents, deposit paid, accrued expenses, trade deposit received and lease liabilities approximated their fair values due to the short-term nature of these financial instruments. The Company's lease liabilities approximated the carrying amount at December 31, 2022 as their interest rates are considered as approximate to the current rate for comparable leases. There were no outstanding derivative financial instruments as of December 31, 2022.

(i) Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents. The Company maintains cash and cash equivalents at financial institutions. Bank accounts at U.S. institutions are insured up to US\$250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). As of December 31, 2022, the total balance of cash in U.S. institutions did not exceed the amount insured by the FDIC for the Company.

(j) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued since December 31, 2022 up to the date of authorization of the financial statements which are not yet effective and, have not been applied in preparing these financial statements. None of these new standards or amendments to standards when effective is expected to have a material effect on the financial statements of the Company.

3. Income tax expenses

No provision for tax expenses has been made in the financial statements as the Company has incurred a loss for the period.

No deferred tax has been provided in the financial statements as the recovery of the carrying amount of the Company's asset and settlement of the carrying amount of Company's liabilities will not materially effect any taxable profit.

MACU INTERNATIONAL LLC
Notes to the financial statements
For the period from January 18, 2022 (Date of formation) to December 31, 2022

4. Lease

As of December 31, 2022, supplemental statement of financial position information related to lease was as follows:

	US\$
Operating lease right-of-use asset	52,538
Operating lease liability	53,141

For the year ended December 31, 2022, supplemental statement of income information related to lease was as follows:

	US\$
Right-of-use asset depreciation	17,960
Operating lease interest expenses	1,364

Supplemental cash flow information related to lease was as follows:

	US\$
Cash paid for amounts included in the measurement of operating lease liability	18,721

The Company has an operating lease for its office expiring in 2023. As of December 31, 2022, maturities of operating lease liability were as follows:

	US\$
Remaining undiscounted lease payments	54,765
Less: Imputed interest	(1,624)
Net lease liability	53,141
Less: current portion	(53,141)
Non-current portion	-

As of December 31, 2022, the remaining lease term and discount rate applied on the operating lease arrangement were 10.5 months and 7.75% per annum respectively.

LIST OF FRANCHISE OUTLETS



EXHIBIT C

LIST OF FRANCHISE OUTLETS

Name	Address	Telephone Number
TD& B2, INC	2691 Penitencia Creek Rd. San Jose, CA 91532	4086238389
Melon More LLC	1100 NE 45th St. #100, Seattle, WA 98105	2068068875

LIST OF TERMINATED FRANCHISES



EXHIBIT D

LIST OF TERMINATED FRANCHISES

As of December 31, 2023, no MACU® franchisee had an outlet terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during the past 12 months.

No franchisee has failed to communicate with us within the 10 weeks ending on the date of this disclosure document.

**STATE FRANCHISE ADMINISTRATORS
AND AGENTS FOR SERVICE OF PROCESS**



EXHIBIT E

STATE FRANCHISE ADMINISTRATORS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. The following are the state administrators responsible for the review, registration and oversight of franchises in these states:

California:

Department of Financial Protection and Innovation
2101 Arena Boulevard, Sacramento, CA 95834
Toll-free (866) 275-2677
(916) 445-7205

Hawaii:

Commissioner of Securities, Dept. of Commerce and
Consumer Affairs, Business Registration Div.,
Securities Compliance Branch
335 Merchant St., Rm. 203, Honolulu
HI 96813-2921
(808) 586-2722

Illinois:

Office of the Attorney General
Franchise Division
500 S. 2nd St., Springfield IL 62701-1771
(217)782-4465

Indiana:

Indiana Securities Division, Franchise Section
302 W. Washington St., Rm E111
Indianapolis, IN 46204-2738
(317) 232-7781

Maryland:

Office of the Attorney General
Securities Division
200 Saint Paul Pl. Baltimore, MD 21202-2020
(410)576-6360

Michigan:

Michigan Attorney General
Consumer Protection Division
PO Box 30213, Lansing, MI 48909-7713
(517)373-7117

Minnesota:

Commissioner of Commerce
85 7th Pl. E., Ste 280
Saint Paul, MN 55101-3165
(651) 539-1600

New York:

NYS Department of Law
Investor Protection Bureau
28 Liberty St., 21st Flr.
New York, NY 10005-1495
212-416-8222

North Dakota:

Securities Department
600 E. Boulevard Ave., 5th Flr.
Bismarck, ND 58505-0510
(701) 328-4712

Rhode Island:

Dept. of Business Regulations
Division of Securities
1511 Pontiac Ave. Bldg. 69-1
Cranston, RI 02920-4407
(401)462-9527

South Dakota:

Division of Insurance, Securities Regulation
124 S. Euclid Ave., Ste.104
Pierre SD 57501-3168

Virginia:

State Corporation Commission, Div. of Securities &
Retail Franchising
1300 E. Main St., 9th Flr.
Richmond, VA 23219-3630
(804) 371-9051

Washington:

Dept. of Financial Institutions
Securities Division
150 Israel Rd. SW, Tumwater, WA 98501-6456
(360) 902-8760

Wisconsin:

Securities Division
201 W. Washington Ave. Ste. 300
Madison, WI 53703-2640
(608) 266-8557

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. If we register the franchise (or otherwise comply with the franchise investment laws) in any of these states, we will designate the following state offices or officials as our agents for service of process in those states:

California:

Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
2101 Arena Boulevard, Sacramento, CA 95834

Hawaii:

Commissioner of Securities
Dept. of Commerce and Consumer Affairs,
Business Registration Div., Securities Compliance Branch
335 Merchant St., Rm. 203
Honolulu, HI 96813-2921
(808) 586-2722

