FRANCHISE DISCLOSURE DOCUMENT

DAELA COSMETIC TATTOO®

Daela Co.
(A Washington Corporation)
19609 NE 35th Court
Ridgefield, Washington 98642
(360) 907-9326
www.daelacosmetictattoo.com

The franchise offered is a specialized cosmetic tattooing and permanent and semi-permanent makeup services business, offering microblading services, lip blush tattoo services, areola restoration and 3D nipple tattooing services, paramedical and scar camouflage services, brow lamination services, eyelash lift and tint services, eyeliner tattoo services, teeth whitening and gem services, and other related authorized services and products. The total initial investment necessary to begin operation of a DAELA COSMETIC TATTOO franchise business is from $63,000 to $600,900. The total initial investment estimate includes the Initial Franchise Fee in the amount of $25,000 paid to the franchisor, and additionally includes an estimated range of $10,000 to $30,000 in potential Artist Training Program Initial Fees that will be paid to our affiliate. Franchisees have the discretion to elect to require their individual artists to pay their own related Artist Training Fees. Administrative training of the Franchisee's Owners and the Franchisee's Studio Manager are included in the Franchise Fee.

The 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 our Franchise Administrator at Daela Co., 19609 NE 35th Court, Ridgefield, Washington 98642, (360) 907-9326.

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

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

Issuance date: March 15, 2023

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.
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 DAELA COSMETIC TATTOO 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 a DAELA COSMETIC TATTOO franchisee?	Item 20 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 C.

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 Washington. 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 Washington than in your own state.

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.

DAELA COSMETIC TATTOO®

DISCLOSURE DOCUMENT

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A. Franchise Agreement
B. Financial Statements
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D. Copy of Current Form of General Release
E. Copy of Current Form of Confidentiality Agreement
F. State Specific Addenda
G. Receipts

Item 1: The Franchisor and any Parents, Predecessors, and Affiliates

Introduction. To simplify the language in this Franchise Disclosure Document, unless the context otherwise requires, all references to "we," "us", or "our" refer to Daela Co. and all references to "Franchisee," "you," or "your" refer to the person who is granted the right to operate a DAELA COSMETIC TATTOO franchise under the terms of a franchise agreement. The use of paragraph captions throughout this document is for convenience of reference only and is not intended to change the meaning of any text.

Your franchise business is referenced as the "Franchised Business" and our unique and distinctive system for operating DAELA COSMETIC TATTOO businesses is referenced as the "System". The current and future trade names, trademarks, service marks and trade dress used to identify DAELA COSMETIC TATTOO businesses, including the DAELA COSMETIC TATTOO mark, are referenced collectively as the "Marks". Our mandatory and suggested specifications, standards, operating procedures and rules that we prescribe for the operation of the Franchised Business are referenced as our "Methods of Operation".

The Franchisor. We are a corporation formed under Washington law on February 1, 2022. Our principal business address is 19609 NE 35th Court, Ridgefield, Washington 98642. On November 15, 2022, Daela Co. changed its business name in the State of Washington from Meraki PMU Inc.. Our agent or agents to receive service of process, if any, are identified in Exhibit "C" to the Franchise Disclosure Document.

We have been offering DAELA COSMETIC TATTOO franchises since the Issuance Date of this Franchise Disclosure Document. We intend to do business under our corporate name and under the DAELA COSMETIC TATTOO name. Daela Co. has not in the past and does not now operate a business of the type being franchised. We have not in the past and do not now engage in other business activities. We do not offer franchises in other lines of business.

Parent or Predecessors. There is no parent or predecessor of Daela Co..

Affiliate. Daela Cosmetic Tattoo Inc., a corporation formed under Washington law on May 5, 2017, is our affiliate. On December 3, 2022 Daela Cosmetic Tattoo Inc. changed its business name in the State of Washington from Studio Meraki Inc.. Daela Cosmetic Tattoo Inc.'s principal business address is 19609 NE 35th Court, Ridgefield, Washington 98642. You will conduct business directly with Daela Cosmetic Tattoo Inc. as under the terms of the Franchise Agreement it may be an approved supplier of goods or services to the Franchised Business. Daela Cosmetic Tattoo Inc. does not now and has never in the past sold franchises in any line of business.

Franchises Offered. The DAELA COSMETIC TATTOO Franchised Business is modeled after the specialty cosmetic tattooing and permanent makeup services business owned and operated by our Affiliate. You must sign our then-current form of franchise agreement (the "Franchise Agreement") for each DAELA COSMETIC TATTOO franchise business you open. A copy of our current standard form of Franchise Agreement is included in Exhibit "A" to this Franchise Disclosure Document.

Each Franchise Agreement will grant you the right to own and operate a single DAELA COSMETIC TATTOO franchise business. If you are a corporation, limited liability company, or any other type of approved legal entity, the provisions of the Franchise Agreement apply to your owners by virtue of the requirement that some or all your owners must personally guarantee, and be personally bound by, your obligations under the Franchise Agreement.

A typical franchisee will be owned and operated by an individual (or individuals) who is a duly licensed tattoo artist who is certified by us to provide our approved services. Our approved services include microblading services, lip blush tattoo services, areola restoration and 3D nipple tattooing services, paramedical and scar camouflage services, brow lamination services, eyelash lift and tint services, eyeliner tattoo services, teeth whitening and gem services, and related services.

Typically our franchisees will operate the franchise business in a retail business space that encompasses six or more treatment rooms for clients. The typical client is an individual who requires cosmetic tattooing services or permanent makeup services.

Artist Owner. The "Artist Owner" is your individual owner who is your authorized contact with us, and who must own at least 25% of the Franchised Business. The Artist Owner must be a duly licensed tattoo artist in the jurisdiction in which the Franchised Business is located, and the Artist Owner must personally work at the Franchised Business providing clients with direct care services.

The Artist Owner will be responsible for all decisions concerning qualifications of all personnel employed by the Franchised Business who provide any cosmetic tattooing services or permanent makeup services. At all times during the term of the Franchise Agreement, the Artist Owner must demonstrate technical competence in accordance with our Methods of Operation, must be in good standing with any federal, state, or local regulatory board governing any of our approved services, and must not be under any active investigation by any governing authority with oversight of any of the approved services provided by the Franchised Business.

The Artist Owner will oversee the technical operations of the Franchised Business. Initially your Artist Owner will provide your clients with direct care services, while managing the other individuals employed at the Franchised Business, including all "Artist" tattoo specialists, and any other technical support personnel providing direct care services to clients. Any individual employed by the Franchised Business as an Artist must first complete all our required training and be certified by us as having the technical competence to provide our authorized services. You may elect to hire additional technical support staff initially or as the clientele of the business increases.

Studio Manager. Additionally, you must employ a studio manager (the "Studio Manager") who is a separate individual from the Artist Owner. The Studio Manager is responsible primarily for the administrative management of the Franchised Business. The Studio Manager will serve a support function for the Franchised Business in scheduling clients,

managing your front desk, processing client payments, and acting as an assistant to your Artist Owner.

Competition. Your competition in the market for our services may include businesses offering similar services and individuals operating independently. The services and products our franchisees sell are recognized and generally may be available from other sources. The market for our services is not seasonal.

Industry Specific Laws and Regulations. The permanent makeup and tattoo services industry is subject to regulation at the federal, state, and local levels. There are federal, state, and local laws and regulations relating to health, sanitation, and safety that are specific to the permanent makeup and tattoo services industry. All permanent makeup and tattoo services businesses must adhere to rules set by the Occupational Safety and Health Administration (OSHA) and Centers for Disease Control & Prevention (CDC).

In most states, permanent makeup or tattooing services are regulated by a state health board under the rules and regulations of body art tattooing or body modification. Operating and performing permanent makeup without a license is illegal and therefore prohibited. In certain states, our approved services may be subject to additional specific laws, regulations and licensing requirements. Some states have prohibitions against the practices of tattooing and body piercing in licensed cosmetology salons and other establishments.

Each Artist at your Franchised Business may need to maintain effective individual licenses at the state or local level. Most states require cosmetic tattoo artists to complete a fundamentals of basic permanent makeup class in order to apply for a license. Certain state or local jurisdictions may require an Artist to serve an approved apprenticeship of statutorily defined duration in order to qualify for a license.

Other Laws and Regulations. In addition to any laws, rules, regulations or ordinances relating specifically to a permanent makeup or tattoo services business, you should consider that certain aspects of any business are regulated by federal, state and local laws, rules and ordinances applicable to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws, and the Occupation, Health and Safety Act. Some jurisdictions may have laws which provide for specific licensing, bonding, insurance, criminal background checks and similar requirements which may be applicable to the Franchised Business.

These are only examples of some, but not all, of the laws and regulations with which you may need to comply in the state or local area in which you will operate your Franchised Business. It is your responsibility to fully investigate and to comply with any and all laws or regulations in your state or local area that relate in any manner to your operation of the Franchised Business. You should fully investigate all laws and regulations applicable to operating the Franchised Business before you decide to purchase a franchise. You should contact federal, state and local authorities before you sign the Franchise Agreement so that you can fully determine your legal obligations and assess their possible effects on your operation of a DAELA COSMETIC TATTOO business.

Non-Standard Franchise Transactions. Periodically, we may enter into joint venture or partnership arrangements with existing franchisees or others to develop DAELA COSMETIC TATTOO businesses. The parties negotiate the terms of these arrangements. Depending on the precise terms of these arrangements, these DAELA COSMETIC TATTOO locations may be considered to be either company-owned or franchised DAELA COSMETIC TATTOO locations for purposes of this Franchise Disclosure Document. Depending on the circumstances, the financial and other terms may vary materially from the standard terms of our Franchise Agreement.

Item 2: Business Experience

Susan K. Orr, President, Secretary and Treasurer

Susan Orr is our President, Secretary and Treasurer, positions she has held since February, 2022. Ms. Orr also is Secretary of our Affiliate DAELA COSMETIC TATTOO Inc., a position she has held since May, 2017. Ms. Orr also is Secretary of Dealer Success, Inc., a position she has held since 2005. Ms. Orr also is Owner of Turbo Painting LLC, a position she has held since 2012. Ms. Orr also is Accountant for Rose City Arabians, LLC, a position she has held since 2017. Ms. Orr also is Secretary of CubeSeries RV Corporation, a position she has held since 2021.

Erica Johnson, Vice President and Co-Chief Executive Officer

Erica Johnson is our Vice President and Co-Chief Executive Officer, a position she has held since February, 2022. Ms. Johnson also is Vice President of our Affiliate DAELA COSMETIC TATTOO Inc., a position she has held since May, 2017. Ms. Johnson was Owner of viva La Brow from January, 2016, to May, 2017.

Angelina L. Anderson, Vice President and Co-Chief Executive Officer

Angelina Anderson is our Vice President and Co-Chief Executive Officer, a position she has held since February, 2022. Ms. Anderson also is Vice President of our Affiliate DAELA COSMETIC TATTOO Inc., a position she has held since May, 2017. Ms. Anderson was Community Relations Specialist for Port of Camas –Washougal from February, 2013, to December, 2017.

Joseph A. Orr, Franchise Development Manager

Joseph Orr is our Franchise Development Manager, a position he has held since February, 2022. Mr. Orr also is President of our Affiliate DAELA COSMETIC TATTOO Inc., a position he has held since May, 2017. Mr. Orr also is President of Dealer Success, Inc., a position he has held since 2005. Mr. Orr also is Member of Turbo Painting LLC, a position he has held since 2013. Mr. Orr also is Owner of Rose City Arabians, LLC, a position he has held since 2017. Mr. Orr also is Vice President of CubeSeries RV Corporation, a position he has held since 2021.

Item 3: Litigation

No litigation is required to be disclosed in this Item.

Item 4: Bankruptcy

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

Item 5: Initial Fees

Initial Franchise Fee. You will pay us an initial franchise fee when you sign your DAELA COSMETIC TATTOO Franchise Agreement. The initial franchise fee is $25,000.

The initial franchise fee is fully earned and non-refundable in consideration of our entering into the Franchise Agreement. Currently the initial franchise fee is uniform to all franchisees purchasing a franchise. We may alter the initial franchise fee periodically as business circumstances warrant.

Artist Training Program Initial Fees. Prior to opening the Franchised Business, and not less than two weeks prior to any scheduled Artist Training, you, or your individual artists, must pay us any required Artist Training Program Initial Fee for providing Artist training for any individual Artist to be employed initially by the Franchised Business. The total amount of the Artist Training Program Initial Fees is calculated with reference to the number of individuals attending the required training. The estimated range of the Artist Training Program Initial Fee that may be payable from you, or your artists, to us is $10,000 to $30,000.

Initial Marketing Expense Amount. You must pay our designated vendor the total estimated amount of $23,000 to conduct a required initial promotion and marketing campaign for the Franchised Business (the "Initial Marketing Expense Amount"). At the time you engage the Marketing Agency, you must pay the mandatory designated vendor an initial partial payment in the amount of $7,000 of the total required Initial Marketing Expense Amount. When the Marketing Agency, or any affiliated agency, requests it, you must pay the mandatory designated vendor the remaining $16,000 of the total required Initial Marketing Expense Amount. This Initial Marketing Expense Amount includes the building of your website, video, initial pre-launch advertising, and a related initial marketing campaign.

Item 6: Other Fees

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Interest[1]	Varies	When underlying obligation is paid[2]	The lesser of 18% (annualized) or the highest contract rate of interest permitted by law. Fee is uniformly imposed but may depend on jurisdiction.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Per Diem Fee[1]	Up to $200 per hour, currently	As we and you agree	Paid to us if you need us to help operate your Franchised Business. Fee may not be uniformly imposed depending on specific circumstances.
Royalty[1]	6.5% of Gross Revenue[3]	For days 1 through 15 of the month paid on the 20th day of each month, and for days 16 through the last day of month paid on the 5th day of the immediately following month	Payment made by automatic electronic withdrawal authorized by you to us. Fee is uniformly imposed.
Artist Training Program Fees[1]	Varies	Prior to any individual attending the training	Fees may be paid by Franchisee or by individual artists, at Franchisee's discretion.
Additional Required Training Fees[1]	Varies	As we and you agree	Paid to us for additional or ongoing training. You are responsible for travel, food and lodging expenses incurred in connection with additional training. Fees may not be uniformly imposed depending on specific circumstances.
Inspection Deficiency Fees[1]	Our reasonable costs and expenses incurred in re-inspecting your franchise business or curing a deficiency in your operation of the franchise business after we conduct an inspection of your franchise business	Upon receipt of our bill	Paid to us if we need to re-inspect your franchise business or if we elect to cure a deficiency in your operation of the franchise business. Fees may not be uniformly imposed.
Auditing Costs[1]	Our actual costs, which may range from $3,000 to $25,000	Reimbursement of our actual auditing costs	You'll reimburse us for our auditing costs if we have to audit you because you fail to comply with the terms of the Franchise Agreement. We will choose a local, reputable auditor with attention to non-excessive costs. Fee may not be uniformly imposed at all times.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Local Marketing, Advertising, and Promotion Expenditure	Not less than $9,800 each month for the initial 12 months after opening the Franchised Business, which includes the marketing agency fee, then each subsequent month suggested the advertising spend, not including the marketing agency management fee, is not less than 5% of monthly Gross Revenue[3]	Upon receipt of individual invoices from third party providers	These amounts are not collected by us. These expenses are paid by you directly to Marketing Agency or franchisees individual social media accounts. Required amount may not be uniformly imposed at all times.
Indemnification[1]	Will vary under Circumstances	As incurred	You must reimburse us if we are held liable for claims arising out of your Franchised Business operations. Fee may not be uniformly imposed at all times.
Costs and Attorney's Fees[1]	Actual costs	As incurred	Payable if we incur expenses in connection with your failure to perform. You must reimburse us for accounting, attorneys', and related fees incurred by us. Fees may not be uniformly imposed at all times.

[1]Paid to us and non-refundable.

[2]Interest begins from the date any payment is due.

[3]As used in this Franchise Disclosure Document, the term "Gross Revenue" means all revenue you derive from operating the Franchised Business, and whether from cash, check, credit or barter transactions, and including e-commerce transactions, but excluding all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority and excluding customer refunds, adjustments, credits and allowances actually made by the Franchised Business in compliance with our Methods of Operation.

Item 7: Estimated Initial Investment

CATEGORY OF INVESTMENT	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Initial Franchise Fee (See Note 1)	$25,000	Lump sum	When you sign the Franchise Agreement	Us
Artist Training Program Initial Fee (See Note 1)	$10,000 - $30,000	Lump sum	2 weeks prior to training. At the discretion of franchisee, the artists being trained may also pay the training fee for themselves.	Us
Real Estate/ Leasehold Improvements (See Note 2)	$40,000 - $250,000	Varies	Before opening the Franchised Business	Approved suppliers or per specifications
Signage (See Note 3)	$3,000 - $15,000	Varies	Before opening the Franchised Business	Approved suppliers or per specifications
Furniture, Fixtures, and Equipment (See Note 4)	$59,000 - $64,000	Varies	Varies	Approved suppliers or per specifications
Technology, Office Equipment, and Supplies (See Note 5)	$10,000 - $13,400	Varies	Before opening the Franchised Business	Approved suppliers or per specifications
Studio Initial Inventory (See Note 6)	$17,000 - $19,500	Varies	Before opening the Franchised Business	Approved suppliers or per specifications
Start-Up Marketing and Advertising (See Note 7)	$23,000 - $25,000	Varies	Shortly before and after the Franchised Business opens	Media companies

CATEGORY OF INVESTMENT	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Insurance (See Note 8)	$3,500 - $4,000	Varies	Before opening the Franchised Business	Insurance companies
Lease Deposits (See Note 9)	$12,000 - $24,000	Lump sum	When you sign your lease	Landlord
Professional Fees	$1,000 - $10,000	Varies	Varies	Accountants, lawyers, etc.
Licenses/Bonds	$1,000 - $4,000	Lump sum on application	Before opening the Studio	Government agencies and bonding companies
Your Out-of-Pocket Initial Training Expenses (See Note 10)	$8,500 - $17,000	Varies	Varies	Airfare, ground transportation, meals, lodging, etc.
Additional Funds prior to opening and for next 3 months after opening (See Note 11)	$50,000 - $100,000	Varies	Varies	Payroll, debt services, and cash to cover miscellaneous day-to-day expenses
Total	$263,000 - $600,900	Excluding real estate acquisition costs		

Notes:

The expenses in this Item 7 are estimates of your initial investment in one franchise business before opening and for the first three months after. We cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on how closely you follow the DAELA COSMETIC TATTOO System standards, your management skill, experience and business acumen, local economic conditions, the acceptance by local consumers of our approved services, prevailing wage rates, competition, etc. We do not require you to purchase real estate and the total estimated initial investment does not include the acquisition of real estate. We relied upon our Affiliate's experience in opening a similar business to the Franchised Business in compiling these estimates. Unless otherwise stated, we do not expect that any of the estimated investment amounts are refundable.

Note 1: See Item 5 for details.

Note 2: The estimated cost range of making any necessary leasehold improvements required at a leased business space.

Note 3: The estimated cost range of obtaining required exterior and interior signage at the business location.

Note 4: The estimated cost range of obtaining required initial furniture, fixtures, and equipment necessary to operate the Franchised Business.

Note 5: The estimate cost range includes the cost of obtaining approved computer hardware and software, a phone system, a security system, other technology, and office equipment and supplies for the Franchised Business.

Note 6: The estimated cost range for initial product inventory needed to operate the Franchised Business.

Note 7: The estimated amounts are for an initial promotion and marketing campaign for the Franchised Business. You may elect to spend higher amounts for initially promoting the Franchised Business.

Note 8: The estimated range is for the first year insurance premium for the Franchised Business.

Note 9: The low estimate is for one month of rent at a lower priced location. The high estimate is for two months of rent for a higher priced location. Typically, you will need a location with a minimum of 2,400 to 3,200 square feet with 8 client treatment rooms, and appropriate space for the front lobby.

Note 10: You must pay all travel, accommodation, and living expenses for any individuals who attend any initial required training program.

Note 11: This estimate includes working capital for the first 3 months of operating the Franchised Business, and includes the estimated expense for any required licenses and bonds needed to operate the Franchised Business. This estimate is based upon our experience in opening and operating our company owned location, and we cannot assure you that you will not have additional expenses in starting your Franchised Business.

Except as otherwise noted, none of these payments are refundable. These payments are only estimates and your costs may be higher, depending on your particular circumstances. You should review these figures carefully with a business advisor, accountant or attorney before making any decision to purchase a franchise. We do not offer any financing for your initial investment or any other items. The availability and terms of financing with third-party lenders will depend on factors such as the availability of financing generally, your credit-worthiness and policies of lending institutions concerning the type of business to be operated.

Item 8: Restrictions on Sources of Products and Services

Generally.

To ensure that high and uniform standards of service and quality are maintained, you must operate your DAELA COSMETIC TATTOO Franchised Business in strict conformity with our methods, standards, specifications, protocols and customer service requirements and you must purchase supplies, fixtures, equipment, merchandise, goods, inventory, and specified services only from suppliers we have approved.

Approved Suppliers.

Required Inventory Purchases From Us or Other Approved Suppliers

The inventory, products or supplies for your Franchised Business must be purchased from us, our Affiliate, our approved suppliers, or according to our specifications.

Technology, Insurance and Payroll Services

Any software and hardware we require you to use is not proprietary. You must purchase your point of sale software, services, and hardware ("POS System"), and other hardware and related technology required to operate the Franchised Business, from our designated POS System supplier and/or other third-party suppliers or us as we may require as set forth in the Methods of Operations and Operations Manual.

You must use our designated insurance provider for insuring the Franchised Business in compliance with our required System standards, and you must pay the insurance provider ongoing fees for providing you with their services. Additionally, you must use our designated vendor for payoll services for the Franchise Business, and you must pay the payroll services provider ongoing fees for providing you with their services.

Approved Suppliers Standards and Requirements

Approved suppliers and specifications are identified in our Operations Manual. Approved suppliers and specifications are determined based on the current needs for operating the Franchised Business. We evaluate approved suppliers based on price, service, quality, and other commercially reasonable benchmarks. The identity of approved suppliers and these specifications may be updated periodically in writing by modifying the appropriate pages of the Operations Manual.

We have the right to limit the number of vendors and suppliers for products, equipment and supplies. We also have the right to designate a single source of supply for certain products or equipment. We or an Affiliate may be that single source. Other than us and our Affiliate, there are no other suppliers to the Franchised Business in which currently any of our officers owns an interest. For all products or supplies purchased from us or our Affiliate, you must pay the then-current price in effect. We may update our list of sole suppliers and approved suppliers as we deem necessary or appropriate.

In some instances, we may have sole or mandatory suppliers, but you may request approval of an alternate supplier. We have the right to approve or disapprove any supplier, and we may approve a supplier in our sole business judgment. In evaluating any supplier you propose, we will, subject to reasonable restrictions and conditions to protect our trade secrets and confidential information, disclose to the proposed supplier applicable standards, specifications, processes, and procedures for the item in sufficient detail to enable the proposed supplier to demonstrate fully its capacity and capabilities to supply the items. Within 90 days after we receive all requested information, we will communicate to you in writing our decision to approve or disapprove your proposed supplier. We may disapprove any supplier who we previously approved, and you may not, after receipt of notice of disapproval, reorder from any supplier we have disapproved.

We may prescribe procedures for the submission of requests for approval and impose obligations on approved suppliers, which will be incorporated in a written license agreement with the supplier. We do not act as an agent, representative or in any other intermediary or fiduciary capacity for you in our relationship with an alternative supplier you propose and we approve. We may impose limits on the number of approved suppliers. We have the right to monitor the quality of services provided by approved suppliers in a manner we deem appropriate and may terminate any supplier who does not meet our quality standards and specifications, as may be in effect periodically.

We attempt to negotiate purchase arrangements with third-party suppliers (including price terms) for the benefit of all DAELA COSMETIC TATTOO businesses, including those owned by franchisees. We do not provide material benefits (for example, renewal or additional franchises) to a franchisee based on the use of designated or approved suppliers.

If you purchase any products or goods from us or any affiliate, you will pay all shipping costs. The total estimated proportion of all required purchases and leases from approved suppliers and all purchases and leases made in required conformance with our standards and specifications in relation to all purchases and leases you will make in establishing the business is 61% to 66%. The total estimated proportion of all required purchases and leases in relation to all purchases and leases you will make in operating the business on an ongoing basis is less than 50%.

Insurance.

You must maintain in force in the amounts we specify: (a) commercial general liability (including completed operations/product liability) insurance; and (b) any other insurance policies, such as sexual or physical abuse or molestation insurance, business interruption insurance, automobile insurance, unemployment insurance, excess umbrella insurance and worker's compensation insurance (with a broad form all-states endorsement), as we determine periodically and as required by law. All insurance policies must: (1) be issued by carriers approved by us; (2) contain the types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe periodically; (3) name us and our Affiliate as additional insureds; (4) provide for 30 days' prior written notice to us of any material modification, cancellation or expiration of such policy; and (5) include such other provisions as we require periodically.

Identified below are the standard types and minimum coverage amounts that currently we require for each franchised DAELA COSMETIC TATTOO business. If your state requires greater coverage amounts for the categories listed below, you must obtain and maintain coverage as required by your state. We may require you to use our designated insurer as a condition of the Franchise Agreement.

Policy Type:	Commercial Package	
Term:	12 Months	
Policy Limits:	General Liability Aggregate Limit:	$2,000,000
	Products/Completed Operations Aggregate Limit:	$2,000,000
	Personal and Advertising Injury Limit	$2,000,000
	Each Occurrence Limit	$1,000,000
	Sexual or Physical Abuse or Molestation Vicarious Liability	
	Aggregate Limit	$500,000
	Each Abuse Conduct Limit	$500,000
	Rented To You Limit	$100,000
	Medical Expense Limit (Any One Person)	$5,000

Workers' Compensation: Statutory (with All States Broad Form)

Please be aware that a landlord for your franchise location may have their own insurance coverage requirements that apply additionally to our requirements for insurance coverage.

Relationships With Approved Suppliers

We may terminate your franchise if you purchase goods or services that are not according to our specifications or that are not from our approved suppliers. When your franchise is up for renewal or if you apply for an additional franchise, among other factors we consider are your compliance with your Franchise Agreement and support of our programs and policies, which would include compliance with the requirements described in this Item 8.

Neither we, nor our Affiliate, derived any revenue from required purchases or leases during the year ending December 31, 2021. We and our Affiliate reserve the right to receive rebates or other consideration from suppliers in connection with your purchase of goods, products and services as described in this Item 8. Most of these payments are calculated on an amount based on products sold. We will retain and use these payments as we deem appropriate or as required by the vendor.

There are no purchasing or distribution cooperatives at this time.

Item 9: Franchisee's Obligations

This table lists your principal obligations under the franchise and other agreements. 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	7 and 11
b. Pre-opening purchases / leases	8, 9	8
c. Site development and other pre-opening requirements	7, 8	6, 7 and 11
d. Initial and ongoing training	10	11
e. Opening	9	11
f. Fees	1, 5.8, 6, 10, 11.2.5.8, 11.7, 11.11, 13.3, 15.3, 16.1, 16.2, 17.5, 21.9, 24.3, 29.4	5 and 6
g. Compliance with standards and policies / Operations Manual	11, 12, 13, 14	11
h. Trademarks and proprietary information	12, 13, 14	13 and 14
i. Restrictions on products/services offered	11	16
j. Warranty and customer service requirements	11	11
k. Territorial development and sales quotas	3	12
l. Ongoing product/service purchases	11	8
m. Maintenance, appearance and remodeling requirements	11	11
n. Insurance	9.3.3, 11.2.5.9, 17	7 and 8
o. Advertising	12, 17	6 and 11
p. Indemnification	24	6
q. Owner's participation/ management/staffing	22	11 and 15
r. Records/reports	11, 15	6
s. Inspections/audits	5.6, 11.7, 15.3, 19.3.5	6 and 11
t. Transfer	18	17
u. Renewal	4	17
v. Post-termination obligations	20	17
w. Non-competition covenants	14, 21	17
x. Dispute resolution	29	17
y. Other	Not Applicable	Not Applicable

Item 10: Financing

We do not offer direct financing. We do not guarantee any note, lease or other of your obligations.

Item 11: Franchisor's Assistance, Advertising, Computer Systems, and Training

Except as listed below, Daela Co. is not required to provide any assistance to you.

Franchise Agreement

Our obligations prior to opening your DAELA COSMETIC TATTOO franchise (with cites to the relevant Franchise Agreement Sections) include:

Granting you a franchise to operate a DAELA COSMETIC TATTOO business with a designated territory (Sections 2 and 3);

Allowing you to use our Operations Manual (Section 13). We offer our Operations Manual as guidance in the operation of your Franchised Business. You must follow the terms of the Operations Manual's current edition. We may update or revise the Operations Manual periodically. We will provide you with these updates. Prior to purchasing a franchise, we will provide you with the opportunity to view our Operations Manual at our main office;

Approving your choice of a location (Section 7). Our concerns regarding your choice of a location for your DAELA COSMETIC TATTOO franchise may include demographics, overall interior and exterior size, parking, physical characteristics of the existing site, and lease terms;

Providing you with specifications for your DAELA COSMETIC TATTOO location (Section 8);

Providing you with initial training programs (Section 10);

Providing you with guidance for an initial advertising and promotion program (Section 16.1);

Our ongoing obligations to you during the operation of your DAELA COSMETIC TATTOO franchise may include:

Providing you with general guidance concerning (Section 5):

Standards, specifications and operating procedures and methods utilized by the Franchised Business; Purchasing required and recommended goods, equipment, materials, supplies and services; Advertising and marketing programs; Customer

feedback reports; Employee training; and Administrative, bookkeeping and accounting procedures.

At your request, we will provide additional guidance and assistance relating to operation of the Franchised Business and we may charge the per day fees and charges we establish periodically (Section 5.7). If you request, or if we require, additional or special training for your employees, all of the expenses that we incur in connection with such training, including hourly fees, per day charges, and travel and living expenses for our personnel, will be your responsibility (Section 10).

Site Selection (Section 7).

You select the site for your DAELA COSMETIC TATTOO business location, subject to our acceptance. If we do not accept a site you propose, you may select another site, subject to our acceptance.

We will review each proposed site and determine whether to accept or reject the site after considering factors we deem appropriate, including the general location and neighborhood, demographic information, traffic patterns, size, appearance and other physical characteristics of the site. If we accept the site, we will notify you in writing of our acceptance of the site. We will use reasonable efforts to make a site acceptance decision within 10 days after we acknowledge receipt of all site information we have requested.

Neither our acceptance of the premises nor any information communicated to you regarding our standard site selection criteria for a DAELA COSMETIC TATTOO location will constitute a warranty or representation of any kind, express or implied, as to the suitability of the site for a DAELA COSMETIC TATTOO business. Our acceptance of the proposed site merely signifies that we are willing to grant a franchise for a DAELA COSMETIC TATTOO to operate from the location. Your DAELA COSMETIC TATTOO franchise location may not be relocated without first obtaining our written consent. (Section 2.2.)

We estimate the time from the date you sign the Franchise Agreement to the date you open your DAELA COSMETIC TATTOO location to be between 4 and 12 months.

You must identify a proposed business location within 90 days of the Effective Date of your Franchise Agreement. Your DAELA COSMETIC TATTOO Franchised Business must be open and operating within 365 days following the Effective Date of the Franchise Agreement or we may terminate the Franchise Agreement, unless we have agreed with you to extend the amount of time for you to open the franchise location.

Advertising and Promotion.

Initial Marketing Expense (Section 16.1.1)

You must pay our designated vendor $23,000 for conducting our mandatory initial opening advertising and promotion program for your DAELA COSMETIC TATTOO Franchised Business.

Ongoing Local Marketing, Advertising and Promotion (Section 16.1.2)

You must spend for locally advertising and promoting the DAELA COSMETIC TATTOO Franchised Business in the amounts specified in Item 6. These amounts spent on local advertising and promotion will be designated as the Ongoing Local Advertising Expense Amount.

You must submit to us for our prior approval, samples of all advertising and promotional plans and materials for any print, broadcast, cable, electronic, computer or other media (including the Internet) that you desire to use and that have not been prepared or previously approved by us within the prior 3 months. You may not use any advertising or promotional materials that we have disapproved.

Advertising Council, Advertising Fund and Advertising Cooperatives

You are not required to belong to an advertising council composed of franchisees. You are not required to contribute to any other advertising fund, or to participate in any local or regional advertising cooperative.

Website (Section 16.2)

You must, at your own expense, participate in the DAELA COSMETIC TATTOO website on the Internet. You may not separately register any domain name or operate any website containing any of the Marks. We determine the content and use of the website and have the right to establish the rules under which franchisees may or must participate in the website or separately use the Internet or other on-line communications. We retain all rights relating to the DAELA COSMETIC TATTOO website and may alter or terminate the website.

Your general conduct on the website or other on-line communications and specifically your use of the Marks or any advertising on the website or any other on-line communications (including the domain name and any other Marks we may develop as a result of participation in the website or other on-line communications) is subject to the provisions of this Agreement. Your right to participate in the website or otherwise use the Marks or System on the Internet or other on-line communications terminates when the Franchise Agreement expires or terminates.

Social Media (Section 16.2.1)

You may not use, reference or otherwise promote the Marks or System in connection with any current or future form of social media networks or platforms, including, without limitation, Facebook, Instagram, Twitter, LinkedIn, and so on, except in accordance with the related standards and restrictions we specify to you periodically in the Methods of Operation. We may require you to utilize specified social media networks or platforms to promote client outcomes. We may restrict the Franchised Business, or any individual employed by the Franchised Business, from utilizing social media networks or platforms to promote any individual client outcome without providing additionally any designated reference or attribution to the Marks, or to the System, that we may specify to you.

Electronic Media (Section 16.3)

Any electronic media that you use to promote the Franchised Business must be approved by us prior to publication or use in any form. Electronic media that is approved by us or that otherwise is acceptable to us as meeting our standards will be owned by us. You may not use, reference or otherwise promote the Marks or System in connection with any current or future form of social media networks or platforms, except in accordance with the related standards and restrictions we specify to you periodically under our Methods of Operation. We may require you to use specified social media networks or platforms to promote the Franchised Business. We may restrict the Franchised Business, or any individual employed by the Franchised Business, from using social media networks or platforms to promote any client outcome without providing additionally any designated reference or attribution to the Marks, or to the System, that we may specify to you.

Computer Hardware and Software (Section 11.13)

We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by you, including: back office and point of sale systems, data, audio, and video systems for use at the DAELA COSMETIC TATTOO Franchised Business; printers and other peripheral hardware or devices; archival back-up systems; Internet access mode and speed; and physical, electronic, and other security systems (collectively, the "Computer System").

We have the right, but not the obligation, to develop or have developed for us, or to designate: computer software programs that you must use in connection with the Computer System (the "Required Software"), which you must install at your expense; updates, supplements, modifications, or enhancements to the Required Software, which you must install at your expense; the tangible media upon which you record data; and the database file structure of the Computer System.

At our request, you must purchase or lease, and throughout the term of the Franchise Agreement maintain, the Computer System and, if applicable, the Required Software. We have the right at any time to remotely retrieve and use any data and information from your Computer System or Required Software. You must, at your own expense, keep your Computer System in good maintenance and repair and install any additions, changes, modifications, substitutions, and/or replacements to your Computer System or Required Software as we direct periodically in writing. Neither we, nor our Affiliate, are required to provide ongoing maintenance, repairs, upgrades or updates to your Computer System.

You must record all transactions on a computer-based system that is fully compatible with our computer system, or the computer systems of our designated point-of-sale ("POS") supplier and/or other third-party vendors, and that includes an information interface capability to communicate electronically with our computer system. You must purchase your point of sale software, services, and hardware (collectively "Point of Sale System" or "POS System"), and other hardware required to operate the Franchised Business, from our designated POS System supplier

and/or other third-party suppliers or us as we may require as set forth in the Methods of Operations and Operations Manual. You must sign any related required vendor agreements, collectively referred to as the "POS Agreements," which are subject to change and may require the execution of additional agreements due to POS System changes, for use of the POS System and other services as designated by us.

The currently required POS System is the Mindbody Online customer relationship management ("CRM") system. We will manage the set up of the CRM system utilizing the template we have developed with Mindbody, a template that we further customize for each franchisee's specific services, pricing, artist staff and artist availability. The Mindbody Online CRM system is used principally for processing point-of-sale client transactions, including credit and debit card payment processing, email marketing, and client scheduling. You must agree to their "Terms of Service" as a condition of using their software. A copy of the current Mindbody Online "Terms of Service" contract can be found at the following website link: https://company.mindbodyonline.com/legal/terms-of-service. Mindbody, Inc., 4051 Broad Street, San Luis Obispo, CA 93401, Phone: 1-877-755-4279, Website: www.mindbodyonline.com.

You will also need to have access to Get More Reviews business review software (Website: www.getmorereviews.com, Phone (888) 979-2379). The Get More Reviews trademark is owned by MWA LLC, P.O. Box 27806, Austin, Texas 78755. The current estimated monthly expense you will incur for access to both the Mindbody Online CRM system and the Get More Review software is $550. We may require that either you pay us or the respective designated vendor for access to the specified software.

Additionally you will need to obtain approved versions each of Microsoft Office Suite software, Adobe Acrobat software, and QuickBooks software. Additionally you will need to obtain approved Ipads, Iphones, photo camera equipment, a security system, and a sound system.

You must, at your own expense, maintain, upgrade or replace other systems and equipment you utilize as part of your DAELA COSMETIC TATTOO business including: financial and inventory data processing, communications systems (including telecommunications voice and data services, Internet services, and Wi-Fi), network and cabling systems, firewall systems, Wi-Fi systems, and content distribution systems whenever we require it, and we have no obligation to assist you in obtaining hardware, software, equipment or related services. There are no contractual limits on thefrequency or cost of your obligation to obtain these upgrades. We may, as often as we deem appropriate, including on a daily basis, access all your computer systems that you are required to maintain in connection with the operation of the DAELA COSMETIC TATTOO franchise and retrieve all information relating to the DAELA COSMETIC TATTOO franchise's operations. We will have independent access to this information.

Training (Section 10).

Studio Manager Initial Training Program

Before opening your DAELA COSMETIC TATTOO Franchised Business, your Studio Manager (described in Item 15), must successfully complete our Studio Manager Initial Training

Program to our satisfaction, which consists of classroom training covering the administrative operation of the Franchised Business, including techniques of management. Any on-the-job training will be conducted at a designated DAELA COSMETIC TATTOO business. Generally, training begins 30 days before opening your DAELA COSMETIC TATTOO Franchised Business. Training consists of 5 days of at-home training with use of manuals, pre-recorded video, and support through use of the Zoom interactive communications platform, 5-days of training onsite in Portland, Oregon, and 5-days of training at the franchise site when it opens. The instructional material may consist of our Operations Manual, videos, online materials, checklists, demonstrations, practice and quizzes.

Your Studio Manager must attend and successfully complete all required pre-opening training prior to the opening of your franchise location. You must replace any individual who fails to successfully complete the Studio Manager Initial Training Program or who otherwise is not qualified to manage or perform the required functions at a DAELA COSMETIC TATTOO business. We will not charge any fees for up to 2 people to attend the Studio Manager Initial Training Program. However, as described in Item 6, you will be responsible for all compensation and expenses (including travel, meals and lodging) incurred in connection with any training program. Neither you nor your employees will receive any compensation from us for services performed during training.

Our 10 days of in-person training for the Studio Manager Initial Training Program in Oregon and at your franchise location will be provided substantially as identified in the table below.

TABLE OF SUBJECTS

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Business Operations - Business Philosophy and Vision - Financial Planning - Accounting - Payroll - Reporting - Regulatory Compliance - Inventory Management - Scheduling - Pricing Programs - Staff Recruitment - Staff Retention - Hiring - Training - Policies - Job Description - Scheduling	30	30	Oregon

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Marketing and Customer Service - Marketing and Advertising - Client Satisfaction and Retention - Client Service - Client Relations	10	10	Oregon

Erica Johnson, Lina Anderson, Jess Otten, Kimberly Orr, and Joseph Orr will serve as the principal trainers for the Studio Manager Initial Training Program. Each of the individuals has experience in training individuals in their respective area of expertise. Erica Johnson and Lina Anderson are the lead trainers in the areas of General Ownership Training and Artist Management Training, Jess Otten is the lead trainer in the area of Studio Operations. Kimberly Orr in lead trainer in the area of Accounting, and Joseph Orr is the lead trainer in the area of Marketing.

It is the nature of the DAELA COSMETIC TATTOO business that all subjects are integrated into the Studio Manager Initial Training Program, and that there are no clear delineations between the subjects being learned.

Artist Training Program (Section 10.2).

Daela Academy is our required training program for any Artist employed by the Franchised Business. All Artists that work for the Franchised Business must be trained or approved by Daela Academy. Prior to opening the Franchised Business and during the term of the Franchise Agreement your Artists will be trained on authorized services and Studio procedures. You must pay all related training fees in full at least 2 weeks prior to any Artist being trained. You may elect to require any individual Artist scheduled to attend the Artist Training Program to pay their own respective individual training fees prior to attending the program. Ongoing support will be offered by Daela Academy to ensure that all Artists are performing to our standards. This support may include your Artists sharing before and after images with DAELA Academy trainers.

We may require that your Artist Owner must attend and satisfactorily pass all training required as part of the Artist Training Program. We may provide you with our prior written notice that your Artist Owner has been certified by us as having the required skills to pass the Artist Training Program and that your Artist Owner is not required to attend the Artist Training Program as identified in the Franchise Agreement.

We will designate and schedule the times and locations for any Artist Training Program session, in our sole business judgment. You will be responsible for all travel and living expenses which your Artist Owner or any other individual incurs in connection with attending any required training session of the Artist Training Program.

In the event you request us to provide you with any additional hands-on training or support as part of the Artist Training Program beyond the 64 hours of technical training provided at our training location during the Artist Training Program, we may provide the additional hands-on training but you must pay us an additional hourly fee (the "Artist Training Support Fee") for our approved instructors to provide you with any mutually agreed additional training.

Artist Training Program Services Authorized to be Conducted By You (Section 10.2.4.). During the term of the Franchise Agreement we may authorize you to conduct specified Artist Training Program services designed for teaching required skills for Artists employed by the Franchised Business, or designed for teaching skills to any other individuals that we may authorize. Our decision whether to authorize you to provide Artist Training Program services at any time during the term of the Franchise Agreement is in our sole business judgment and at any time we may revoke our authorization. Any individual providing any training as part of any Artist Training Program services conducted by you must be authorized by us in writing to conduct the training, any Artist Training Program services conducted by you must be provided only at locations that we designate, and you can't provide any Artist Training Program services independently of the authorized business activities of the Franchised Business.

Item 12: Territory

Your Territory (Franchise Agreement Section 3).

You will be granted a specific territory (the "Territory") in which to operate your franchise. Your Territory will be defined as a specific geographic area identified using commonly understood state, county, municipal or postal area definitions.

We will not establish or operate, or license another person to establish or operate another DAELA COSMETIC TATTOO business within your Territory. We will take any reasonable steps we consider necessary to prevent any other person from establishing or operating a DAELA COSMETIC TATTOO business within the Territory upon our becoming aware of the establishment or operation.

The Territory area you are granted will be determined after discussions between you and us, carefully considering where you want to be located and whether the proposed area is available. The Territory is not exclusive and there are no restrictions on you, us, any Affiliate, or any other franchisees in respect to providing services and goods to individuals living within or outside the Territory. We may not modify your Territory rights except by mutual written agreement.

The Business Location. The Franchise Agreement grants to you the right to own and operate a DAELA COSMETIC TATTOO business at a specific principal business address. You may not conduct the business of your DAELA COSMETIC TATTOO business at any site other than the approved principal business address, or relocate your DAELA COSMETIC TATTOO principal business address without our prior written consent. In our sole business judgment we may approve of the relocation of your franchise business address in certain circumstances, for example where a similar location is available with more favorable lease terms or where the

physical condition of the franchise business location requires that you move to another location. You must pay all our reasonable expenses incurred in evaluating any proposed relocation site for the franchise business and are responsible for all expenses you incur in moving the franchise to the new location.

Our Rights. Except for rights expressly granted to you under the Franchise Agreement, we retain all of our rights with respect to the Marks, the System and DAELA COSMETIC TATTOO businesses anywhere in the world, including the following rights, without compensation to you:

1. outside the Territory we have the right to establish and operate (directly or through an Affiliate), and to grant to others the right to establish and operate, any business of any kind;

2. we have the right to establish and operate (directly or through an Affiliate), and to grant to others the right to establish and operate, within the Territory and elsewhere, businesses other than DAELA COSMETIC TATTOO businesses;

3. we have the right to host one or more websites on the Internet that advertise DAELA COSMETIC TATTOO businesses and the services and products they offer and that allow potential clients to contact DAELA COSMETIC TATTOO businesses throughout the world, even though a website is accessible to or viewable by persons in the Territory;

4. we have the right to advertise and promote the DAELA COSMETIC TATTOO services and products through broadcast, print and electronic media that are broadcast, delivered or otherwise transmitted into the Territory;

5. we have the right to offer and sell any products within the Territory and elsewhere under any trade names, trademarks, service marks or trade dress, including the Marks, through any alternative channels of distribution; and

6. we have the right to acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere or business conducted anywhere. These transactions may include arrangements involving competing businesses or outlets and dual branding or brand conversions.