Illinois:

Office of the Attorney General
Franchise Division
500 S. 2nd St., Springfield IL 62701-1771
(217)782-4465

Indiana:

Secretary of State
302 W. Washington St., Rm E111
Indianapolis, IN 46204-2738
(317) 232-7781

Maryland:

Maryland Securities Commissioner
200 Saint Paul Pl.
Baltimore, MD 21202-2020
(410)576-6360

Michigan:

Michigan Attorney General, Consumer Protection Division
PO Box 30213, Lansing, MI 48909-7713
(517)373-7117

Minnesota:

Commissioner of Commerce
85 7th Pl. E., Ste 280, Saint Paul, MN 55101-3165
(651) 539-1600

New York:

Secretary of State
99 Washington Avenue
Albany, NY 12231

North Dakota:

Securities Commissioner
600 E. Boulevard Ave., 5th Flr.
Bismarck, ND 58505-0510
(701) 328-4712

Rhode Island:

Director of the Division of Business Regulation
1511 Pontiac Ave. Bldg. 69-1
Cranston RI 02920-4407
(401)462-9527

South Dakota:

Director of the Division of Securities
124 S. Euclid Ave., Ste.104
Pierre SD 57501-3168

Virginia:

Clerk, Virginia State Corporation Commission
1300 E. Main St., 9th Flr.
Richmond, VA 23219-3630
(804) 371-9051

Washington:

Director of Financial Institutions
150 Israel Rd. SW
Tumwater, WA 98501-6456
(360) 902-8760

Wisconsin:

Administrator, Division of Securities
Department of Financial Institutions
201 W. Washington Ave. Ste. 300, Madison, WI 53703-2640
(608) 266-8557

STATE SPECIFIC ADDENDUM



EXHIBIT F

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF CALIFORNIA**

1. California Business and Professions Code sections 20000 through 20043 (the "Act") provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.

2. Section 31125 of the California Corporations Code requires the franchisor to give you a disclosure document, in a form and containing information that the Commissioner of the Department of Financial Protection and Innovation may by rule or order require, before solicitation of a proposed material modification of an existing franchise.

3. The Franchise Agreement requires binding arbitration. The arbitration will occur at Los Angeles, California with the costs being borne by both parties equally. The arbitration will occur in Los Angeles County, California, or other county where the franchisor's headquarters is then located, with the costs being borne equally by both parties but reimbursable to the prevailing party. 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 provision of a franchise agreement that restricts venue to a forum outside of California.

4. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 *et seq.*)

5. The Franchise Agreement contains a covenant not to compete that extends beyond the termination or transfer of the franchise. This provision may not be enforceable under California Law.

6. The Franchise Agreement requires you to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (Corporations Code

§§31000-31516). Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000-20043).

7. 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.

8. The agreements contain a liquidated damage clause, under Civil Code, Section 1671, certain

liquidated damage clauses are enforceable.

9. OUR WEBSITE 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.

10. Neither the franchisor, nor any person or franchise broker listed 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. §78A *et seq.*), suspending or expelling these persons from membership in such association or exchange.

11. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

12. The maximum interest in California is 10%.

13. The Department of Financial Protection and Innovation (formerly the Department of Business Oversight) requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit is deferred until that unit is open.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

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

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.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

STATE EFFECTIVE DATES



EXHIBIT G

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Document is effective and may be used in the following states, where the document is filed, registered or exempted from registration, as of the Effective Date stated below:

State	Effective Date
California	pending
Illinois	N/A
Indiana	N/A
Maryland	N/A
Michigan	N/A
Minnesota	N/A
New York	pending
North Dakota	N/A
Rhode Island	N/A
Virginia	N/A
Washington	pending
Wisconsin	N/A

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.

RECEIPTS



EXHIBIT H

RECEIPT

This disclosure document summarizes certain provisions of the Subfranchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Macu International 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.

If Macu International 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 law and state law may have occurred and should be reported to the government agency or file suits in the court with appropriate jurisdiction.

We have no franchise brokers. The name, address and telephone number of the franchise seller for this offering is: Hsiu Chuan Chien, 800 E Wishkah Street #1008, Aberdeen, WA 98520; telephone 253-900-2316.

Date of Issuance: June 21, 2024

Macu International LLC authorizes the person identified in Item 1 to receive service of process for it in your state. I received a disclosure document dated June 21, 2024 that included the following Exhibits:

"A"	Franchise Agreement
"A-1"	Form of General Release
"B"	Financial Statements
"C"	List of Franchise Outlets
"D"	List of Terminated Franchises
"E"	State Franchise Administrators and Agents for Service of Process
"F"	State Specific Addendum
"G"	State Effective Dates
"H"	Receipts

DATED:
(Do not leave blank)

If a business entity:

(Name of Business Entity)

(Signature of Primary Contact Owner)

(Print Name and Title)

If an individual:

(Signature of Prospective Subfranchisor)

(Print Name)

Please date and sign this page, and then keep it for your records

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Macu International 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.

If Macu International 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 law and state law may have occurred and should be reported to the government agency or file suits in the court with appropriate jurisdiction.

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- “E” State Franchise Administrators and Agents for Service of Process
- “F” State Specific Addendum
- “G” State Effective Dates
- “H” Receipts

DATED:

(Do not leave blank)

If a business entity:

(Name of Business Entity)

(Signature of Primary Contact Owner)

(Print Name and Title)

If an individual:

(Signature of Prospective Franchisee)

(Print Name)

Please date and sign this page, and then return it by first class mail to Macu International LLC, Hsiu Chuan Chien, 800 E Wishkah Street #1008, Aberdeen, WA 98520; telephone 253-900-2316.; or by e-mail to overseas@macutea.com.tw.