By virtue of signing the Franchise Agreement, you do not obtain any additional options, rights of first refusal, or similar rights to acquire additional franchises. We do not currently operate, or franchise the operation of any other business selling under different trademarks any products and services similar to the services and products offered by DAELA COSMETIC TATTOO businesses, and presently we do not have any plans to do so.

Item 13: Trademarks

The "DAELA COSMETIC TATTOO" trademark is the principal trademark you'll use under license from us through the Franchise Agreement. The "DAELA COSMETIC TATTOO"

trademark listed below is registered with the United States Patent and Trademark Office ("PTO"). Since we have a Principal Register federal registration for the DAELA COSMETIC TATTOO trademark, we have certain presumptive legal rights granted by a registration on the Principal Register.

Our principal trademark is:

Trademark	Registration Number	Date of Registration	Register
DAELA COSMETIC TATTOO	6846712	September 13, 2022	Principal

You must follow our operating procedures when you use our trademarks (collectively, "Marks"). You cannot use the Marks as part of your corporate name. You may not use the Marks in the event you wish to advertise the sale of your franchise.

There are no currently effective material determinations of the PTO or Trademark Trial and Appeal Board. There are no pending infringements, oppositions or cancellations concerning the Marks. There is no pending material litigation involving the Marks. We have filed all required affidavits.

We have an unrestricted license to use the Marks and to sublicense the Marks to franchisees. We have no actual knowledge of either superior prior rights or infringing uses that could materially affect your use of the Marks in the state where your DAELA COSMETIC TATTOO franchise may be located. There are no agreements currently in effect that significantly limit our rights to use or license the use of the principal trademark in a manner material to the franchise. We have no actual knowledge of either superior prior rights or infringing uses that could materially affect your use of the principal trademark in the state where your franchise may be located.

The primary DAELA COSMETIC TATTOO trademark that you will use to identify your business is not federally registered. If our ability to use this trademark in your area is challenged, you may have to identify your business and its services by a different name that we may specify to you. This change can be expensive and may reduce brand recognition of the services you offer. If it becomes advisable at any time in our business judgment for us and/or you to modify or discontinue the use of any Marks and/or use one or more additional or substitute trademarks or service marks, you are obligated to comply with our directions within a reasonable time after receiving such notice from us.

During the term of the Franchise Agreement, and any renewal or extension period, you must identify yourself as the owner of the DAELA COSMETIC TATTOO Franchised Business (in the manner required by us) in conjunction with any use of the Marks, including, but not limited to, on invoices, order forms, receipts, business stationery, and contracts with all third parties or entities, as well as on the display of any notices in the content and form and at the conspicuous locations at the Franchised Business, as we may designate in writing.

We will indemnify you against, and reimburse you for, all damages for which you are held liable in any proceeding arising out of your authorized use of any Mark under the Franchise Agreement and, except as provided in the Franchise Agreement, for all costs you reasonably incur in defending any claim brought against you or any proceeding in which you are named as a party, if you have timely notified us of the claim or proceeding and you and your owners are in compliance with the Franchise Agreement and all other agreements entered into with us or any Affiliate. In our or any Affiliate's sole business judgment, we will be entitled to prosecute, defend or settle any proceeding arising out of your use of any Mark, and, if we or any Affiliate decide to prosecute, defend or settle any matter, we will have no obligation to indemnify or reimburse you for any fees or disbursements of counsel you retain.

We have the right to modify, add to, or discontinue use of the Marks, or to substitute different Marks, for use in identifying the DAELA COSMETIC TATTOO System and the businesses operating under the Marks. You must promptly comply with any required changes, revisions and/or substitutions, and will pay all the costs of modifying your signs, advertising materials, interior graphics and any other items which bear the Marks. We have no liability or obligation whatsoever with respect to any required modification or discontinuance of any Mark or the promotion of a substitute trademark, service mark or trade dress.

Item 14: Patents, Copyrights, and Proprietary Information

You do not receive the right to use any items covered by a federally registered patent or copyright, but you must use the proprietary information contained in our Operations Manual. The Operations Manual and the specifics on your use of the Operations Manual are described in the Franchise Agreement. Although we haven't filed any applications for copyright registration, we claim copyright protection for the Operations Manual, software, advertising materials, and other materials we give you for your use or for public dissemination, other proprietary information and publications we own or have acquired under license from a third party, and everything concerning the DAELA COSMETIC TATTOO System. All of this is our proprietary intellectual property.

Item 15: Obligation to Participate in the Actual Operation of the Franchised Business

Artist Owner. You must designate one "Artist Owner", as defined in the Franchise Agreement. You will provide us with the name and necessary contact information, such as address and telephone numbers, of this person. In the event we need to contact you, we will contact the Artist Owner. This person will have all authority necessary to carry out day to day business decisions, answer any questions or requests we have, and bind you.

Your Artist Owner must personally manage and operate the franchise and you may not, without our prior written consent, delegate your Artist Owner's authority and responsibility with respect to management and operation. The Artist Owner must have not less than a twenty five percent (25%) interest in the equity and voting rights of the Franchised Business at all times during the term of the Franchise Agreement.

At all times during the Term of the Agreement, your Franchised Business must be under the direct operational control and supervision of the Artist Owner. Your Artist Owner may not serve also as your Studio Manager.

Personal Guaranty and Confidentiality and Personal Guaranty.

Each of your "Owners" (as defined in the Franchise Agreement) must sign the Franchise Agreement and a personal guaranty. Depending on your form of ownership of the Franchised Business (for example, corporation, limited liability company, etc.) other people may also need to sign guarantees of performance.

Each of your Owners is bound under the Franchise Agreement to its confidentiality and non-competition provisions. You and your Owners are also subject to a covenant not to compete.

We may require certain Owners, managerial or other employees of the Franchised Business to sign a separate non-competition agreement with us under our Methods of Operation. The non-competition agreement contains covenants to maintain the confidentiality of information an individual receives in connection with their relationship to the DAELA COSMETIC TATTOO Franchised Business. A sample copy of our current Confidentiality Agreement form is attached to the Franchise Disclosure Document as Exhibit "E".

Typically, we do not require spouses or children of the franchisee or its owners to sign confidentiality agreements, the Franchise Agreement, or a personal guaranty unless the individual has an ownership interest in the franchisee.

Item 16: Restrictions on What the Franchisee May Sell

You must operate your DAELA COSMETIC TATTOO Franchised Business in accordance with our Operations Manual and our DAELA COSMETIC TATTOO System. Our Operations Manual and our DAELA COSMETIC TATTOO System contain mandatory and suggested specifications, standards, operating procedures and rules that we prescribe periodically for the operation of a DAELA COSMETIC TATTOO business and information relating to your other obligations under the Franchise Agreement and related agreements. The Operations Manual may be modified by us periodically to reflect changes in our DAELA COSMETIC TATTOO System.

You may only offer and sell those services and products that we have approved. You must offer all services and products that we designate as required for all franchisees. We have the right to add additional authorized services and products that you must offer through your franchise location. There are no limits on our right to do so.

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 Franchise Disclosure Document.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	4.1	Term is 10 years.
b. Renewal or extension of the term	4.2	Additional 10 year periods, provided you are in full compliance with our System standards.
c. Requirements for franchisee to renew or extend	4.2	Bring the franchise into compliance with our System standards, sign our then-current franchise agreement, and pay the renewal fee.
d. Termination by franchisee	Not applicable	You may terminate the Franchise Agreement on any grounds available by law.
e. Termination by franchisor without cause	Not applicable	The Franchise Agreement does not contain such a provision.
f. Termination by franchisor with cause	19	We have the right to terminate the Franchise Agreement with cause. Depending upon the reason for termination, we may not provide you an opportunity to cure. See this Item 17(g) and (h) for further description.
g. "Cause" defined – curable defaults	19.3	We must provide you with an opportunity to cure any of the deficiencies identified in Section 19.3. of the Franchise Agreement.
h. "Cause" defined – non-curable defaults	19.1, 19.2	We may terminate the Franchise Agreement without providing you an opportunity to cure for any of the deficiencies identified in Section 19.1. and 19.2. of the Franchise Agreement.
i. Franchisee's obligations on termination/non-renewal	20	Pay us what you owe us, cease using the Marks and Confidential Information, comply with our post-term covenants, and follow all our termination procedures
j. Assignment of contract by franchisor	18.1	Fully transferable by us. However, no assignment will be made except to an assignee that in the good faith judgment of the franchisor is willing and able to assume the franchisor's obligations.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
k. "Transfer" by franchisee - definition	18 (except for 18.1)	All transfers require our prior written approval. As used in the Franchise Agreement, the term "transfer" includes the voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, inter-vivos transfer, testamentary disposition or other disposition of the Franchise Agreement or any interest in or right under the Franchise Agreement; of substantially all of the assets of your DAELA COSMETIC TATTOO business; or of any Ownership Interest in you or the revenues or income of your DAELA COSMETIC TATTOO business.
l. Franchisor approval of transfer by franchisee	18.3	Our approval of any transfer is required prior to your transferring the franchise to a third party. However, will not unreasonably withhold our approval where the proposed transferee meets all our conditions for approval.
m. Conditions for franchisor approval of transfer	18.3	The proposed transferee must meet our standards as to character, financial resources, and willingness to assume the existing obligations under the Franchise Agreement, and be willing to sign our then-current form of franchise agreement and be willing to pay us for all training programs we require.
n. Franchisor's right of first refusal to acquire franchisee's business	18.5	We have the right of first refusal for all third party bona fide offers to you to purchase the business.
o. Franchisor's option to purchase franchisee's business	20.9	We have a 30 day option to purchase any equipment, signs, inventory, materials, supplies and fixtures upon termination or expiration of the Franchise Agreement
p. Death or disability of franchisee	18.6	Upon the death or mental incapacity of any person with any interest in the Franchise Agreement, in you, or in substantially all of the assets of the Franchised Business, the executor, administrator or personal representative must transfer the deceased's interest to a 3rd party approved by us within 12 months. These transfers will be subject to the same conditions as any other transfer.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
q. Non-competition covenants during the term of the franchise	21.2	You may not divert or attempt to divert any present or prospective business or customer of any DAELA COSMETIC TATTOO business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any business which: (a) is the same as, or substantially similar to, a DAELA COSMETIC TATTOO business; or (b) offer to sell or sell any services, equipment, products or other items which are the same as, or substantially similar to, any of the services, equipment, products or other items offered by a DAELA COSMETIC TATTOO business.
r. Non-competition covenants after the franchise is terminated or expires	21.3.	After termination or expiration of the Franchise Agreement, the owners of the franchise may not operate a competing business for a period of 2 years (i) located at or within 100 miles of the franchise business location or (ii) located within 50 miles of the any other DAELA COSMETIC TATTOO business location.
s. Modification of the agreement	27	Must be in writing and signed by both parties.
t. Integration/merger clause	27	Oral statements are not binding. The Franchise Agreement and our System standards is the entire agreement. Any promises not contained in the Franchise Agreement of this Disclosure Document may not be enforceable.
u. Dispute resolution by arbitration or mediation	29	Except as otherwise provided, all disputes and claims relating to the Franchise Agreement must first be submitted to mediation, then to arbitration.
v. Choice of forum	29.9	The venue for all proceedings related to or arising out of the Franchise Agreement is Washington.
w. Choice of law	29.8	Subject to state law, the Franchise Agreement will be interpreted and construed under the laws of Washington.

Item 18: Public Figures

There are no public figures involved in the sale of this franchise.

Item 19: Financial Performance Representations

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure

document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to Franchise Administrator, Daela Co., 19609 NE 35th Court, Ridgefield, Washington 98642, (360) 907-9326, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20: Outlets and Franchisee Representations

Table No. 1
Systemwide Outlet Summary
For Years 2020 to 2022

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company-Owned	2020	1	1	0
	2021	1	1	0
	2022	1	2	+1
Total Outlets	2020	1	1	0
	2021	1	1	0
	2022	1	2	+1

Table No. 2
Transfers From Franchisees to New Owners (Other than the Franchisor)
For Year 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Number of Transfers
None	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

Table No. 3
Status of Franchised Outlets For Years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Termina-tions	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations-Other Reasons	Column 9 Outlets at End of the Year
None	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Total	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

The following franchisee signed a Franchise Agreement with us in 2022, and expects to open their business location in Arizona in 2023:

Chloe Haley Co, Phone: 602-809-9405

Table No. 4
Status of Company-Owned Outlets For Years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
Oregon	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Washington	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
Total	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	1	0	0	0	2

Table No. 5
Projected Openings as of December 31, 2022

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the 2023 Fiscal Year	Column 4 Projected New Company-Owned Outlets in the 2023 Fiscal Year
Arizona	1	0	0
California	0	1	0
Nevada	0	1	0
Total	1	2	0

Item 21: Financial Statements

Attached to this disclosure document in Exhibit "B" are our audited balance sheets, as of December 31, 2022, and March 9, 2022.

Daela Co. has not been in business for three years and therefore presently is not able to disclose all financial statements that will be required to be disclosed in the future under the Federal Trade Commission's Franchise Rule.

Item 22: Contracts

Attached to this Disclosure Document as Exhibit "A" is our Franchise Agreement and Exhibits (A) Franchise Ownership and Management, (B) Territory, (C) Guarantee, Indemnification and Acknowledgment, (D) Franchise Location, (E) Authorization Agreement for Prearranged Payment, (F) Irrevocable Power of Attorney (Telephone Numbers and Electronic Media); and (G) Franchise Disclosure Questionnaire.

Attached to this Disclosure Document as Exhibit "D" is a sample copy of the current general release form that we use as a condition of renewal or assignment/transfer.

Attached to this disclosure document as Exhibit "E" is sample copy of our current confidentiality agreement.

Attached to this disclosure document as Exhibit "F" is State Specific Addenda to the Disclosure Document.

Item 23: Receipts

The Receipts to be signed by all prospective franchisees are attached in duplicate at the very end of this Franchise Disclosure Document (identified as Exhibit "G"). You will sign and date one copy and give it to us at the time we present it to you. Your copy of the receipt is attached at the end of this Franchise Disclosure Document. This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

The name, principal business address and telephone number of each franchise seller offering the franchise is identified on the Receipts.

DAELA COSMETIC TATTOO®

EXHIBIT “A”
TO THE FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

DAELA COSMETIC TATTOO®
FRANCHISE AGREEMENT
TABLE OF CONTENTS

Section	Heading
	Recitals
1	Definitions
2	Grant and Location
3	Your Territory
4	Term and Renewal
5	Our Duties
6	Fees and Payments
7	Franchise Location Selection
8	Franchise Location Development
9	Opening of Franchised Business
10	Training
11	Your Duties
12	Marks
13	Confidential Operations Manual
14	Confidential Information
15	Records, Reports and Financial Statements
16	Advertising and Promotion
17	Insurance
18	Transfer of Interest
19	Default and Termination
20	Obligations Upon Termination or Expiration
21	Covenants
22	Your Organization and Management
23	Taxes, Permits, and Indebtedness
24	Independent Contractor and Indemnification
25	Approvals and Waivers
26	Notices
27	Entire Agreement
28	Severability and Construction
29	Dispute Resolution and Applicable Law
30	Force Majeure
31	Acknowledgments

Exhibits

A	Franchise Ownership and Management
B	Territory
C	Guarantee, Indemnification, and Acknowledgment
D	Franchise Location
E	Authorization Agreement for Prearranged Payment
F	Franchise Disclosure Questionnaire

DAELA COSMETIC TATTOO®
FRANCHISE AGREEMENT
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DAELA COSMETIC TATTOO®
FRANCHISE AGREEMENT

This **FRANCHISE AGREEMENT** ("Agreement") is made and entered into this _____ day of _____, 20_____, by and between Daela Co., a corporation formed under Washington law, with its principal business address at 19609 NE 35th Court, Ridgefield, Washington 98642 (referred to in this Agreement as "Franchisor," "we," "us" or "our"), and _____, a [STATE/TYPE OF ENTITY] (referred to in this Agreement as "Franchisee," "you," "your" or "owner"), with its principal business address at [ADDRESS].

RECITALS:

WHEREAS, as the result of the expenditure of time, skill, effort, and money, we have developed and own a unique and distinctive system (hereinafter "System") relating to the establishment and operation of businesses that offer specialized cosmetic tattooing and permanent and semi-permanent makeup services, including without limitation, microblading services, lip blush tattoo services, areola restoration and 3D nipple tattooing services, paramedical and scar camouflage services, brow lamination services, eyelash lift and tint services, eyeliner tattoo services, teeth whitening and gem services, and other related authorized services and products;

WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive business formats, methods, procedures, design, layouts, decor, color scheme and furnishings; standards, treatment programs and protocols, specifications, and procedures for operations; quality and uniformity of services and products offered; procedures for management and financial control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by us from time to time;

WHEREAS, we identify the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the "DAELA COSMETIC TATTOO" mark, and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by us in writing for use in connection with the System (hereinafter referred to as "Marks"), which Marks are licensed to us under a license agreement for us to use and to sublicense to franchisees;

WHEREAS, we continue to develop, use and control the use of such Marks in order to identify for the public, the source of services and products marketed thereunder and under the System, and to represent the System's high standards of service, quality, and appearance;

WHEREAS, you understand and acknowledge the importance of our high standards of quality and client service and the necessity of operating the business franchised hereunder in conformity with our standards and specifications; and

WHEREAS, your desire to use the System in connection with the operation of a DAELA COSMETIC TATTOO Franchised Business (as defined in Section 1), as well as to receive the training and other assistance provided by us in connection therewith;

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. DEFINITIONS

The defined terms listed immediately below have the meanings which follow them and include the plural as well as the singular, and other terms are defined elsewhere in this Agreement in the context in which they arise:

"Accounting Period" – A period of time that shall occur two (2) times each calendar month during the Term of the Agreement. The initial Accounting Period during a calendar month shall consist of days 1 through 15 of the respective calendar month. The second Accounting Period during a calendar month shall consist of days 16 through the last day of the respective calendar month.

"ACH" - Electronic funds transfers (also known as EFTs) that are transacted through an Automated Clearing House or other electronic transfer system approved by Franchisor.

"Affiliate" - Any Person that is directly or indirectly owned or controlled by, controlling, or under common control with another Person.

"Agreement" - this Franchise Agreement.

"Approved Supplier"- Any supplier, including us, an Affiliate of ours or an independent third party, authorized by us in writing to manufacture and/or provide Services and Products and any other items, supplies, fixtures, furnishings, equipment (including computer systems and software), business services, materials, and other designated items used in the operation of a DAELA COSMETIC TATTOO business.

"Artist" – A tattoo artist employed by the Franchised Business.

"Artist Owner" - The individual designated in Exhibit A (and any replacement thereof approved in writing by us) who must have the authority to bind you regarding all operational decisions with respect to your Franchised Business and have completed to our satisfaction any required training that we may designate. The Artist Owner must be a duly licensed tattoo artist and/or cosmetic tattooing professional in all jurisdictions in which the Franchised Business provides services and must be certified in providing our approved cosmetic tattooing and permanent and semi-permanent makeup services by any approving authority that we identify as acceptable under our Methods of Operation.

"Artist Training Program" - Our mandatory training program that must be successfully completed by your Artist Owner and by any other individual employed by the Franchised Business who must be approved by us in order to provide our authorized services.

"Artist Training Program Initial Fee" – An amount payable from you that shall be calculated by us with reference to the total number of Artists of the Franchised Business that we require to attend our mandatory Artist initial training program prior to the opening of the Franchised Business.

"Artist Training Program Fee" - The fee you must pay to us for any individual to attend our required Artist Training Program.

"Business Day" - Any day other than Saturday, Sunday, national holidays on which the U.S. postal service is authorized not to deliver mail and any other DAELA COSMETIC TATTOO holidays specifically designated in our Operations Manual.

"Capital Improvements" - Periodic modifications in the Standards obligating you to invest additional capital and make capital improvements in your Franchised Business.

"Competitive Business" - Any business offering cosmetic tattooing services, permanent or semi-permanent makeup services, including without limitation, any business offering any one of the following services: microblading services, lip blush tattoo services, areola restoration and 3D nipple tattooing services, paramedical and scar camouflage services, brow lamination services, eyelash lift and tint services, eyeliner tattoo services, or teeth whitening and gem services, or any other services or products that are similar to those offered at DAELA COSMETIC TATTOO businesses; or any business offering franchises for businesses offering cosmetic tattooing services, permanent or semi-permanent makeup services, including without limitation, any business offering any one of the following services: microblading services, lip blush tattoo services, areola restoration and 3D nipple tattooing services, paramedical and scar camouflage services, brow lamination services, eyelash lift and tint services, eyeliner tattoo services, or teeth whitening and gem services, or any other services or products that are similar to those offered at DAELA COSMETIC TATTOO businesses. A Competitive Business does not include: (a) other businesses that are licensed or franchised by us or any of our Affiliates; or (b) shares of a class of securities that are listed on a public stock exchange or traded on the over-the-counter market and that represent less than five percent (5%) of that class of securities.

"Computer System" - The brands, types, makes, and/or models of communications, computer systems, and hardware to be used by you under the System, including without limitation: (a) back office and point of sale systems, data, audio, and video systems for use at the Franchised Business; (b) printers and other peripheral hardware or devices; (c) archival back-up systems; (d) Internet access mode and speed; and (e) physical, electronic, and other security systems.

"Confidential Information" - Our trade secrets, including proprietary and confidential information relating to the development and operation of DAELA COSMETIC TATTOO businesses, including:

1. computer systems and software programs and manuals for use in DAELA COSMETIC TATTOO businesses;

2. identity of suppliers and knowledge of Standards for, and suppliers of, Services and Products as well as fixtures, furnishings, equipment, products, materials and other supplies;

3. methods of inventory control, storage, product handling, training and management relating to the operation of DAELA COSMETIC TATTOO businesses;

4. Standards, treatment programs and protocols, the Operations Manual, trade secrets (whether or not meeting the statutory requirements of a trade secret), any other proprietary materials, and knowledge of, and experience in, developing and operating DAELA COSMETIC TATTOO businesses;

5. sales, marketing and advertising programs and techniques for DAELA COSMETIC TATTOO businesses;

6. knowledge of operating results and financial performance of DAELA COSMETIC TATTOO businesses;

7. manager and employee orientation and training programs, procedures and requirements;

8. information and data regarding DAELA COSMETIC TATTOO business personnel and customers and our non-business personnel;

9. Standards for site selection, general contractors, architectural and construction plans and trade dress for DAELA COSMETIC TATTOO businesses; and

10. any and all other information that we provide you that we designate proprietary or confidential.

For clarification, "Confidential Information" does not include any information (i) that has become publicly known through no act or omission of you, any Owner, or any of your or their respective Affiliates, officers, directors or employees, (ii) that has been received in good faith by you or any Owner from a third party having lawful and legitimate possession of the information and the right to disclose such information free of any duty of confidentiality to us, or (iii) that has been expressly approved for public disclosure by us.

"Control or Controlling Interest" - The possession, directly or indirectly, of the power to direct or cause the direction, of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise.

"Daela Academy" – Our required training program for any Artist employed by the Franchised Business.

"Designated Bank Account" - The primary bank account used by Franchisee for general operation of the Franchised Business, including payroll, deposits of sales, revenues, payment of vendors and suppliers and other operational matters, and which is to be used for any ACH withdrawals pursuant to this Agreement.

"Effective Date" - The effective date of this Agreement as set forth on the execution pages.

"EFT" - Electronic funds transfers that are transacted through an Automated Clearing House or other electronic transfer system approved by Franchisor.

"Electronic Media" - Any electronic document, application, or media that is connected to and/or in a network of computers, servers and/or other devices linked by communications software, part of the world wide web (including, but not limited to websites), linked by the internet or part of a web based application, software application, smart phone based application or social media platform including, but not limited to social media platforms and applications, and world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes, and/or relates in any way to DAELA COSMETIC TATTOO businesses, the Franchised Business , the Marks, the System and/or the Franchisor. Electronic Media further includes the DAELA COSMETIC TATTOO Website, web pages, and website subdomains (including those related to, associated with and/or a part of the DAELA COSMETIC TATTOO Website) associated with and/or related to the Franchised Business and all web pages, blog posts, videos, articles, social media accounts and pages, website directory pages, information, subdomains and all other media, and/or publications relating to the System, that is displayed and/or transmitted electronically.

"Force Majeure" - Acts of God, strikes, war, riot, pandemic, epidemic, fire or other natural catastrophe, terrorist acts or government actions resulting from terrorist acts, or other forces beyond your or our control, as applicable, that materially and adversely affect your ability to perform your obligations under this Agreement or the condition, use or operation of your Franchised Business or which materially and adversely affect our ability to perform our obligations under this Agreement.

"Franchise" - The right to operate a DAELA COSMETIC TATTOO business, as identified in Section 2.1.

"Franchise Location" - The principal business address of your Franchised Business as set forth in Exhibit D.

"Franchised Business" - The DAELA COSMETIC TATTOO business operated by you under the terms of this Franchise Agreement, including all of the assets of such business of any nature whatsoever and its revenue and income.

"Franchisee" - The Person identified in the Exhibit A as Franchisee.

"Franchisor" - Daela Co., a corporation formed under Washington law.

"Gross Revenue" - The aggregate amount of all revenues generated by your Franchised Business, whether such sales are evidenced by cash, check, credit, charge, account, barter or exchange. Gross Revenue shall include, without limitation, monies or credit received from the sale of products and programs, from tangible property of every kind and nature, promotional or otherwise. Gross Revenue shall not include good faith refunds, adjustments, credits and allowances actually made by your Franchised Business in compliance with the Operations Manual (described in Section 13).

"Ideas and Concepts" - Processes, ideas, concepts, methods, techniques, materials or customer information relating to a DAELA COSMETIC TATTOO business that you create or develop from time to time in connection with the operation of a DAELA COSMETIC TATTOO business.

"Immediate Family" - Spouse, parents, brothers, sisters and children, whether natural, adopted or through marriage, including parents-in-law, brothers-in-law, sisters-in-law and stepchildren.

"Indemnified Parties" - Us, our successor, assigns, Affiliates and the respective officers, directors, shareholders, agents, representatives, independent contractors, servants, and employees of each of them.

''Initial Franchise Fee" - An initial fee owed to us upon your execution of this Agreement as set forth in Section 6.

"Initial Marketing Expense Amount" – The amount paid to our Preferred Vendor to conduct on behalf of the Franchised Business a mandatory initial promotion and marketing campaign.

"Interest" - The highest contract rate of interest permitted by applicable law, or eighteen (18%) percent per annum, whichever is less.

"Internet" - All modes of communications between computers and between computers and television, telephone, facsimile and similar communications devices, including the World Wide Web, proprietary online services, e-mail, news groups and electronic bulletin boards.

"Legal Entity" - A business entity, including a corporation, general or limited partnership, limited liability company, limited liability partnership, or any other type of legal entity.

"Legal Requirements" - Any federal, state or local laws, codes or regulations or similar rules, and all required permits, licenses and certifications and any other federal, state or local laws, regulations, rules

or ordinances pertaining or applicable to, arising under or in connection with the operation of a DAELA COSMETIC TATTOO business.

"Marks" - The current and future trade names, trademarks, service marks and trade dress used to identify DAELA COSMETIC TATTOO businesses and the Services and Products offered by DAELA COSMETIC TATTOO businesses, including the "DAELA COSMETIC TATTOO" mark and the distinctive color scheme and signage of DAELA COSMETIC TATTOO businesses.

"Methods of Operation" - The mandatory and suggested specifications, standards, operating procedures and rules that we prescribe for the operation of the Franchised Business.

"Ongoing Local Marketing Expense Amount" – The minimum amount you must spend each month for local marketing and promotion for the Franchised Business in compliance with our Standards.

"Opening Advertising and Promotion" - The required advertising and promotion by you, in the amount specified in Section 16, associated with the opening of your Franchised Business pursuant to this Agreement.

"Operations Manual" - Our confidential policy manual, as amended from time to time, which may consist of one or more manuals, including any of our operating system manuals and management training manuals containing our mandatory and suggested Standards relating to the development and operation of DAELA COSMETIC TATTOO businesses and other information relating to your obligations under this Agreement, which we furnish to franchisees from time to time for use in operating a DAELA COSMETIC TATTOO business. The term "Operations Manual" also includes any directives or other information or materials provided to franchisees (by any means whatsoever) in connection with the operation of a DAELA COSMETIC TATTOO business that we deem part of the Operations Manual, including, but not limited to, bulletins, directives, videotapes, audio tapes, compact discs, computer diskettes, magnetic media, computer software and CD/Roms.

"Owner" - Collectively or individually, all Persons holding a direct or indirect Ownership Interest in Franchisee or in any Affiliate of Franchisee as designated by Franchisor.

"Ownership Interest" - Any direct or indirect, legal or beneficial ownership interest of any type, including but not limited to (a) in relation to a corporation, the ownership of shares in the corporation; (b) in relation to a partnership, the ownership of a general or limited partnership interest; (c) in relation to a limited liability company, the ownership of a membership interest; or (d) in relation to a trust, the ownership of the beneficial interest of such trust.

"Payment Network" - Any credit card, debit card or other payment network and their duly authorized administrators (including National Automated Clearing House Association), agents or Affiliates.

"Payment Processor" - All credit card, debit card, ACH or other payment processors whose services we may require you to utilize, as well as payment gateway service providers.

"Payment Rules" - The rules and regulations of Payment Processors and any applicable Payment Network, as in effect from time to time.

‘‘Person" - Any natural person or Legal Entity.

"Personal Data" – The personal information of customers or prospective customers of the Franchised Business.

"Personnel" - All Persons employed by you in connection with the management or operation of a DAELA COSMETIC TATTOO business, including Persons in general manager positions, hourly employees, and all other persons who work in the DAELA COSMETIC TATTOO business.

"Preferred Vendor" - Any supplier of products or services to your Franchised Business that we designate under our Methods of Operation as a "Preferred Vendor".

"Renewal Fee" - The fee owed to us if you are approved to acquire a successor franchise to operate the DAELA COSMETIC TATTOO business.

"Restriction Period" - A period of two (2) years commencing on the effective date of termination or expiration of this Agreement (including a Transfer of a Controlling Interest or substantially all of the assets of the Franchised Business) or, with respect to an Owner, the date on which such Owner ceases to satisfy the definition of Owner under this Agreement, whichever is earlier.

"Royalty Fees" - Royalty payments owed to us as set forth in Section 6.

"Services and Products" - The services, products, promotional items and any other ancillary services or merchandise designated by us from time to time for sale at or from DAELA COSMETIC TATTOO businesses.

"Standards" - The mandatory and suggested specifications, standards, treatment programs and protocols, methods, operating procedures and rules that we prescribe from time to time for the operation of a DAELA COSMETIC TATTOO business and any other information we provide to you during the Term relating to your operation of the Franchised Business or to any other of your obligations under this Agreement and related agreements.

"Studio Manager" - The individual who is responsible primarily for the administrative management of the Franchised Business.

"System" - The business methods, designs, arrangements and other Standards for developing and operating DAELA COSMETIC TATTOO businesses, including those pertaining to signage, equipment, training, methods of inventory control and requirements and policies regarding Personnel, accounting and financial performance, advertising and marketing programs and information technology, all of which we may improve, further develop or otherwise modify from time to time.

''Term" - A period commencing on the Effective Date of this Agreement and expiring on the tenth (10th) anniversary of the Effective Date.

"Territory" - The geographic area designated in Exhibit B.

"Transfer" - The voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, inter-vivos transfer, testamentary disposition or other disposition of this Agreement or any interest in or right under this Agreement; of substantially all of the assets of your Franchised Business; or of any Ownership Interest in you or the revenues or income of your Franchised Business including: (1) any transfer, redemption or issuance of a legal or beneficial Ownership Interest in you or any Legal Entity that has a Controlling Interest in you or of any interest convertible to or exchangeable for a legal or beneficial

Ownership Interest in you or any Legal Entity that has a Controlling Interest in you; (2) any merger or consolidation between you or any Legal Entity that has a Controlling Interest in you or another Legal Entity, whether or not you are the surviving Legal Entity; (3) any transfer in, or as a result of, a divorce, insolvency, dissolution proceeding or otherwise by operation of law; (4) any transfer upon your death or the death of any of your Owners by will, declaration of or transfer in trust or under the laws of interstate succession; or (5) any foreclosure upon your Franchised Business or the transfer, surrender or loss by you of possession, control or management of your Franchised Business.

"We," "Us" and "Our" - Unless expressed to the contrary, references in' this Agreement to "we," "us" and "our," with respect to all of our rights and all of your obligations to us under this Agreement, shall be deemed to include any of our Affiliates with whom you deal.

2. GRANT AND LOCATION

2.1. Grant of Franchise. We grant to you the right, and you undertake the obligation, upon the express terms and conditions set forth in this Agreement, to establish and operate a DAELA COSMETIC TATTOO business under the Marks and the System, and to use the Marks and the System, as they may be changed and improved from time to time in our sole business judgment, solely in connection therewith and only at the location set forth in Section 2.2 hereof.

2.2. Approved Franchise Location. You shall operate the Franchised Business only at a principal business address location approved by us (the "Franchise Location"). You shall not relocate the Franchised Business without our prior written approval. We shall have the right, in our sole business judgment, to withhold approval of relocation.

3. YOUR TERRITORY

3.1. Your Territory. Your Territory is defined in Exhibit B to this Agreement. Subject to the rights reserved to us in Section 3.2 and provided you and your Affiliates remain in full compliance with this Agreement and all other agreements with us or any of our Affiliates, during the Term we shall not establish or operate (directly or through an Affiliate), nor grant to others the right to establish or operate, a DAELA COSMETIC TATTOO business located within the Territory.

3.2. Our Reservation of Rights. We retain all rights not expressly granted hereunder, including the following, regardless of the impact on your Franchised Business:

3.2.1. outside the Territory we have the right to establish and operate (directly or through an Affiliate), and to grant to others the right to establish and operate, any business of any kind;

3.2.2. we have the right to establish and operate (directly or through an Affiliate), and to grant to others the right to establish and operate, within the Territory and elsewhere, businesses other than DAELA COSMETIC TATTOO businesses that do not compete with DAELA COSMETIC TATTOO businesses;

3.2.3. we have the right to host one or more websites on the Internet that advertise DAELA COSMETIC TATTOO businesses and the services and products they offer and that allow potential customers to contact DAELA COSMETIC TATTOO businesses throughout the world, even though a website is accessible to or viewable by Persons in the Territory;

3.2.4. we have the right to advertise and promote the DAELA COSMETIC TATTOO services and products through broadcast, print and Electronic Media that are broadcast, delivered or otherwise transmitted into the Territory;

3.2.5. we have the right to offer and sell any products within the Territory and elsewhere under any trade names, trademarks, service marks or trade dress, including the Marks, through any alternative channels of distribution; and

3.2.6. we have the right to acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere or business conducted anywhere. These transactions may include arrangements involving competing businesses or outlets and dual branding or brand conversions.

4. TERM AND RENEWAL

4.1. Term. This Agreement shall be in effect upon our acceptance and execution and, except as otherwise provided herein, the term of this Agreement shall be ten (10) years (the "Term") commencing from the Effective Date, unless this Agreement is sooner terminated pursuant to its terms.

4.2. Renewal. Upon the expiration of the term of this Agreement, you may, subject to the following conditions, renew this Agreement for an additional consecutive term of ten (10) years. We may require that any or all the following conditions be met prior to such renewal:

4.2.1. You shall give us written notice of your election to renew no fewer than eight (8) months or more than twelve (12) months prior to the end of the then-current term;

4.2.2. You shall make or provide for, in a manner satisfactory to us, such renovation and modernization of the Franchise Location of the Franchised Business as we may reasonably require, including, without limitation, purchase of additional or replacement equipment and renovation of signs to reflect the then-current standards and image of the System;

4.2.3. You shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between you or any of your Affiliates and us or our subsidiaries or Affiliates; and, in our reasonable judgment, you shall have substantially complied with all the terms and conditions of such agreements during the terms thereof;

4.2.4. You shall have satisfied all monetary obligations due and owed by you to us and our Affiliates, and to our Preferred Vendors, and shall have timely met those obligations throughout the term of this Agreement;

4.2.5. You shall, at our option, execute our then-current form of franchise agreement (but only for such renewal terms as are provided by this Agreement) and other ancillary agreements, which shall supersede this Agreement in all respects, and the terms of which may differ materially from the terms of this Agreement, including, without limitation, increasing your required Royalty fees, advertising contributions, and other fees, as determined by us, except that you shall not be required to pay an initial franchise fee and your initial Territory description shall remain the same as the one that existed as of the date of expiration of the prior Agreement;

4.2.6. You shall execute a general release, in a form prescribed by us, of any and all claims, known or unknown, that you might have against us or our subsidiaries or Affiliates, or their respective officers, directors, agents, or employees;

4.2.7. You shall comply with our then-current qualification and training requirements; and

4.2.8. You shall be current with respect to your obligations to suppliers, and any others with whom you do business.

5. OUR DUTIES

5.1. Specifications. We shall furnish you, at no charge to you, specifications for a DAELA COSMETIC TATTOO business, including requirements for treatment programs and protocols, image, equipment, signs and other procedures. You acknowledge that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act or similar rules governing public accommodations or commercial facilities for persons with disabilities).

5.2. Training. We shall provide the training as set forth in Section 10 hereof.

5.3. Promotional Materials. We will make available to you all promotional materials that we recommend you use to promote the Franchised Business, including but not limited to logotypes, aftercare instructions, services menu, Google Ad campaigns, and Instagram/Facebook campaigns.

5.4. Manuals. We shall provide you, on loan, one copy of our confidential operations manuals (the "Operations Manual"), and provide you with electronic access to the Operations Manual, as more fully described in Section 13 hereof.

5.5. Inspections. We shall conduct, as we deem advisable, inspections of your operation of the Franchised Business at any time during your regular business hours and with or without notice to you.

5.6.. Equipment. We shall provide you a list of initial equipment and related products and accessories for the Franchised Business for purchase from our Affiliate or a supplier we designate.

5.7. Ongoing Advice. During the term of this Agreement, we will advise you from time to time regarding operating issues concerning the Franchised Business disclosed by reports you submit to us or on-site inspections we make. Such guidance will be furnished in our Operations Manual, in bulletins or other written materials, during telephone consultations and/or consultations at our offices, or through the Internet. In addition, we will furnish guidance to you from time to time, as we deem appropriate, on the following matters concerning the System: standards, specifications and operating procedures and methods to be utilized; purchasing required and recommended goods, equipment, materials, supplies and services; advertising and marketing programs; customer feedback reports; employee training; and administrative, bookkeeping and accounting procedures. At your request, we will furnish additional guidance and assistance relating to the operation of the business and, in such a case, we may, in our discretion, charge the per diem fees and charges we establish from time to time in the Operations Manual or otherwise in writing.

5.8. Performance by Designee. You acknowledge and agree that any duty or obligation imposed on us by this Agreement may be performed by any designee, employee, or agent of us, as we may direct.

5.9. Fulfilling Our Obligations. In fulfilling our obligations pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement, we (and our subsidiaries

and Affiliates) shall have the right: (a) to take into account, as we see fit, the effect on, and the interests of, other franchised businesses and systems in which we have an interest and on our own activities and the activities of our subsidiaries and Affiliates; (b) to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we have an interest or our subsidiaries or Affiliates have an interest, or with our subsidiaries or Affiliates; (c) to introduce proprietary and non-proprietary items or operational equipment used by the System into other franchised systems in which we have an interest; and/or (d) to allocate resources and new developments between and among systems, and/or our subsidiaries or Affiliates, as we see fit.

6. FEES AND PAYMENTS

6.1 Initial Franchise Fee. You shall pay to us, upon execution of this Agreement, a non-refundable initial franchise fee (the "Initial Franchise Fee") in the amount of Twenty Thousand Dollars ($20,000). The entire Initial Franchise Fee is fully earned and non-refundable in consideration of administrative and other expenses incurred by us in granting this franchise and for our lost or deferred opportunity to enter into this Agreement with others.

6.2. Artist Training Program Initial Fee. All Artists that work for the Franchised Business must be trained or approved by Daela Academy. Prior to opening your Artists will be trained on authorized services and studio procedures. You must pay all related training fees in full at least two (2) weeks prior to any Artist being trained. We acknowledge and agree that in your sole business judgment you may elect to require any individual Artist scheduled to attend the Artist initial training program to pay their own respective individual training fees prior to attending the program. Ongoing support will be offered by Daela Academy to ensure that all Artists are performing to our standards. This support may include your Artists sharing before and after images with DAELA Academy trainers.

6.3. Royalty. You agree to pay us a royalty ("Royalty") each Accounting Period during the term of the Agreement in the amount of six and one half percent (6.5%) of the Gross Revenue derived by the Franchised Business during a respective Accounting Period.

6.3.1. Authorized Forms of Customer Payment Transactions. You acknowledge and agree that we may require you to process all customer payment transactions through credit, debit, or other electronic systems and cash/checks that we have specified to you, or otherwise through any system of which we have provided you with our prior written approval.

6.4. Authorized Payment to Preferred Vendors. You acknowledge and agree that to insure quality and consistency at all DAELA COSMETIC TATTOO businesses, we may require that you obtain products or services from certain designated suppliers. Pursuant to our Methods of Operation, we may identify certain suppliers as a Preferred Vendor, which may include us, or any Affiliate. Typically our Preferred Vendors do not offer terms to third parties. If a Preferred Vendor offers you specific terms that you wish to use, you must obtain our prior written approval before accepting the terms.

6.5. Payments. Royalty payments shall be paid from you to us two (2) times each calendar month during the Term of the Agreement and any Royalty payments shall be electronically transferred from the Designated Bank Account. For each Accounting Period consisting of days 1 through 15 of a calendar month, the Royalty payments shall be paid from you to us on the twentieth (20^{th}) day of the respective calendar month. For each Accounting Period consisting of days 15 through the last day of a calendar month, the Royalty payments shall be paid from you to us on the fifth (5^{th}) day of the immediately following calendar month. You hereby authorize us, or any designated Payment Processor, to withdraw via EFT any amounts owed to us, or to any Affiliate, under the terms of this Agreement, as collected and settled by the Payment Processor. If any payment owed to us, or any Affilate, under the

terms of this Agreement is overdue by thirty (30) days or more, you shall pay us immediately upon demand, in addition to the overdue amount, interest on such amount from the date it was due until received by us, at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by applicable law, whichever is less. In addition, if any monthly report required by Section 15 below is not received when due, all payments owed by you for such month shall be deemed overdue until such reports are received by us, regardless of whether payment was actually made, and you shall be responsible for applicable interest as described in this Section. Entitlement to such interest shall be in addition to any other remedies we may have. You shall not be entitled to set off any payments required to be made under this Section 6 against any monetary claim you may have against us. However, you acknowledge and agree that we have the right to set off any amounts that we may be required to pay to you under this Franchise Agreement against amounts that you or your Owners owe to us.

6.6. Designated Bank Account. Prior to the opening of the Franchised Business, and as a condition thereof, you shall establish a designated bank account ("Designated Bank Account"). We shall be authorized by you to withdraw from the Designated Bank Account in any manner which we prescribe, which may include EFT or wire transfer, any amounts due to us, any Affiliate(s), or any Preferred Vendors from you under the terms of this Agreement, including Royalty fees due. All costs and expenses of establishing and maintaining such designated account, including transaction fees and wire transfer fees, shall be paid by you. You shall bear all expenses, if any, associated with such authorizations and payments. You agree to execute Exhibit E to this Agreement ("Authorization Agreement for Prearranged Payment") and any and all documents as may be necessary to effectuate and maintain the electronic funds transfer, as we require. In the event you change banks or accounts for the Designated Bank Account required by us, you shall, prior to such change, provide us such information and documentation as we may require, in our sole business judgment. Your failure to provide such information concerning the Designated Bank Account, or your withdrawal of authorization as required hereunder for whatever reason shall be a material breach of this Agreement.

7. FRANCHISE LOCATION SELECTION

7.1. Franchise Location Selection, Evaluation and Acceptance.

7.1.1. Within one hundred eighty (180) days after the Effective Date you shall submit to us for our approval a proposed business address location for your DAELA COSMETIC TATTOO Franchised Business in accordance with procedures and location selection criteria we establish from time to time as set forth in the Operations Manual. We shall accept or reject each proposed business address location you submit to us. We shall use all reasonable efforts to make a decision accepting or rejecting your proposed location within five (5) days after we receive all information and materials we have requested pursuant to our location selection procedures.

7.1.2. In deciding whether to accept or reject a site you propose, we may consider such factors as we deem appropriate including, without limitation, the general location and neighborhood, zoning, demographic information, traffic patterns, access, visibility, and size, condition, configuration, appearance and other physical characteristics of the site.

7.1.3. Neither our acceptance of a proposed site, nor any information communicated to you regarding our standard site selection criteria or the proposed site constitutes a warranty or representation of any kind, express or implied, as to the suitability of the proposed site for your DAELA COSMETIC TATTOO Franchised Business or for any other purpose. Our acceptance of a proposed site merely signifies that we are willing to grant a franchise for a DAELA COSMETIC TATTOO business at that location in accordance with the terms of this Agreement.

7.1.4. Your decisions to develop and operate a DAELA COSMETIC TATTOO Franchised Business at any site are based solely on your own independent investigation and your determination of the suitability of the site for a DAELA COSMETIC TATTOO Franchised Business. Your decisions regarding selection of a site is exclusively within your control and should only be made after thorough analysis of the site by you and any independent advisors you select.

7.1.5. In consideration of our acceptance of your proposed site and our execution of this Agreement, you and your Owners hereby release and forever discharge us and our Affiliates, and the respective heirs, successors, members, managers, shareholders, representatives, assigns, agents, employees, officers and directors of each, and from any claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action of every nature, character and description, known or unknown, vested or contingent, that you or any of your Owners have or may have, or have at any time heretofore had, or may at any time have against us and our Affiliates, arising prior to and including the Effective Date of this Agreement, and arising from or in connection with your selection or our acceptance of a site for the development of your DAELA COSMETIC TATTOO Franchised Business.

8. FRANCHISE LOCATION DEVELOPMENT

8.1. Franchise Location Development. You are solely responsible for developing the Franchise Location, for all expenses associated with it and for compliance with the requirements of any applicable federal, state or local law, code, rule, or regulation, including those concerning the Americans with Disabilities Act ("ADA") or similar rules governing public accommodations for persons with disabilities.

8.2. Mandatory Specifications and Layouts. We will furnish you with mandatory specifications and layouts for a DAELA COSMETIC TATTOO business, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings and color scheme and other suggestions. The mandatory specifications and layouts we provide will not contain the requirements of any federal, state or local laws, codes, rules, or regulations. We will work directly with you to establish whether a proposed location is feasible in size and dimension by drawing plans for the location based on interior dimensions of the space. Once a location is approved and a lease signed, we will work with you to finalize the plans so they are ready for you to provide to an architect or engineer of your choice. You are obligated to have prepared, at your expense, all required construction plans and specifications to suit the shape and dimensions of the Franchise Location and to ensure that such plans and specifications comply with all applicable federal, state or local laws, codes, rules, regulations, ordinances, building codes and permit requirements and with lease requirements and restrictions. We will communicate directly with your chosen architect or engineer to ensure their understanding of the design requirements for the franchise location.

8.3. Franchise Location Design. You acknowledge that design quality is important to us. We will do all initial site stetches, to scale, to assist you in finding an appropriate location. If you choose to use the services of an architect or engineer, they should work closely with our design team to ensure our design requirements are met. You must submit all location plans and specifications, including design specifications, to us for our approval before starting to develop the Franchise Location. All final plans are subject to our written approval. At our request, you must submit all revised or "as built" plans and specifications. Our review and approval of your plans is not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with all laws is your sole responsibility. All development and any signage must be in accordance with the plans and specifications we have approved and must comply with all applicable laws, codes, rules, or regulations. We will furnish such guidance to you in developing the Franchise Location as we deem appropriate in our sole business judgment. We may periodically inspect the Franchise Location during its development. We do not, by

approving your plans or specifications or inspecting the Location, assume any liability or responsibility to you or to any third parties. Such approvals and inspections shall be solely for the purpose of assuring compliance with our Standards and shall not be construed as any express or implied representation or warranty that the Franchised Business complies with any applicable laws, codes, rules, or regulations (including the ADA or any other federal, state, or local law or ordinance regulating standards for the access to, use of, or modifications of buildings for any by persons whose disabilities are protected by law) or that the construction thereof is sound or free from defects. All prototype and modified plans and specifications for the Franchised Business remain our sole and exclusive property, and you may claim no interest therein.

8.4. Construction of Location. You must start construction of the Franchised Business according to the terms of your lease or within ninety (90) days after you have leased, subleased or purchased the Franchise Location or the site for the Franchise Location. We recognize that permitting delays and supply chain issues may cause unexpected delays in the construction of the franchise location. You must notify us and keep us timely informed of the status of any potential delays affecting construction of the franchise location. Typical construction time is completion within ninety (90) days after the start of construction. This time frame should be adhered to with the exception of force majeure events or other similar reasons out of your control. You must provide us with weekly progress reports during construction in a format acceptable to us. We have the right to visit and inspect the site during the construction phase. Such visits shall be at our expense, except for visits made upon your request, which shall be at your expense. The requirement to complete construction of the Franchised Business includes obtaining all required construction and occupancy licenses and permits, developing the Franchise Location (including all outdoor features and landscaping of the Franchise Location, if applicable), installing all required fixtures, furnishings, equipment and signs, and doing all other things as may be required pursuant to this Agreement or by practical necessity to have the Franchised Business ready to open for business. The Franchised Business may not be opened for business until we have notified you that the Franchised Business meets our requirements for opening. Notwithstanding anything to the contrary contained in this Section, you shall not be deemed to be in breach of this Section if your failure to start construction, finish construction or open the Franchised Business as above provided results solely from windstorms, rains, floods, earthquakes, typhoons, mudslides, fires or other natural disasters. Any delay resulting from any of such causes shall extend performance accordingly, in whole or in part, as may be reasonable, except that no such cause, alone or in combination with other causes, shall extend performance more than ninety (90) days without our prior written consent, which consent may be withheld.

8.5. Required General Contractor**.** You may choose your general contractor or use the general contractor provided by the lease-hold. We require that your general contractor be fully and appropriately licensed and qualified to complete a project of this size and quality, in a timely manner.

8.6. Equipment, Fixtures, Furniture, Computer Systems, Signs, and Vehicles**.** You agree to use in developing and operating the Franchised Business only the equipment, fixtures, furniture, Computer System, signs, and vehicles that we have approved for DAELA COSMETIC TATTOO businesses as meeting our specifications and standards for quality, design, appearance, function and performance. You agree to place or display at the Franchise Location (interior and exterior) only such signs, emblems, lettering, logos and display materials that we approve from time to time. You agree to purchase or lease approved brands, types or models of equipment, fixtures, furniture, Computer Systems, signs, and vehicles only from suppliers we have designated or approved which may include us and/or our Affiliates.

8.7. General Release. Our review and approval of any proposed business development plans for your Franchise Location and any involvement or information communicated to you regarding such business development plans is solely to ensure your compliance with the System.

9. OPENING OF FRANCHISED BUSINESS

9.1. Business Development. You shall develop, maintain, renovate, or construct, and equip, the Franchised Business at your own expense. You shall comply with all Standards that we provide for a DAELA COSMETIC TATTOO business, including requirements for image, equipment, signs and other procedures.

9.2. Licensing. You shall be responsible, at your own expense, for obtaining all zoning classifications, permits, certifications, and clearances required for the lawful operation of the Franchised Business, including, but not limited to, health licenses, certificates of occupancy and business licenses, which may be required by federal, state or local laws, ordinances, or regulations, or which may be necessary or advisable owing to any restrictive covenants relating to the Franchise Location or required by the lessor.

9.3. Commencement Criteria. You agree not to open the Franchised Business until:

9.3.1. You have completed the Initial Training Program to our satisfaction;

9.3.2. All amounts then due to us or our Affiliates have been paid;

9.3.3. We have been furnished with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as we request; and

9.3.4. We have been furnished with such evidence as we reasonably request that you possess such necessary equipment as we require for you to operate the Franchised Business pursuant to our Operations Manual.

9.4. Opening Deadlines. The parties agree that time is of the essence in the opening of the Franchised Business and that your failure to open the Franchised Business within the time period identified in Section 9.4.2 below shall be considered a material breach and default under this Agreement and will entitle us to terminate this Agreement pursuant to Section 19 hereof. You acknowledge that you must adhere to all the deadlines identified in Sections 7, 8 and 9 of this Agreement as a condition of opening the Franchise Location, including:

9.4.1. Within one hundred eighty (180) days after the Effective Date you must submit to us for our approval a proposed location for your DAELA COSMETIC TATTOO Franchised Business; and

9.4.2. You must open the Franchised Business within three hundred sixty five (365) days following the Effective Date of the Agreement.

10. TRAINING

10.1. Studio Manager Initial Training Program. Before the Franchised Business commences operations, the following individuals shall attend and successfully complete to our satisfaction the initial training program ("Studio Manager Initial Training Program"): (a) your Studio Manager; and (b) up to one (1) total additional Owner or employee you elect to enroll in the Studio Manager Initial Training

Program. In the event your Studio Manager fails to successfully complete the Studio Manager Initial Training Program to our satisfaction, we reserve the right to request that the individual be replaced with a more suitable candidate.

10.1.1. The Studio Manager Initial Training Program consists of fifteen (15) working days of training for your Studio Manager and the selected additional individual to be provided as follows: five (5) days of remote training with supplied manuals, video and interactive communications platform support, five (5) days of training at our designated training location, and five (5) days of training onsite at the franchise location upon opening.

10.2. Artist Training Program. During the Term of the Agreement we shall provide you with a mandatory Artist Training Program ("Artist Training Program") designed for your Artist Owner and for any other Artists employed by the Franchised Business to be trained and certified by us as having the required skills and expertise to provide our authorized services. Your Artist Owner must attend and pass satisfactorily all training required as part of the Artist Training Program. In our reasonable business judgment we may provide you with our prior written notice that your Artist Owner has been certified by us as having such acceptable prior work experience and skills that your Artist Owner is not required to attend the Artist Training Program as required under this Section. You acknowledge and agree that the Artist Training Program is in addition to the required Studio Manager Initial Training Program that your Studio Manager must attend.

10.2.1. Initial Staff Training. The Artist Training Program for your Artist Owner and the initial Artists of the Franchised Business hired prior to the opening of the Franchised Business consists of up to sixty four (64) hours total of training to be provided at our designated training location for any such Artist employed by the Franchised Business.

10.2.2. Schedule, Location and Costs. There is no fee payable from you to us for your Artist Owner to attend the Artist Training Program. You acknowledge and agree that for each other individual Artist to be employed by the Franchised Business who we may require to attend the Artist Training Program, you or the Artist must pay us our designated training fee (the "Artist Training Program Fee"). You acknowledge and agree that we may increase the Artist Training Program Fee periodically during the Term of the Agreement. We shall notify you in writing prior to any increase in any Artist Training Program Fees. We shall designate and schedule the times and locations for any Artist Training Program session, in our sole business judgment. You acknowledge and agree that you will be responsible for all travel, accomodation, living, and other expenses which your Artist Owner or any other individual incurs in connection with attending any required training session of the Artist Training Program.

10.2.3. Artist Training Support Fees. You acknowledge and agree that we may require you to pay us an additional hourly fee (the "Artist Training Support Fee") for our approved instructors to provide any Artist of the Franchised Business with additional required training. The amount of the Artist Training Support Fee may be increased by us periodically during the Term of the Agreement. We shall notify you in writing prior to any increase in any Artist Training Support Fees. You acknowledge and agree that any additional Artist training support that we may provide shall be in such form as we may specify to you.

10.2.4. Artist Training Program Services Authorized to be Conducted By You. During the Term of the Agreement we may voluntarily elect to authorize you to conduct specified Artist Training Program services designed for teaching required skills for Artists employed by the Franchised Business, or designed for teaching skills to any other individuals that we may authorize to receive any such training. You acknowledge and agree that our decision whether to authorize you to provide Artist Training Program services at any time during the Term of the Agreement shall be in our sole business judgment.

You acknowledge and agree that at any time during the Term of the Agreement we may revoke our authorization for you to provide any previously approved Artist Training Program services. You acknowledge and agree that if we authorize you at any time to provide any Artist Training Program services, any such services to be provided by you shall be in full compliance with any Standards or specifications we may designate to you in writing. You acknowledge and agree that any individual providing any training as part of any Artist Training Program services conducted by you shall be duly authorized by us in writing to conduct such designated training prior to providing any such training, that any Artist Training Program services conducted by you shall be provided only at such locations that we may designate and authorize in our sole business judgment, and that you shall not provide any such Artist Training Program services independently of the authorized business activities of the Franchised Business.

10.3. Artist Owner Substitute Manager. You acknowledge and agree that if at any time your Artist Owner is unable to fulfill the required duties of an Artist Owner at the Franchised Business, or otherwise ceases to be associated with the Franchised Business, then within thirty (30) days of any such event you must designate, and we must approve, an individual to serve at the Franchised Business in the same required managerial capacity at the Franchised Business as that of the Artist Owner (the "Subsitute Manager"). Within sixty (60) days of the date of any individual being appointed to serve in the capacity of Subsitute Manager, such individual must attend, and must satisfactorily complete, any training we may require, in our reasonable business judgment.

10.3.1. Pending the appointment or training of a Subsitute Manager as provided above, or if in our reasonable business judgment at any time the Franchised Business is not being managed properly by a duly qualified Artist Owner, we have the right, but not the obligation, to appoint a manager for the Franchised Business. All funds from the operation of the Franchised Business during its management by our appointed manager will be kept in a separate account, and all expenses of the Franchised Business, including compensation, other costs and travel and living expenses of our manager, will be charged to this account. We also have the right to charge a reasonable management fee (in addition to the other fees payable under this Agreement) during the period that our appointed manager manages the Franchised Business. Operation of the Franchised Business during any such period will be on your behalf, provided that we only have a duty to utilize reasonable efforts in doing so and will not be liable to you or your Owners for any debts, losses or obligations incurred by the Franchised Business, or to any of your creditors for any products, materials, supplies or services the Franchised Business purchases during any period it is managed by our appointed manager.

10.4. Proof of Technical Competence of Your Staff Artists or Other Employees. You acknowledge and agree that prior to any individual who is employed by the Franchised Business providing any of our authorized services, any such individual must be certified by us as having demonstrated proof of technical competence to provide any of our authorized services, as we may require from time to time under our Methods of Operation. Additionally, any individual employed by the Franchised Business who provides any of our authorized services must always be in good standing with any regulatory authority with established licensing standards with which the employee must comply. At our option, any person employed by you to provide our authorized services shall, prior to the assumption of such duties, attend and complete to our satisfaction any training that we designate to obtain our certification of proof of technical competence in providing any such approved services. We may require that any individual employed by the Franchised Business must be certified annually by us as having demonstrated proof of technical competence in any of our approved services to be provided by such individual at the Franchised Business. During the Term of the Agreement, we may require you to pay us our then-current specified fees for training any existing staff or any staff hired after the Franchised Business commences operations.

10.5. Additional Training Programs. Any Owner or employee who we may designate must

attend any such courses, seminars and other training programs as we may reasonably require from time to time.

10.6. Training Fees and Expenses. All training programs required by this Agreement shall be at such times and places as may be designated by us. We shall furnish the Studio Manager Initial Training Program to your Studio Manager and one (1) total additional Owner or employee at no additional fee or other charge. You shall be responsible for all expenses incurred for any individual in connection with attending the Studio Manager Initial Training Program, the Artist Training Program, and all other such training programs that we require, including, without limitation, the costs of transportation, lodging, meals, and wages. You acknowledge and agree that we shall have no liability to you, or to any individual employed by the Franchised Business, for salaries or wages associated with any such individual's attendance at any training program we may require.

10.7. Attendance at Required Meetings**.** At any time that we specify to you reasonably during the Term of the Agreement, we may require your Owners or your employees to attend required meetings with us, or with any third parties who may designate, in our reasonable business judgment. Any required meeting may be conducted through the method we may designate to you, which may include video meetings, phone meetings, online meetings, in-person meetings, or any other form of meeting that we may specify in our reasonable business judgment. You acknowledge and agree that any designated personnel of the Franchised Business who we may specify, in our reasonable business judgment, must attend any meeting or seminar we require under our Methods of Operation. We may offer a national convention and/or regional meetings or seminars at various times for additional training in operations, marketing, advertising, sales, equipment, technology, business management, or in other topics selected by us in our discretion. Your Artist Owner, your Studio Manager, and your designated personnel must attend any required meetings held in your geographical area that we may specify to you. You are responsible for all expenses incurred by your Artist Owner, your Studio Manager, and/or your personnel, including, but not limited to, lodging, room, board, salaries, and incidental expenses and other expenses, when attending any voluntary or mandatory programs, seminars, meetings, and/or national convention.

11. YOUR DUTIES

11.1. Operating Standards. You understand and acknowledge that every detail of the System and the Franchised Business is important to you, us, and other DAELA COSMETIC TATTOO businesses in order to develop and maintain high operating standards, to increase the demand for the services and products sold by all franchised businesses operating under the System, to protect and enhance our reputation and goodwill, to promote and protect the value of the Marks, and other reasons.

11.2. Adherence to Standards and Specifications. To ensure that the highest degree of quality and service is maintained, you shall operate the Franchised Business in strict conformity with such of our Standards, methods, and specifications as we may from time to time prescribe in the Operations Manual or otherwise in writing, including any required Capital Improvements. You agree:

11.2.1. To maintain in sufficient supply, as we may prescribe in the Operations Manual or otherwise in writing, and to use at all times, only such types, models and brands of products, equipment, computer hardware and software, materials and supplies from a supplier or suppliers designated or approved by us that conform to our written standards and specifications, and to refrain from deviating therefrom by the use of nonconforming items, without our prior written consent;

11.2.2. To sell or offer for sale only such services and products as have been expressly approved for sale in writing by us; to refrain from any deviation from our standards and specifications without our prior written consent; and to discontinue selling and offering for sale any service, product,

merchandise, and equipment which we may, in our discretion, disapprove in writing at any time;

11.2.3. To purchase all equipment, materials, uniforms, products, supplies and services from suppliers as we approve and designate in the Operations Manual or otherwise in writing from time to time;

11.2.4. To refrain from selling or advertising any services, equipment, merchandise, or products hereunder on the Internet without our prior, written approval;

11.2.5. To use, in the operation of the Franchised Business, such standards, specifications, and procedures as prescribed by us, which may relate to any one or more of the following with respect to the Franchised Business:

11.2.5.1. Replacement of obsolete or worn out equipment;

11.2.5.2. Terms and conditions of the sale and delivery of, and terms and methods of payment for goods, services, including direct labor, materials and supplies that you obtain from us, our Affiliates or others;

11.2.5.3. Sales, marketing, advertising and promotional programs and materials and media used in such programs;

11.2.5.4. Staffing levels for the Franchised Business; matters relating to managing the Franchised Business; communication to us of the identities of the Franchised Business's Personnel; and qualifications, training, dress and appearance of employees;

11.2.5.5. Days and hours of operation of the Franchised Business;

11.2.5.6. Participation in market research and testing of goods and services;

11.2.5.7. Approved customer payment systems;

11.2.5.8. Participation in any computer network or system we establish and maintain for DAELA COSMETIC TATTOO franchisees; bookkeeping, accounting, data processing and record keeping systems and forms; methods, formats, content and frequency of reports to us of sales, revenue, financial performance and condition; and furnishing tax returns and other operating and financial information to us;

11.2.5.9. Types, amounts, terms and conditions of insurance coverage required to be carried for the Franchised Business and standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage for the Franchised Business at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims;

11.2.5.10. Adhering to good business practices and observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers and us;

11.2.5.11. Adhering to the DAELA COSMETIC TATTOO way of delivering

client service to your customers, including adhering to our requirements relating to your training of new and existing employees according to our Standards; and

11.2.5.12. Regulation of such other aspects of the operation and maintenance of the Franchised Business that we determine from time to time to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and DAELA COSMETIC TATTOO businesses.

11.3. Fixtures, Furnishings, and Office Equipment. You shall purchase and install, at your expense, all fixtures, furnishings, office equipment (including, without limitation, the Computer System), decor, signs, and recycled and/or environmentally friendly products, as we may reasonably direct from time to time.

11.4. Sources of Products. You must purchase or lease all equipment that we approve and require for the Franchised Business, including, but not limited to, the Computer System, equipment, and supplies, all as described in the Operations Manual.

11.4.1. Required Purchase of Designated Products or Services From Us. You acknowledge and agree that the quality and consistency of our products and services is essential to preserve the goodwill of the Marks and the System. Therefore, always during the Term, you acknowledge and agree that you must purchase only from us, our approved vendors, or our Affiliates all designated products or services (at then current prices and subject to the then current terms and conditions). You agree that if you violate the terms of this Section 11.4.3 and such violation results in, or is in any way related to, any person contacting any illness or other medical condition you shall be solely liable for, and shall promptly reimburse us for, any costs and expenses resulting directly or indirectly from such illness or medical condition, including but not limited to, any public relations or advertising expenses we determine are necessary to repair our loss of goodwill resulting from such incident. Such remedy shall be in addition to all other remedies provided for in this Agreement or otherwise available to us.

11.4.1.1. Purchase of Permanent Makeup Supplies from Us. You acknowledge and agree that you must purchase only from us, our approved vendors, or our Affiliates all permanent makeup supplies that we may specify, including without limitation, all permanent makeup inks and needles, and that you must pay all related shipping and handling costs.

11.4.2. Required Purchase of Designated Products or Services From Approved Supplies. All products or merchandise sold or offered for sale at the Franchised Business shall meet our then-current standards and specifications, as established in the Operations Manual or otherwise in writing. Except as otherwise provided in Section 11.4.1, you shall purchase all equipment and products used or offered for sale at the Franchised Business for which we have established standards or specifications solely from approved suppliers (including distributors and other sources) which demonstrate, to our continuing reasonable satisfaction, the ability to meet our standards and specifications, and who have been approved by us in the Operations Manual or otherwise in writing. If you desire to purchase products from a party other than an approved supplier, you shall submit to us a written request to approve the proposed supplier, together with such evidence of conformity with our specifications as we may require. We shall have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility that we designate. We shall use our best efforts, within ninety (90) days after our receipt of such completed request and completion of such evaluation and testing (if required by us), to notify you in writing of our approval or disapproval of the proposed supplier. You shall not sell or offer for sale any products of the proposed supplier until you receive our written approval of the proposed supplier. We may from time to time revoke our approval of particular products or suppliers when we determine, in our sole business judgment, that such products or suppliers no longer meet our standards. Upon receipt of

written notice of such revocation, you shall cease to sell any disapproved products and cease to purchase from any disapproved supplier. Nothing in the foregoing shall be construed to require us to make available to a prospective supplier any standards or specifications which we deem confidential.

11.5. Financing. You agree, at your own expense, to secure all financing required to develop and operate the Franchised Business.

11.6. Licensing and Permits. You agree, at your own expense, to research the requirements for and obtain all permits and licenses required to operate the Franchised Business.

11.7. Inspections. You shall permit us and our agents to visit the Franchised Business at any time during regular business hours, with or without notice, for the purpose of conducting inspections. In connection with such inspections, we shall have the right to speak with you, any of your employees or customers; take audio or video recordings and photographs; remove samples of any goods, materials or supplies for testing and analysis; and conduct such other activities as we deem appropriate in our sole business judgment. You shall cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request, including presenting customers with such evaluation forms as we may periodically prescribe, and, upon notice from us or our agents, and without limiting our other rights under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. If deficiencies are detected during any inspection, and we subsequently conduct a re-inspection in our sole business judgment, you shall be responsible for our costs and expenses of such re-inspection. Should you, for any reason, fail to correct any deficiencies within a reasonable time as determined by us, we shall have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by us and to charge you a reasonable fee for our expenses in so acting, payable to us upon demand. The foregoing shall be in addition to such other remedies we may have.

11.8. Advertising and Promotional Materials. You shall ensure that all graphics, signs, advertising and promotional materials, decorations and other items specified by us bear the Marks in the form, color, location, and manner prescribed by us.

11.9 Maintenance of Franchise Location. You shall maintain the Franchise Location in a clean, orderly condition and in excellent repair; and, in connection therewith, you shall, at your own expense, make such additions, alterations, repairs and replacements thereto (but no others without our prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment and decor as we may reasonably direct.

11.10. Personnel. You shall take such steps as are necessary to ensure that your Personnel preserve good customer relations; render competent, prompt, courteous and knowledgeable service; have successfully completed any required training under our Standards; follow the DAELA COSMETIC TATTOO way for customer care; and meet such other minimum employee standards we establish, including, without limitation, our requirements for employee attire, as we may establish from time to time in the Operations Manual. We do not dictate or control labor or employment matters for our franchisees. We do not retain any reserved authority to control the terms and conditions of employment for their employees. You have sole authority over all employment matters related to the Franchised Business. You are responsible for taking such measures as are needed to ensure that your employees understand and acknowledge that they are not our employees**,** including without limitation, requiring your employees to sign a written acknowledgement that you are an independently owned and operated franchisee and their employer in a form we specify in the Operations Manual or otherwise in writingfrom time to time. You are solely responsible for all employment decisions with respect to your personnel, including hiring, firing,

scheduling, compensation, training, supervision, and discipline, regardless of whether you receive advice from us on any of these subjects. Should you receive any such advice from us, you alone will determine to what extent, if any, you will implement our suggestions.

11.11. Changes to the System. You shall not implement any change, amendment or improvement to the System without our express prior written consent. You shall notify us in writing of any change, amendment or improvement in the System which you propose to make and shall provide to us such information as we request regarding the proposed change, amendment or improvement. You acknowledge and agree that we shall have the right to incorporate the proposed change, amendment or improvement into the System and shall thereupon obtain all rights, title and interest therein without compensation to you.

11.12. Health and Safety Standards. You shall meet and maintain the highest health and safety standards and ratings applicable to the operation of the Franchised Business. You shall furnish to us immediately upon the receipt thereof, a copy of all health inspection reports and any violation or citation which indicates your failure to maintain federal, state, or local health or safety standards in the operation of the Franchised Business. Your failure to cure such violations within twenty-four (24) hours shall constitute grounds for immediate termination pursuant to Section 19 herein.

11.13. Computer System and Required Software.

11.13.1. We shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by you, including without limitation: (a) back office and point of sale ("POS") systems, data, audio, and video systems for use at the Franchised Business; (b) printers and other peripheral hardware or devices; (c) archival back-up systems; (d) Internet access mode and speed; and (e) physical, electronic, and other security systems (collectively, the "Computer System").

11.13.2. We shall have the right, but not the obligation, to develop or have developed for us, or to designate: (a) computer software programs that you must use in connection with the Computer System (the "Required Software"), which you shall install at your expense; (b) updates, supplements, modifications, or enhancements to the Required Software, which you shall install at your expense; (c) the tangible media upon which you record data; and (d) the database file structure of the Computer System.

11.13.3. At our request, you shall purchase or lease, and thereafter maintain, the Computer System and, if applicable, the Required Software. We shall have the right at any time to remotely retrieve and use such data and information from your Computer System or Required Software that we deem necessary or desirable. You expressly agree to comply strictly with our Standards and specifications for all items associated with your Computer System and any Required Software in accordance with our Standards and specifications, including providing us with all passwords and access information that reasonably we require. You agree, at your own expense, to keep your Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to your Computer System or Required Software as we direct from time to time in writing. You agree that your compliance with this Section 11.13 shall be at your sole cost and expense.

11.14. Technology.

11.14.1. Technology Infrastructure. You agree to purchase or lease, at your expense, such computer hardware, software, POS systems, billing systems, related accessories, network accessories, peripheral equipment, and services as we may specify for the purpose of, among other functions, recording financial and customer data, communicating with us, and operating the Franchised

Business. You agree, at your expense, to establish the information technology infrastructure and processes that we require, regarding, without limitation, your computer systems, payment systems, customer systems, internal and external networks, back-up systems, mobile devices, and any other network access points. You agree, at your expense, to purchase such installation and support services as we may reasonably require, to keep all equipment, systems, and devices in good maintenance and repair, and to promptly update or install such additions, changes, modifications, substitutions or replacements as we direct. You agree that you will comply strictly with our Standards and specifications for all equipment and processes associated with your Computer System and technology.

11.14.2. New Initiatives and Standards. You acknowledge and agree that changes to technology are dynamic and not predictable within the Term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, and to protect against new and emerging technological risks, you and we agree that we shall have the right to establish, through our Methods of Operation and Operations Manual, reasonable new standards and initiatives for the implementation of technology in the System; and you agree that you shall abide by those reasonable new standards established by us, at your expense. You may be required to invest in and implement new technology initiatives at your own expense including, but not limited to, acceptance of new forms of payment, monitors, music, Internet TV broadcast, software management applications, surveillance system, e-learning, and software applications designed to better manage business functions and control costs. We may designate the supplier you use for any goods and services associated with these and other initiatives. You further acknowledge and agree that such new standards and initiatives may require an investment in, without limitation, new hardware, software, training, procedures, vendors, and/or services.

11.15. Data Security and Data Privacy.

11.15.1. Data Events. You shall use your best efforts to protect your customers and the System against a cyber-event including, without limitation, a data breach or other identity theft or theft, misuse, unauthorized access, or improper handling of personal or healthcare information (collectively, a "Data Event"). If a Data Event occurs, regardless of whether such event affects only the Franchised Business, in addition to any obligations you may have under applicable law, you shall notify us as soon as possible and, in any event, no later than within twenty-four (24) hours of becoming aware of the Data Event. We reserve the right to perform and/or control all aspects of the response to such event to the maximum extent permitted by law including, without limitation, the investigation, containment and resolution of the event and all communications with the DAELA COSMETIC TATTOO franchise system, vendors and suppliers, members, law enforcement agencies, federal and state regulatory authorities, and the general public. In the event we elect to perform and/or control some or all aspects of the response to a Data Event you shall fully cooperate with all reasonable requests and inquiries and make all requested information, documents, systems, and personnel reasonably accessible and available. Our control of the response may potentially affect or interrupt operations of the Franchised Business but does not create any additional rights for you, entitle you to damages or relieve you of your indemnification obligations pursuant to Section 24.3. Notwithstanding our right to perform and/or control all aspects of the response to a Data Event, we agree to make commercially reasonable efforts to coordinate such response with you and your insurance carrier(s) and to reasonably cooperate with your insurance carrier(s) regarding insurance coverage of such Data Event to the extent reasonably practicable under the circumstances.

11.15.2. Data Security and Privacy Standards. You shall establish physical, technical and administrative safeguards against the loss, theft, mishandling, or improper alteration, or disclosure of data and unauthorized access to your systems, including, but not limited to, encryption and redaction practices. You shall at all times comply with: (a) the Payment Card Industry Data Security Standards, (b) the

NACHA ACH Security Framework, (c) Payment Rules, (d) applicable laws and regulations relating to data and/or personal information, privacy, data security and security breaches including, but not limited to, if applicable, the California Consumer Privacy Act, and (e) our security policies and guidelines, all as may be amended from time to time ((a) through (e) collectively, "Data Rules"). You shall fully cooperate with us and our Affiliates in meeting our compliance obligations under applicable Data Rules and refrain from any action that may cause us or any of our Affiliates to violate any applicable Data Rule. You shall notify us immediately in the event you discover that you are not in compliance with the Data Rules. We may designate certain third-party consultant(s) to administer our data security program and evaluate your compliance with the aforementioned standards. You must meet promptly the reasonable requirements of any such consultant(s) and maintain those certifications of compliance that we deem appropriate in our reasonable discretion. You are expected to obtain advice from appropriate legal and security consultants to ensure that you operate the Franchised Business at all times in full compliance with the Data Rules.

11.15.3. Limitations on Personal Data. You agree to limit the collection of Personal Data to that which is reasonably necessary and proportionate to the operation of the Franchised Business in accordance with this Agreement, to provide all legally required notices to consumers at the time of such collection of Personal Data, and to not retain, use, process or disclose Personal Data for any other purpose. You will not sell, rent or license Personal Data and may not disclose or authorize access to Personal Data to third parties without our prior written approval. You shall comply with this Section 11.15 with respect to all Personal Data.

12. MARKS

12.1. Our Representations. We represent with respect to the Marks:

12.1.1. We have the right to use, and to license others to use, the Marks; and

12.1.2. We have taken and will take all steps reasonably necessary to preserve and protect the ownership and validity of the Marks.

12.2. Your Use of the Marks. With respect to your use of the Marks, you agree that:

12.2.1. You shall use only the Marks designated by us, and shall use them only in the manner that we authorize and permit;

12.2.2. You shall use the Marks only for the operation of the Franchised Business, or in advertising or promotional materials for the Franchised Business;

12.2.3. Unless otherwise authorized or required by us, you shall operate and advertise the Franchised Business only under the "DAELA COSMETIC TATTOO" name and shall use all Marks without prefix or suffix. You shall not use the Marks as part of your corporate or other legal name or as part of an Internet domain name or Internet e-mail address;

12.2.4. During the term of this Agreement, and any renewal or extension hereof, you shall identify yourself as the owner of the Franchised Business (in the manner required by us) in conjunction with any use of the Marks, including, but not limited to, on invoices, order forms, receipts, business stationery, and contracts with all third parties or entities, as well as the display of such notices in such content and form and at such conspicuous locations as we may designate in writing;

12.2.5. Your right to use the Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights and will entitle

us to exercise all of our rights under this Agreement in addition to all rights available at law or in equity;

12.2.6. You shall not use the Marks to incur any obligation or indebtedness on behalf of us;

12.2.7. You shall execute any documents deemed necessary by us to obtain protection for the Marks or to maintain their continued validity and enforceability;

12.2.8. You shall promptly notify us of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Marks. You acknowledge that we have the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement thereof. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. We shall defend you against any third party claim, suit, or demand arising out of your use of the Marks. If we, in our sole business judgment, determine that you have used the Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by us. If we, in our sole business judgment, determine that you have not used the Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by you. In the event of any litigation relating to your use of the Marks, you shall execute any and all documents and do such acts as may, in our business judgment, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of this Agreement, we agree to reimburse you for your out-of-pocket costs in doing such acts; and

12.2.9. You shall not attempt to register or otherwise obtain any interest in any Internet domain name or Uniform Resource Locator ("URL") containing any of the Marks, or any portion thereof, or any other word, name, symbol or device which is likely to cause confusion with any of the Marks.

12.3. Acknowledgments. You expressly understand and acknowledge that:

12.3.1. We are the owner of all right, title, and interest in and to the Marks and the goodwill associated with and symbolized by them, and we have the right to use, and license others to use, the Marks;

12.3.2. The Marks are valid and serve to identify the System and those who are authorized to operate under the System;

12.3.3. During the term of this Agreement and after its expiration or termination, you shall not directly or indirectly contest the validity of our ownership of, or our right to use and to license others to use, the Marks;

12.3.4. Your use of the Marks does not give you any ownership interest or other interest in or to the Marks;

12.3.5. Any and all goodwill arising from your use of the Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted herein, no monetary amount shall be assigned to you or any of your Owners, Affiliates, subsidiaries, successors, licensees or assigns as attributable to any goodwill associated with your use of the System or the Marks;

12.3.6. The license of the Marks granted hereunder to you is nonexclusive, and we have and retain the rights, among others: (a) to use the Marks ourselves in connection with selling products, merchandise, and services; (b) to grant other licenses for the Marks; (c) to develop and establish other systems using the Marks, similar Marks, or any other Marks; and (d) to grant licenses thereto without providing any rights therein to you.

12.3.7. We reserve the right, in our sole business judgment, to modify, add to, or discontinue use of the Marks, or to substitute different Marks, for use in identifying the System and the businesses operating thereunder. You agree promptly to comply with such changes, revisions and/or substitutions, and to bear all the costs of modifying your signs, advertising materials, interior graphics and any other items which bear the Marks to conform therewith. Your use of any such modified or substituted Marks shall be governed by the terms of this Agreement to the same extent as the Marks.

13. CONFIDENTIAL OPERATIONS MANUAL

13.1. Standards of Operation. In order to protect our reputation and goodwill and to maintain high standards of operation under the System, you shall operate the Franchised Business in accordance with the standards, methods, policies, and procedures specified in the Operations Manual. Upon your completion of the Initial Training Program to our satisfaction, we will either lend you one (1) paper copy of our Operations Manual or provide you with electronic access to the Operations Manual (via Internet, extranet, or other electronic means) for your use during the term of this Agreement only. The Operations Manual may consist of multiple volumes of printed text, computer disks, other electronically stored data, DVDs, and videotapes.

13.2. Confidentiality. You shall treat the Operations Manual, any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential pursuant to Section 14 below. You shall not copy, duplicate, record or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person.

13.3. Exclusive Property. The Operations Manual shall remain the sole property of us and shall be kept in a secure place at the Franchise Location. If any paper copy of the Operations Manual provided by us is lost, destroyed or significantly damaged, you agree to obtain a replacement copy at our then-applicable charge.

13.4. Revisions to Manuals. We may from time to time revise the contents of the Operations Manual, and you expressly agree to comply with each new or changed standard. You shall ensure that the Operations Manual is kept current at all times. We have the right to maintain all or any portions of the Operations Manual in written or electronic form, including, without limitation, on one or more website. If we maintain the Operations Manual in electronic form or on one or more website, you agree (a) to install, maintain, and upgrade continually throughout the term of this Agreement and as required by us in the Operations Manual and in writing from time to time, at your sole expense, the highest-speed Internet connection available to provide access to such portions of the Operations Manual; (b) to make one copy of such portion of the Operations Manual and to maintain such copies and their contents as secret and confidential; and (c) you and none of your Owners or employees shall make any electronic copy of any portion of the Operations Manual. In the event of any dispute as to the contents of the Operations Manual, the terms of the master electronic copy (or, if unavailable, the paper copy) maintained by us at our home office shall be controlling.

14. CONFIDENTIAL INFORMATION

14.1. Confidential Information. You shall not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other Person, partnership, association, limited liability company or corporation any Confidential Information, knowledge or know-how concerning the Standards of the business franchised hereunder, including, without limitation, the Operations Manual, knowledge of specifications for and suppliers of certain goods, services, equipment, materials and supplies, product costs, accounting methods, including both paper and electronic spreadsheets, knowledge of the operating results and financial performance of other DAELA COSMETIC TATTOO businesses, your customers lists, customer accounts, and customers information, whether developed by us, you independently, or with our assistance, management tools, or advertising which may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You shall divulge such Confidential Information only to such of your employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, techniques and other data which we designate as confidential shall be deemed confidential for purposes of this Agreement.

14.2. Confidentiality Agreements. At our request, you shall require any Personnel having access to any of our Confidential Information to execute non-competition covenants and covenants that they will maintain the confidentiality of information they receive in connection with their employment by you at the Franchised Business. Such covenants shall be substantially in the form that we may specify periodically during the Term of the Agreement.

14.3. Irreparable Injury. You acknowledge that any failure to comply with the requirements of this Section 14 will cause us irreparable injury, and you agree to pay all court costs and reasonable attorneys' fees incurred by us in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 14, or such other relief sought by us.

14.4. Ideas and Concepts. All processes, ideas, concepts, methods, techniques or materials relating to a DAELA COSMETIC TATTOO business ("Ideas and Concepts"), whether or not constituting protectable intellectual property, and whether created by or on behalf of you or your Owners in connection with the development or operation of your Franchised Business, will be promptly disclosed to us. If we adopt any of them as part of the System, they will be deemed to be our sole and exclusive property and part of the System and deemed to be works made for hire for us. You and your owners agree to sign whatever assignment or other documents we may request from time to time to evidence our ownership or to assist us in securing intellectual property rights in such Ideas and Concepts.

15. RECORDS, REPORTS AND FINANCIAL STATEMENTS

15.1. Bookkeeping. You agree to establish and maintain at your own expense a bookkeeping, accounting and record keeping system conforming to the requirements and formats we prescribe. You agree to produce records, reports and financial statements upon our request that adequately represent your financial position and that of the Guarantors. We may require you to use approved computer hardware and software in order to maintain the Franchised Business' records and reports. Records and reports must be furnished to us in the form and frequency as specified in this Agreement and the Operations Manual. You acknowledge and agree that we may require you to provide any of the following information:

15.1.1. Sales Records. You agree to provide us, by the tenth (10^{th}) business day after the end of each calendar month, with copies of all signed sales tax returns and signed withholding tax returns for the Franchised Business and copies of receipts of payment of the required sales taxes and withholding taxes.

15.1.2. Monthly Financial Statements. You agree to provide us, by the tenth (10^{th}) day after the end of each calendar month, a QuickBooks generated (or such other vendor as we may

designate) profit and loss statement for the Franchised Business for the preceding calendar month and a year-to-date balance sheet.

15.1.3. Annual Financial Statements. You agree to provide us, within thirty (30) days after the end of the Franchised Business' fiscal year, reviewed annual profit and loss and source and use of funds statements and a reviewed balance sheet for the Franchised Business as of the end of such fiscal year signed by your Artist Owner.

15.1.4. Tax Returns. You agree to provide us, within ten (10) days after our request, exact copies of federal and state income and other tax returns and such other forms, records, books and other related information.

15.1.5. Credit Reports. You agree to allow us to obtain credits reports as deemed necessary during the period of this Agreement.

15.1.6. Maintenance of Records. You agree to maintain reports, records and financial statements as prescribed in the Operations Manual for your Franchised Business.

15.2. Verification. You agree to verify and sign each report and financial statement in the manner we prescribe. We have the right to disclose data derived from such reports without identifying you or the location of the Franchised Business. Moreover, we have the right, as often as we deem appropriate, including on a daily basis, to access the computer systems that you are required to maintain in connection with the operation of the Franchised Business and to retrieve all information relating to the Franchised Business' operations.

15.3. Inspection and Audit. We, along with our designated agents, shall have the right at any time during regular business hours to examine, copy, and/or personally review at our expense, your books, records, accounts, and tax returns. We shall have the right at all reasonable times to remove such books, records, accounts and tax returns for copying. We shall also have the right, at any time, to have an independent audit made of your books and records. If an inspection or audit should reveal that any income or sales have not been reported or have been understated by two percent (2%) or more in any report to us, then you shall immediately pay to us the amount underpaid upon demand, in addition to interest from the date such amount was due until paid, at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by law, whichever is less, plus all of our costs and expenses in connection with the inspection or audit, including, without limitation, travel costs, lodging and wage expenses, and reasonable accounting and legal fees and costs. The foregoing remedies shall be in addition to any other remedies we may have under this Agreement or otherwise at law or in equity.

16. ADVERTISING AND PROMOTION

16.1. Business Promotion By You.

16.1.1. Initial Marketing Expense. You acknowledge and agree that you must pay our mandatory designated Preferred Vendor the amount of Twenty Three Thousand Dollars ($23,000) to conduct a required initial promotion and marketing campaign for the Franchised Business (the "Initial Marketing Expense Amount"). Our Preferred Vendor will establish an account with you and invoice you for partial payment in the amount of Seven Thousand Dollars ($7,000) of their portion of the total required Initial Marketing Expense Amount. You acknowledge and agree to pay the Preferred Vendor as agreed, when invoiced, all future related invoices. The Initial Marketing Expense Amount may be used to pay the costs of website creation, advertising, marketing, public relations, video production, promotional programs, and/or any other activities which we believe will promote the Franchised Business.

16.1.2. Ongoing Local Marketing Expense. In addition to the Initial Marketing Expense Amount, you acknowledge and agree that for each of the initial twelve (12) full consecutive calendar months starting with the first full calendar month after the calendar month in which you open the Franchised Business, you must spend not less than Seven Thousand ($7,000) for local advertising and promotion of your Franchised Business in compliance with our required Standards and specifications (the "Ongoing Local Marketing Expense Amount"). Thereafter during the remaining Term of the Franchise Agreement, you acknowledge and agree that the minimum Ongoing Local Marketing Expense Amount that you spend each calendar month is five percent (5%) of Gross Revenue derived by the Franchised Business during the respective calendar month. You acknowledge and agree that you must use the services of any Approved Supplier that we may designate in our sole business judgment for management of your local advertising campaigns and that their management fee is separate from the advertising dollars spent. As part of your Ongoing Local Marketing Expense Amount, you must use Internet advertising platforms that we designate which will have a variable monthly expense calculated on a "pay-per-click" basis. The variable pay-per-click expenses are included in the above identified budget. You acknowledge and agree that you must pay for the services of any mandatory designated Approved Supplier for required Internet search engine optimization and social media campaigns for the Franchised Business. You acknowledge and agree that in the event we are billed on your behalf by any third party provider of required pay-per-click advertising services, then must authorize us to use your credit card to pay any such third party provider directly on your behalf, or otherwise authorize us to initiate electronic funds transfer or wire transfer from your Designated Bank Account of any amounts due to any such third party provider of pay-per-click advertising services. Any amounts that we pay any third party provider of pay-per-click advertising on your behalf will be calculated as part of your required Ongoing Local Marketing Expense Amount.

16.1.2.1. Proof of Expenditure. You are required to provide us with proof of payment of required Ongoing Local Marketing Expense Amounts, in compliance with our Standards. You acknowledge and agree that we may periodically review the business records of the Franchised Business to verify your expenditures for advertising and promotion as required by this Agreement and that appropriate documentation and recordkeeping of any such proof of expenditures shall be your sole responsibility, and at your sole expense.

16.2. Participation in DAELA COSMETIC TATTOO Website or Other Electronic Media**.** You must have Internet access and an e-mail address. You must, at your own expense, participate in the DAELA COSMETIC TATTOO Website on the Internet or in other Electronic Media we may specify. You may not separately register any domain name or operate any website containing any of the Marks without our prior written approval. We determine the content and uses of the DAELA COSMETIC TATTOO Website and have the right to establish the rules under which franchisees may or must participate in the DAELA COSMETIC TATTOO Website or separately use the Internet, Electronic Media, or other on-line communications. We retain all rights relating to the DAELA COSMETIC TATTOO Website and may alter or terminate the DAELA COSMETIC TATTOO Website. Your general conduct on the DAELA COSMETIC TATTOO Website or on Electronic Media or other on-line or electronic communications and specifically your use of the Marks or any advertising on the DAELA COSMETIC TATTOO Website or other on-line or electronic communications (including the domain name and any other Marks we may develop as a result of participation in the website or other on-line communications) is subject to the provisions of this Agreement. You shall not use or download any software on your computer unless it has been authorized by us in writing. In the event you use or download any unauthorized software, you shall be liable for all damages and problems caused by the unauthorized software in addition to the other remedies provided under this Agreement. You acknowledge that certain information obtained through your participation in the DAELA COSMETIC TATTOO Website may be considered Confidential Information, including access codes and identification

codes. Your right to participate in the DAELA COSMETIC TATTOO Website or other online or electronic systems we may develop or otherwise to use the Marks or System on the Internet or other on-line or electronic communications terminates when this Agreement expires or terminates.

16.2.1. Restrictions on Use of Social Media. You acknowledge and agree that without our prior written consent, you may not use, reference or otherwise promote the Marks or System in connection with any current or future form of social media networks or platforms, including, without limitation, Facebook, Instagram, Twitter, LinkedIn, and so on, except in accordance with the related standards and restrictions we specify from time to time in the Methods of Operation. You acknowledge and agree that under our Methods of Operation we may require you utilize specified social media networks or platforms to promote customer outcomes. You acknowledge and agree that we may restrict the Franchised Business, or any individual employed by the Franchised Business, from utilizing social media networks or platforms to promote any individual customer outcome without providing additionally in any such social media posting any designated reference or attribution to the Marks, or to the System, that we may specify to you.

16.3. Electronic Media. You acknowledge the significance of Electronic Media to the System and necessity for our control over Electronic Media. We are the absolute owner of the Electronic Media and nothing contained in this Agreement grants to you any ownership interest in or to the Electronic Media. You shall not utilize, access, or open accounts regarding or related to Electronic Media unless expressly approved by us in writing which approval we may withhold, or limit as determined by us in our sole business judgment. If we grant any such approval, it shall be limited to the marketing and promotion the Franchised Business in accordance with our Methods of Operation. Upon expiration or termination of this Agreement for any reason, any prior authorization by us as to your right to utilize the Electronic Media and/or otherwise as to any other rights in or to the Electronic Media shall be automatically terminated and, at our election, the right to any and all accounts and/or sites (if any) associated with Electronic Media utilized by you shall be transferred to us. Under no circumstance shall you utilize the Electronic Media for purposes of or with the effect of libeling or disparaging another nor shall you violate any copyrights, and as to any such actions as between you and any third party, you are exclusively responsible for disparagement, libel and/or copyright infringement if you published and/or caused such content be published. You agree that Electronic Media, if permitted by us, must be approved by us prior to publication or use in any form. Electronic Media that is approved by us or that otherwise is acceptable to us as meeting our standards shall be owned by us. Any and all interest and right in or to the Electronic Media shall, at all times, be and is our exclusive property both during the Term of this Agreement and upon the expiration or termination of this Agreement. You acknowledge and agree that the DAELA COSMETIC TATTOO Website and all improvements and modifications made to the DAELA COSMETIC TATTOO Website and Electronic Media is and shall be our exclusive property. During the Term of this Agreement and subject to your compliance with the terms and conditions of this Agreement, the DAELA COSMETIC TATTOO Website shall include information related to the Franchised Business as shall be determined and designated by us in our business judgment.

16.4. Advertising Materials. All advertising and promotion by you shall be in such media and of such type and format as we may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as we may specify. You shall not use any advertising or promotional plans or materials unless and until you have received written approval from us as described in Section 16.5.

16.5. Approval of Advertising Materials. You shall submit to us samples of all advertising and promotional plans and materials for any print, broadcast, cable, electronic, computer or other media (including, without limitation, the Internet) that you desire to use and that have not been prepared or previously approved by us within the preceding three (3) months, for our prior approval. You shall not

use such plans or materials until they have been approved in writing by us.

17. INSURANCE

17.1. Minimum Insurance Requirements. You shall procure, prior to the commencement of any activities or operations under this Agreement, and shall maintain in full force and effect at all times during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement), at your expense, an insurance policy or policies protecting you, us, and the parties' respective officers, directors, partners, agents and employees against any demand or claim with respect to personal injury, death or property damage, business interruption, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Franchised Business, including, but not limited to, comprehensive general liability insurance, property insurance (including, but not limited to, fire, vandalism, and malicious mischief insurance for the replacement value of the Franchised Business and its contents), casualty insurance, business interruption insurance, statutory workers' compensation insurance, employer's liability insurance, product liability insurance, and automobile insurance coverage for all vehicles used in connection with the operation of the Franchised Business. Such policy or policies shall be written by a responsible carrier or carriers acceptable to us, shall name us and our subsidiaries and Affiliates as additional insureds, and shall provide at least the types and minimum amounts of coverage specified in the Operations Manual. We shall have the right, from time to time, to make such changes in minimum policy limits and endorsements in the Operations Manual or otherwise in writing as it may determine in its reasonable discretion.

17.2. Non-waiver. Your obligation to obtain and maintain the policy or policies in the amounts specified in the Operations Manual shall not be limited in any way by reason of any insurance that may be maintained by us, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 24.3 of this Agreement.

17.3. Franchisor Entitled to Recover. All public liability and property damage policies shall contain a provision that we, although named as an insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to us or our servants, agents or employees by reason of the negligence of you or your servants, agents or employees.

17.4. Certificates of Insurance. Prior to the commencement of any operations under this Agreement, and thereafter at least thirty (30) days prior to the expiration of any policy, you shall deliver to us Certificates of Insurance evidencing the proper types and minimum amounts of coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given to us in the event of material alteration to or cancellation of the coverages evidenced by such Certificates.

17.5. Our Right to Procure Insurance. Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by us in the Operations Manual or otherwise in writing, we shall have the right and authority (but not the obligation) to procure and maintain such insurance in your name and to charge the same to you, which charges, together with our reasonable expenses in so acting, shall be payable by you immediately upon notice. The foregoing remedies shall be in addition to any other remedies we may have under this Agreement or at law or in equity.

18 TRANSFER OF INTEREST

18.1. Our Right to Transfer. We shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any of our designated

assignee(s) shall become solely responsible for all our obligations under this Agreement from the date of assignment. You shall execute such documents of attornment or other documents as we may request.

18.2. Your Conditional Right to Transfer. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Owners') business skill, financial capacity, and personal character. Accordingly, neither you nor any immediate or remote successor to any part of your interest in this Agreement, nor any individual, partnership, limited liability company, corporation or other legal entity which directly or indirectly owns any interest in you or in the Franchised Business shall sell, assign, transfer, convey, pledge, encumber, merge or give away (collectively, "transfer", as further defined in the Section 1) this Agreement, any direct or indirect interest in you, or in all or substantially all of the assets of the Franchised Business without our prior written consent. Any purported assignment or transfer not having our written consent required by this Section 18.2 shall be null and void and shall constitute a material breach of this Agreement, for which we may immediately terminate without opportunity to cure pursuant to Section 19.2.6 of this Agreement. The foregoing remedies shall be in addition to any other remedies we may have under this Agreement or at law or in equity.

18.3. Conditions of Transfer. You shall notify us in writing of any proposed transfer of this Agreement, any direct or indirect interest in you, or in all or substantially all of the assets of the Franchised Business, at least forty-five (45) days before such transfer is proposed to take place. We shall not unreasonably withhold our consent to any transfer. We may, in our sole business judgment, require any or all of the following as conditions of its approval:

18.3.1. That all of your accrued monetary obligations and all other outstanding obligations to us, our Affiliates, and our Preferred Vendors have been satisfied;

18.3.2. That you are not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between you and us or our Affiliates;

18.3.3. That the consideration or payment of terms offered by a proposed transferee are not excessive or unreasonable, based on the Gross Revenue or the gross revenue of other DAELA COSMETIC TATTOO businesses, in our reasonable business judgment;

18.3.4. That the transferor shall have executed a general release, in a form prescribed by us, of any and all claims against us and our Affiliates, and their respective officers, directors, agents, shareholders, and employees;

18.3.5. That the transferor and transferee have executed a mutual general release, relieving all claims against each other, excluding only such claims relating to any provision or covenant of this Agreement which imposes obligations beyond the expiration of this Agreement;

18.3.6. That the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as we may request) enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge all of your obligations under this Agreement; and that the transferee guarantee the performance of all such obligations in writing in a form satisfactory to us;

18.3.7. That the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as we may request) demonstrate to our satisfaction that it meets our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business; has adequate financial

resources and capital to operate the Franchised Business; and has not operated a business in competition with us;

18.3.8. That the transferee execute, for a term ending on the expiration date of this Agreement and with such renewal term(s) as may be provided by this Agreement, our then-current form of franchise agreement and other ancillary agreements as we may require for the Franchised Business, which agreements shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty fee, except that the transferee shall not be required to pay any initial franchise fee and your Territory shall remain the same;

18.3.9. That you remain liable for all of the obligations to us in connection with the Franchised Business which arose prior to the effective date of the transfer and execute any and all instruments reasonably requested by us to evidence such liability;

18.3.10. That the transferee (or, if the transferee is a corporation, partnership or limited liability company, a principal of the transferee acceptable to us), at the transferee's expense, have successfully completed any training programs then in effect upon such terms and conditions as we may reasonably require and pay us the then-current training fee; and

18.3.11. That we approve the terms and conditions of the transfer agreement between you and transferee.

18.4. No Security Interest. You shall not grant a security interest in the Franchised Business or in any of the assets of the Franchised Business without our express written consent. If we consent to such security interest, such consent shall be conditioned on, among other things, the secured party's agreement that in the event of any default by you under any documents related to the security interest, we shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any of default by you, and, in the event we exercise such option, any acceleration of indebtedness due to your default shall be void. In the event we cure any such default by you, you shall reimburse us all amounts paid by us to cure the default, plus all costs and expenses incurred by us to cure such default, and you shall be deemed in default of this Agreement.

18.5. Our Right of First Refusal. If any party holding any direct or indirect interest in this Agreement, in you, or in all or substantially all of the assets of the Franchised Business desires to accept any bona fide offer from a third party to purchase such interest, you shall notify us as provided in Section 18.3 hereof, and shall provide such information and documentation relating to the offer as we may require. We shall have the right and option, exercisable within thirty (30) days after receipt of such written notification, to send written notice to the seller that we intend to purchase the seller's interest on the same terms and conditions offered by the third party. If we elect to purchase the seller's interest, closing on such purchase shall occur within three (3) business days from the date of notice to the seller of our election to purchase. If we elect not to purchase the seller's interest, any material change thereafter in the terms of the offer from a third party shall constitute a new offer subject to the same rights of first refusal by us as in the case of the third party's initial offer. Our failure to exercise the option afforded by this Section 18.5 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 18, with respect to a proposed transfer. In the event the consideration, terms and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within thirty (30) days on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by the third party, an independent appraiser shall be designated by us at our expense, and the appraiser's determination shall be binding.

18.6. Death, Physical or Mental Incapacity. Upon the death, physical or mental incapacity of the Artist Owner or of any Person with an interest in all or substantially all this Agreement or of the assets of the Franchised Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by us within twelve (12) months after such death, physical or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any inter vivos transfer. In the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section 18, the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by us within a reasonable time, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, we may terminate this Agreement, pursuant to Section 19.2.7 hereof.

18.7. Non-waiver. Our consent to a transfer of any interest in this Agreement, in you, or in all or substantially all the assets of the Franchised Business shall not constitute a waiver of any claims we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

19. DEFAULT AND TERMINATION

19.1. Automatic Termination. You shall be deemed to be in default under this Agreement, and all rights granted to you herein shall automatically terminate without notice to you or opportunity to cure, if: You become insolvent or make a general assignment for the benefit of creditors; a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; you are adjudicated bankrupt or insolvent; a bill in equity or other proceeding for the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you; a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under any state or federal law should be instituted by or against you; a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); you are dissolved; execution is levied against your business or property; suit to foreclose any lien or mortgage against the Franchise Location or equipment is instituted against you and not dismissed within thirty (30) days; or the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

19.2. Notice Without Opportunity to Cure. In addition to the foregoing, upon the occurrence of any of the following events of default, we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon the provision of notice to you (in the manner provided under Section 26 hereon:

19.2.1. If you fail to open and operate the Franchised Business within the time limits provided in Section 9 hereof;

19.2.2. If your Studio Manager or any other individual identified in Section 10.1 fails to complete the Initial Training Program to our satisfaction, or if any individual identified in Section 10 fails to attend and complete any required training as described in Section 10 hereof;

19.2.3. If you at any time cease to operate or otherwise abandon the Franchised Business for seven (7) or more consecutive business days, or otherwise forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located;

19.2.4. If you, or any of your Owners, officers, or directors, are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith or our interest therein; or if you or any of your Owners, officers, or directors, commit any acts or engage in any behavior that we believe is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or our interest therein, including but not limited to conduct that is fraudulent, unfair, unethical, or deceptive;

19.2.5. If a threat or danger to public health or safety results from operation of the Franchised Business;

19.2.6. If any purported assignment or transfer of any direct or indirect interest in this Agreement, in you, or in all or substantially all of the assets of the Franchised Business is made to any third party without our prior written consent, or otherwise contrary to the terms of Section 18 hereof;

19.2.7. If an approved transfer is not affected within the time provided following death or mental incapacity, as required by Section 18.6 hereof;

19.2.8. If you fail to comply with the covenants in Section 21.2 hereof or fail to obtain execution of the covenants required under Section 14.2 hereof;

19.2.9. If, contrary to the terms of Sections 13 or 14 hereof, you disclose or divulge the contents of the Operations Manual or other Confidential Information provided to you by us;

19.2.10. If you intentionally under-report Gross Revenue;

19.2.11. If you knowingly maintain false books or records or submit any false reports or other documentation (including your application for this franchise) to us;

19.2.12. If you misuse or make any unauthorized or improper use of the Marks or any other identifying characteristics of the System, or otherwise materially impair the goodwill associated therewith or our rights therein; or if you fail to utilize the Marks solely in the manner and for the purposes directed by us;

19.2.13. If you refuse to permit us to inspect the Franchised Business, or the books, records or accounts of the Franchised Business upon demand as provided for herein;

19.2.14. If you, after curing any default pursuant to Section 19.3 hereof, commit the same default again, whether or not cured after notice;

19.2.15. If you sell products not previously approved by us, or purchase any product from a supplier not previously approved by us;

19.2.16. If you (or any of your owners) have made any material misrepresentation to us or any other party or omission in connection with your purchase of the Franchised Business; or

19.2.17. If we cure any default by you pursuant to Section 19.4 hereof.

19.3. Notice With Opportunity to Cure. Except as otherwise provided in Sections 19.1 and 19.2 of this Agreement, upon any other default by you, we shall give you written notice of such default (in the manner set forth under Section 26 hereof and an opportunity to cure such default within thirty (30)

days (or such shorter period specified below) of your receipt of such notice. We shall have the right to terminate this Agreement immediately upon notice to you if you fail to cure any default to our satisfaction, and provide proof thereof, within the thirty (30) day period (or such shorter period specified below). If applicable law requires a longer cure period, such period shall apply to our notice. Defaults which are susceptible of cure hereunder include the following illustrative events:

19.3.1. If you fail to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be supplemented by the Operations Manual, or fail to carry out the terms of this Agreement in good faith;

19.3.2. If you fail, refuse or neglect promptly to pay any monies owing to us or our Affiliates when due, or to submit the financial or other information required by us under this Agreement (You shall have seven (7) days from your receipt of written notice to cure such default);

19.3.3. If you fail to maintain or observe any of the standards or procedures prescribed by us in this Agreement, the Operations Manual, or otherwise in writing;

19.3.4. Except as provided in Section 19.2.6 hereof, if you fail, refuse or neglect to obtain our prior written approval or consent as required by this Agreement;

19.3.5. If, upon inspection by us or a government health inspector, your Franchised Business is in violation of the health, safety, or sanitation standards prescribed by us in this Agreement, the Operations Manual, or otherwise in writing, or is in violation of any health or safety law, codes, or regulation (You shall have twenty-four (24) hours from your receipt of written notice to cure such default);

19.3.6. If you engage in any business or market any service or product under a name or mark which, in our opinion, is confusingly similar to the Marks (You shall have seven (7) days from your receipt of written notice to cure such default); or

19.3.7. If you fail to comply with all applicable laws, rules and regulations related to the operation of the Franchised Business.

19.4. Limitation of Services or Benefits. If you receive a notice of default issued pursuant to either Section 19.2 or Section 19.3 and fail to cure such default within the time period permitted in such notice, we shall have the right, in our sole business judgment, to temporarily or permanently limit, curtail, or remove certain services or benefits provided or required to be provided to you hereunder in lieu of exercising our right to terminate this Agreement pursuant to its terms, including, without limitation:

19.4.1. To restrict you or any of your staff attendance at any initial training, continuing training, meetings, workshops, or conventions;

19.4.2. To refuse or permit any Affiliate to sell or furnish to you any equipment, supplies, products, or advertising and promotional materials, including, but not limited to, withholding shipment of equipment or other products used in the Franchised Business;

19.4.3. To refuse to provide you with ongoing advice about the operation of the Franchised Business;

19.4.4. To refuse any request by you to approve a new supplier; and

19.4.5. To refuse any request by you to approve the use of any advertising or promotional materials.

You agree to hold us harmless with respect to any action taken by us pursuant to this Section 19.4; and you further agree that we shall not be liable for any loss, expense, or damage incurred by you or the Franchised Business because of any action we take pursuant to this Section 19.4. Nothing in this Section 19.4 constitutes a waiver of any of our rights or remedies under this Agreement or any other agreement between the parties, including, without limitation, the right to terminate this Agreement under Sections 19.1, 19.2, and 19.3 hereof. You acknowledge and agree that our exercise of our rights pursuant to this Section 19.4 shall not be deemed a constructive termination of this Agreement or of any other agreement between the parties, and shall not be deemed a breach of any provision of this Agreement by us. Any services or benefits removed, curtailed, or limited pursuant to this Section 19.4 may be reinstated at any time by us in our sole business judgment and you hereby agree to accept immediately any such reinstatement of services or benefits so removed, curtailed, or limited. You acknowledge and agree that, if we limit any services or benefits under this Section 19.4, you shall continue to pay timely all fees and payments required under this Agreement and any other agreement between you and us, including, without limitation, any fees associated with services or benefits limited by us. You shall have no right to a refund of any fees paid in advance for such services or benefits.

20. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement for any reason, all rights granted hereunder to you shall forthwith terminate, and:

20.1. Cease Operations. You shall immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former DAELA COSMETIC TATTOO franchisee. Immediately upon the expiration or termination hereof, you shall dispose of, and not sell, any DAELA COSMETIC TATTOO products, equipment or other items sold hereunder.

20.2. Cease Use of Confidential Information and Marks. You shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System, and all Marks and distinctive forms, slogans, signs, symbols, colors, and devices associated with the System. In particular, you shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, products and any other articles that display the Marks. You shall de-identify the Franchise Location of the Franchised Business so that there is no use or display of the Marks after the effective date of termination or expiration.

20.3. Cancellation of Registrations. You shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by you which contains the "DAELA COSMETIC TATTOO" mark, or any other Marks, and you shall furnish us with evidence satisfactory to us of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

20.4. Subsequent Use of Marks Prohibited. You agree, in the event you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, which, in our sole business judgment, is likely to cause confusion, mistake or deception, or which, in our sole business judgment, is likely to dilute our rights in and to the Marks. You further agree not to utilize any designation of origin, description or representation (including but not limited to reference to DAELA COSMETIC TATTOO, the System or the Marks) which, in our sole business judgment, suggests or

represents a present or former association or connection with us, the System or the Marks.

20.5. Payment. You shall promptly pay all sums owing to us, our Affiliates, and our Preferred Vendors. In the event of termination due to your default, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in our favor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by you at the time of default.

20.6. Return Manuals and Confidential Information. You shall immediately deliver to us the Operations Manual, paper and electronic spreadsheets and checklists and all other records, correspondence and instructions containing Confidential Information relating to the operation of the Franchised Business, including, but not limited to, computer software, customer lists, and customer, all of which are acknowledged to be our property, and shall retain no copy or record of any of the foregoing, with the exception of your copy of this Agreement, any correspondence between the parties and any other documents which you reasonably need for compliance with any provision of law.

20.7. Websites. You shall cease use of any DAELA COSMETIC TATTOO domain name, URL, or home page address, and shall not establish any website using any similar or confusing domain name, URL, and/or home page address.

20.8. Our Option to Purchase Equipment. We shall have the option, to be exercised within thirty (30) days after termination or expiration, to purchase from you any or all of the equipment, signs, inventory, materials, supplies and fixtures related to the operation of the Franchised Business at fair market value or at sixty percent (60%) of your original investment, whichever is less. If the parties cannot agree within such time on the price of any such items, an independent appraisal shall be conducted at our expense by an appraiser we select, and the appraiser's determination shall be binding. If we elect to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from you, and the cost of the appraisal, if any, against any payment therefor.

20.9. Compliance With Covenants. You shall comply with the covenants contained in Sections 14.1 and 21.3 of this Agreement.

20.10. Assignment of Customer Contracts. You agree to assign all of your customer accounts and contracts to us or to our designee within fifteen (15) days after the effective date of termination or expiration of this Agreement. The assignment shall permit us to collect and retain customer payments past due, in addition to customer payments owed after the date of assignment.

21. COVENANTS

21.1. Best Efforts. You covenant that, during the term of this Agreement, except as otherwise approved in writing by us, your Artist Owner shall devote full time energy, and best efforts to the management and operation of the Franchised Business. You acknowledge and agree that your Artist Owner must personally maintain financial managerial oversight of the Franchised Business, and must personally maintain managerial oversight of the Studio Manager, and all Artists and other technicians employed by the Franchised Business.

21.2. In-Term Covenants. You specifically acknowledge that, pursuant to this Agreement, you will receive valuable, specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques used by us and the System. You, and each of your Owners, covenant that during the Term of this Agreement, except as otherwise approved in writing by us, neither you, nor any of your Owners, shall for itself,

herself, or himself, either directly or indirectly, or through, on behalf of, or in conjunction with any person or legal entity:

21.2.1. Divert or attempt to divert any present or prospective business or customer of any DAELA COSMETIC TATTOO business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

21.2.2. Own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any Competitive Business; or offer to sell or sell any services, equipment, products or other item which is the same as, or substantially similar to, any of the services, equipment, products or other items offered by a DAELA COSMETIC TATTOO business.

The prohibitions in this Section 21.2 shall not apply to interests in or activities performed in connection with your Franchised Business.

21.3. Post-Term Covenants. You, and each of your Owners, covenant that, except as otherwise approved in writing by us, neither you, nor any of your Owners, shall for a continuous, uninterrupted period of two (2) years commencing upon the date of (a) a transfer permitted under Section 18 of this Agreement, (b) expiration of this Agreement, (c) termination of this Agreement (regardless of the cause for termination), or (d) a final order of a duly authorized court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 21.3, either directly or indirectly, for itself, herself, or himself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest (as owner or otherwise) in any Competitive Business that: (a)(i) is the same as, or substantially similar to, a DAELA COSMETIC TATTOO business; or (a)(ii) offers to sell or sells any equipment, products or other items which are the same as, or substantially similar to, any of the equipment, products or other items offered by a DAELA COSMETIC TATTOO business; and (b) is, or is intended to be:

21.3.1. located at or within one hundred (100) miles of the Franchise Location; or

21.3.2. located at or within fifty (50) miles of the principal business address of any DAELA COSMETIC TATTOO business in operation or under construction upon the Effective Date of the Agreement.

The prohibitions of Sections 21.2.2 and 21.3 shall not apply to you, or your Owners, interests in or operation of a DAELA COSMETIC TATTOO business under a written Franchise Agreement.

21.4. No Application to Equity Securities. Sections 21.2.3 and 21.3 shall not apply to ownership by you of a less than five percent (5%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934.

21.5. Reduction of Scope of Covenants. You understand and acknowledge that we shall have the right, in our sole business judgment, to reduce the scope of any covenant set forth in Sections 21.2 and 21.3, or any portion thereof, without your consent, effective immediately upon receipt by you of written notice thereof; and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

21.6. No Defense. You expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of

the covenants in this Section 21. You agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by us in connection with the enforcement of this Section 21.

21.7. Independent Covenants. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 21 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty on you permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 21.

21.8. Irreparable Injury. You acknowledge that your violation of any of the terms of this Section 21 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of this Section 21.

21.9. Our Costs and Expenses. You shall pay us all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us in obtaining injunctive or other relief for the enforcement of any provision of this Section 21.

22. YOUR ORGANIZATION AND MANAGEMENT

22.1. Organizational Documents. Unless otherwise approved by us in writing, you shall be organized as a Legal Entity at all times while this Agreement is in effect, and you and each of your Owners represents, warrants and agrees that:

22.1.1. you are duly formed and validly existing under the laws of the state of your organization, and you are duly qualified to transact business in the state in which your Franchised Business is located;

22.1.2. you have the authority to execute and deliver this Agreement and to perform your obligations hereunder;

22.1.3. true and complete copies of all documents and amendments thereto relating to your ownership, organization, capitalization, management and control have been reviewed and have been found acceptable by us prior to execution thereof;

22.1.4. your activities are restricted to those necessary solely for the development, ownership and operation of your Franchised Business in accordance with this Agreement and in accordance with any other agreements entered into with us or any of our Affiliates;

22.1.5. your organizational documents recite that the issuance, transfer or pledge of any direct or indirect legal or beneficial Ownership Interest in you is restricted by the terms of this Agreement; and all certificates representing direct or indirect legal or beneficial Ownership Interests in you now or hereafter issued bear a legend acceptable to us and in conformity with applicable law reciting or referring to such restrictions;

22.1.6. you have provided us with such documentation as we have requested to evidence the foregoing; and

22.1.7. you and each of your Owners represent, warrant and agree that the attached Exhibit A is current, complete and accurate. You acknowledge and agree that updated copies of Exhibit A

shall be furnished promptly to us, so that Exhibit A (as so revised and signed by you) is at all times current, complete and accurate. Unless otherwise agreed by us in writing, each Person who is or becomes an Owner must execute a Owners' Guarantee, Indemnification and Acknowledgment substantially in the form attached hereto as Exhibit C.

22.2. Artist Owner. You acknowledge and agree that your owners and you will grant to one individual Owner, the authority to legally bind you in any dealings with us, or our Affiliates, and to direct any action necessary to ensure compliance with this Agreement and any other agreements relating to the Franchised Business (the "Artist Owner"). The Artist Owner, at all times during the term of the Agreement, shall have not less than a twenty five percent (25%) interest in the equity and voting rights of the Franchised Business, shall maintain management control of the Franchised Business, or shall have like authority, ownership, managerial control and voting power in any limited liability company, partnership, or other form of entity, unless otherwise agreed upon in writing by us. You acknowledge and agree that all times during the Term of the Agreement the Artist Owner must be a duly licensed tattoo artist in any jurisdiction in which the Franchised Business operates. You will notify us thirty (30) days in advance of any change in the identity of the Artist Owner. Where such change results from the death or incapacity of the Artist Owner, you shall immediately notify us of such death or incapacity and you will appoint a new Artist Owner within sixty (60) days after such death or incapacity. We reserve the right to review and disapprove of any newly appointed Artist Owner within ten (10) days of notice. We reserve the right to review and approve the authority of the Artist Owner with respect to your governing documents. Neither you nor your Owners will, directly or indirectly, take any action to avoid or restrict the authority requirement for the Artist Owner.

10.2.1. Qualifications and Responsibilities of Artist Owner. You acknowledge and agree that any Artist Owner at the Franchised Business must have any such prior educational training or background that we require, in our sole business judgment. You acknowledge and agree that the Artist Owner must successfully complete all our required initial and ongoing training programs. Your Artist Owner must maintain direct management and supervision of the Franchised Business and shall be responsible for all decisions concerning qualifications of personnel employed by the Franchised Business and for all personnel hiring decisions for the Franchised Business. You acknowledge and agree that at all times during the Term of the Agreement the Artist Owner must demonstrate technical competence according to our Standards, must be in good standing with any federal, state, or local regulatory board governing all our approved services, and must not be under any active investigation by any governing authority with oversight of any of the approved services provided by the Franchised Business.

23. TAXES, PERMITS, AND INDEBTEDNESS

23.1. Payment of Taxes. You shall promptly pay when due all taxes levied or assessed, including, without limitation, employer's portion of employment-related taxes (FICA, Medicare and unemployment taxes) and sales taxes, and all accounts and other indebtedness of every kind incurred by you in the operation of the Franchised Business. You shall pay to us an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on us with respect to any payments to us required under this Agreement.

23.2. Contesting Taxes. In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event shall you permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Franchise Location, or any improvements thereon.

23.3. Permits and Licenses. You shall comply with all federal, state, and local laws, rules, and

regulations and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, without limitation, licenses to do business, fictitious name registrations, occupancy licenses, sales tax permits, and health permits.

23.4. Notification of Adverse Action. You shall immediately notify us in writing of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

24. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

24.1. Independent Contractor. The parties agree that this Agreement does not create a fiduciary relationship between them for any purpose, and acknowledge that you shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. During the term of this Agreement, you shall hold yourself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise agreement with us. You agree to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place at the Franchise Location, the content of which we reserve the right to specify or approve.

24.2. No Authority to Contract. Nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name; and we shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall we be liable by reason of any act or omission by you in your operation of the business franchised hereunder or for any claim or judgment arising therefrom against you or us.

24.3. Indemnification. You, and each of the Guarantors to this Agreement, agree that you shall, at all times, indemnify, exculpate, defend and hold harmless, to the fullest extent permitted by law, us, our successor, assigns, and Affiliates, and the respective officers, directors, shareholders, agents, representatives, independent contractors, servants, and employees of each of them (the "Indemnified Parties") from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or inquiry (formal or informal), or any settlement thereof, which arises out of or is based upon any of the following: the infringement, alleged infringement or any other violation by you, your Guarantors or principals of any patent, mark, copyright, or other proprietary right owned or controlled by third parties due to your unauthorized use of all or any portion of the Marks and/or System; the violation, breach, or asserted violation or breach by you, your Guarantors or principals of any federal, state, or local law, regulation, ruling or industry standard; libel, slander, or any other form of defamation by you or your Guarantors or principals; the violation or breach by you or by your Guarantors or principals of any warranty, representation, agreement, or obligation of this Agreement or in any other agreement between you and us or our Affiliates; any cyber-event, identity theft, or theft of personal information of a customer due to any security breach by you, your agents, or your employees; acts, errors, omissions of you, any of your Affiliates, or any of the principals, officers, directors, shareholders, agents, representatives, independent contractors, and employees of you or your Affiliates in connection with the establishment and operation of the Franchised Business, including, but not limited to, any acts, errors, or omissions of any of the foregoing in the operation of any motor vehicle or in the establishment or implementation of security for the Franchised Business; and any of the foregoing that are alleged to be caused by an Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, and damages are determined to be caused solely by the Indemnified Party's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. For purposes of this indemnification, "claims" includes all obligations, damages

(actual, consequential or otherwise) and costs incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us at your expense. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

25. APPROVALS AND WAIVERS

25.1. Approval and Consent. Whenever this Agreement requires our prior approval or consent, you shall make a timely written request to us therefor, and such approval or consent must be obtained in writing.

25.2. No Warranties or Guarantees. We make no warranties or guarantees upon which you may rely, and assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

25.3. No Waiver. No failure by us to exercise any power reserved to us by this Agreement, or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our right to demand exact compliance with any of the terms hereof. Our waiver of any particular default by you shall not affect or impair our rights with respect to any subsequent default of the same, similar, or different nature; nor shall any delay, force, or omission by us to exercise any power or right arising out of any breach of default by you of any of the terms, provisions, or covenants hereof, affect or impair our right to exercise the same, nor shall such constitute a waiver by us of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Our subsequent acceptance of any payments due to us hereunder shall not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants, or conditions of this Agreement.

26. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or sent by other means which affords the sender evidence of delivery or rejected delivery (including, without limitation, private delivery or courier service), which shall not include electronic communication, such as e-mail, to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party, and shall be deemed so delivered:

a. at the time delivered by hand;

b. one (1) Business Day after being placed in the hands of a commercial courier service, provided there is proof of receipt; or

c. three (3) Business Days after placement in the United States Mail by certified mail, return receipt requested, postage prepaid.

d. Any notice by a means which affords the sender evidence of delivery or rejected delivery shall be deemed to have been given and received at the date and time of receipt or rejected delivery.

If directed to us, the notice shall be addressed to:

Daela Co.
19609 NE 35th Court,
Ridgefield, Washington 98642
Attention: President

If directed to you, the notice shall be addressed to:

_____
_____
_____
Attention: _____

27. ENTIRE AGREEMENT

This Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between the parties concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced you to execute this Agreement. Except for those permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Agreement or in any related agreement between Franchisor and Franchisee is intended to disclaim the representations in Franchisor's Franchise Disclosure Document or any exhibits or attachments thereto.

28. SEVERABILITY AND CONSTRUCTION

28.1. Severability. If, for any reason, any section, part, term, provision, and/or covenant herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, provisions, and/or covenants of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, provisions, and/or covenants shall be deemed not to be a part of this Agreement.

28.2. Survival. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), shall survive such expiration, termination or assignment, including but not limited to Sections 14, 21, and 29.

28.3. No Rights or Remedies Conferred. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than you, us, our officers, directors, shareholders, agents, and employees, and such of our successors and assigns as may be contemplated by Section 28 hereof, any rights or remedies under or by reason of this Agreement.

28.4. Promises and Covenants. You expressly agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with

such a court or agency order.

28.5. Captions and Headings. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

29. DISPUTE RESOLUTION AND APPLICABLE LAW

29.1. Mediation. Except as provided in Section 29.3, prior to filing any demand for arbitration, the parties agree to mediate any dispute, controversy or claim between the parties and any of our or your affiliates, officers, directors, shareholders, members, guarantors, employees or Owners arising under, out of, in connection with or in relation to this Agreement, any lease or sublease for your Franchised Business, any loan or other finance arrangement between us or our Affiliates and you, the parties' relationship, your Franchised Business, or any Methods of Operation, our System or any Standard, in accordance with the following procedures:

29.1.1. The party seeking mediation must commence mediation by sending the other party, in accordance with Section 26, a written notice of its request for mediation headed "Notification of Dispute". The Notification of Dispute will specify, to the fullest extent possible, the party's version of the facts surrounding the dispute, the amount of damages and the nature of any injunctive or other relief such party claims. The party (or parties as the case may be) receiving a Notification of Dispute will respond within twenty (20) days after receipt thereof, in accordance with Section 26, stating its version of the facts, and, if applicable, its position as to damages sought by the party initiating the dispute procedure; provided, however, that if the dispute has been the subject of a default notice given under Section 19 of this Agreement, the other party will respond within ten (10) business days.

29.1.2. Upon receipt of a Notification of Dispute and response under Section 29.1.1, the parties will endeavor, in good faith, to resolve the dispute outlined in the Notification of Dispute and response. If the parties have been unable to resolve a dispute outlined in a Notification of Dispute or a response thereto within twenty (20) days after receipt of the response, either party may initiate a mediation procedure in accordance with the American Arbitration Association ("AAA"), pursuant to its Commercial Mediation Procedures, and unless otherwise agreed by the parties will take place in the city of our then-current corporate headquarters. The parties must select a mediator jointly.

29.1.3. All mediation sessions will occur in in Washington at a mutually agreed location and must be attended by your Artist Owner (and any other persons with authority to settle the dispute on your behalf) and our representatives(s) who is/are authorized to settle the dispute. The parties may be represented by counsel at the mediation. The parties agree to participate in the mediation proceedings in good faith and with the intention of resolving the dispute if at all possible within thirty (30) days of the notice from the party seeking to initiate the mediation procedures. If the dispute is not resolved within thirty (30) days, the parties are free to pursue arbitration. In addition, if the party receiving notice of mediation has not responded within five (5) days of delivery of the notice or a party fails to participate in the mediation, this Section 29.1 will no longer be applicable and the other party can pursue arbitration. The parties agree that the costs of the mediator will be split equally between the parties. Each party must pay its own fees and expenses incurred in connection with the mediation. The mediation proceeding and any negotiations and results thereof will be treated as a compromise settlement negotiation and the entire process is confidential. At least five (5) days prior to the initial mediation session, each party must deliver a written statement of positions.

29.2. Arbitration. Except as provided in Section 29.3, any dispute, controversy or claim between you and us and any of our or your affiliates, officers, directors, shareholders, members,

guarantors, employees or Owners arising under, out of, in connection with or in relation to this Agreement, any lease of sublease for your Franchised Business, any loan or other financial arrangement between us or our Affiliates and you, the parties' relationship, your Franchised Business, or any System Standard or the scope or validity of the arbitration obligation under this Section not resolved by mediation must be submitted to binding arbitration in accordance with the Federal Arbitration Act. The arbitration will be administered by the AAA pursuant to its Commercial Arbitration Rules then in effect by one arbitrator.

29.2.1. In connection with any arbitration proceeding, each party will submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such a proceeding will be barred.

29.2.2. Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any claim or any other proceeding involving third parties. If a court or arbitrator determines that this limitation or joinder of or class action certification of claims is unenforceable, then the agreement to arbitrate the dispute will be null and void and the parties must submit all claims to the jurisdiction of the courts, in accordance with Section 29.9.

29.2.3. The arbitration must take place in the city closest to where our principal headquarters is located at the time of the dispute.

29.2.4. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator shall be a practicing attorney or retired judge with at least five years total working experience in commercial law. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. The arbitrator may not under any circumstances (a) stay the effectiveness of any pending termination of this Agreement, (b) assess punitive or exemplary damages, (c) certify a class or a consolidated action, or (d) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. The arbitrator will have the right to make a determination as to any procedural matters as would a court of competent jurisdiction be permitted to make in the state in which the main office of Franchisor is located. The arbitrator will also decide any factual, procedural, or legal questions relating in any way to the dispute between the parties, including, but not limited to: any decision as to whether Section 29.9 is applicable and enforceable as against the parties, subject matter, timeliness, scope, remedies, unconscionability, and any alleged fraud in the inducement.

29.2.5. The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, etc. by any court having jurisdiction.

29.2.6. The arbitrator will have subpoena powers limited only by the laws of the state in which the main office of the Franchisor is located.

29.2.7. The parties to the dispute will have the same discovery rights as are available in civil actions under the laws of the state in which the main office of Franchisor is then located.

29.2.8. All other procedural matters will be determined by applying statutory, common laws, and rules of procedure that control a court of competent jurisdiction in which the main office of Franchisor is then located.

29.2.9. Other than as may be required by law, the entire arbitration proceedings (including, but not limited to, any rulings, decisions or orders of the arbitrator) will remain confidential and will not be disclosed to anyone other than the parties to this Agreement.

29.2.10. The judgment of the arbitrator on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction.

29.2.11. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek recovery of those costs in accordance with Section 29.4.

29.3. Exceptions to Arbitration. Notwithstanding Sections 29.1 and 29.2, the parties agree that the following claims will not be subject to arbitration or mediation.

29.3.1. any action for equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, declaratory relief, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible property, brought at any time, including, without limitation, prior to or during the pendency of any arbitration proceeding initiated hereunder;

29.3.2. any action in ejectment or for possession of any interest in real or personal property;

29.3.3. any action which by applicable law cannot be arbitrated; or

29.3.4. our decision in the first instance to issue a notice of default and/or notice of termination, or undertake any other conduct with respect to the franchise relationship that might later result in a dispute or controversy between us.

29.4. Costs and Attorneys' Fees. The prevailing party in any action or proceedings arising under, out of, in connection with, or in relation to this Agreement will be entitled to recover its reasonable costs and expenses (including attorneys' fees, arbitrator's fees and expert witness fees, costs of investigation and proof of facts, court costs, and other arbitration or litigation expenses) incurred in connection with the claims on which it prevailed. This Section 29.4 shall not apply to any mediation between us conducted pursuant to Section 29.1.

29.5. Survival. The provisions of this Section 29 are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

29.6. Tolling of the Statute of Limitations. All applicable statutes of limitations and defenses based on the passage of time are tolled while the dispute resolution procedures in this Section 29 are pending. The parties will take such action, if any, required to effectuate tolling.

29.7. Performance to Continue. Each party must continue to perform its obligations under this Agreement pending final resolution of any dispute pursuant to this Section 29, unless to do so would be impossible or impracticable under the circumstances.

29.8. Governing Law. All matters relating to arbitration will be governed by the FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 *et. seq.*). Except to the extent governed by the Federal Arbitration Act as required hereby, the UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§ 1051 *et seq.*) or other federal law, this Agreement, the Franchise and all claims arising from the relationship between us and you will be governed by the laws of the State of Washington, without regard to its conflict of laws principles, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless jurisdictional requirements are met independently without reference to this Section.

29.9. Consent to Jurisdiction. Subject to Section 29, you and your Owners irrevocably submit to the jurisdiction of the courts of the State of Washington in any suit, action or proceeding, arising out of or relating to this Agreement or any other dispute between you and us, and you irrevocably agree that all claims in respect of any such suit, action or proceeding must be brought and/or defended therein except with respect to matters that are under the exclusive jurisdiction of the Federal Courts of the United States, which shall be brought and/or defended in a Federal District Court sitting in the State of Washington. You (and each Owner) irrevocably waive, to the fullest extent you may lawfully do so, the defense of an inconvenient forum to the maintenance of any such suit, action or proceeding and agree that service of process for purposes of any such suit, action or proceeding need not be personally served or served within the State of Washington but may be served with the same effect as if you were served within the State of Washington, by certified mail or any other means permitted by law addressed to you at the address set forth herein. You agree that nothing in this Section 29 shall be deemed to prevent us from removing an action from state court to federal court or shall affect our rights to bring a suit, action or proceeding in any other appropriate jurisdiction, including any suit, action or proceeding brought by us to enforce any judgment against you entered by a state or federal court.

29.10. WAIVER OF RIGHT TO A JURY AND PUNITIVE DAMAGES. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY AGREE AS FOLLOWS:

29.10.1. THE PARTIES BOTH EXPRESSLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY OR AGAINST EITHER PARTY; AND

29.10.2. THE PARTIES BOTH EXPRESSLY WAIVE ANY CLAIM FOR PUNITIVE, MULTIPLE, AND/OR EXEMPLARY DAMAGES, EXCEPT THAT WE SHALL BE FREE AT ANY TIME HEREUNDER TO BRING AN ACTION FOR WILLFUL TRADEMARK INFRINGEMENT AND, IF SUCCESSFUL, TO RECEIVE AN AWARD OF MULTIPLE DAMAGES AS PROVIDED BY LAW.

29.11. Limitations of Claims**.** Except for claims arising from your nonpayment or underpayment of amounts you owe us pursuant to this Agreement or claims related to your unauthorized use of the Marks, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial or arbitration proceeding is commenced within one (1) year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims.

29.12. Binding Effect. This agreement is binding upon us and you and our respective executors, administrators, heirs, beneficiaries, assigns and successors in interest and may not be modified except by

written agreement signed by you and us.

30. FORCE MAJEURE

30.1. Non-Performance or Delay. Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: Acts of God, strikes, war, riot, pandemic, epidemic, fire or other natural catastrophe, terrorist acts or government actions resulting from terrorist acts, or other forces beyond your or our control, as applicable, that materially and adversely affect your ability to perform your obligations under this Agreement or the condition, use or operation of your Franchised Business or which materially and adversely affect our ability to perform our obligations under this Agreement.

30.2. Delay in Making Payments. The inability of either party to obtain and/or remit funds shall be considered within control of such party for the purpose of this Section. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you shall remain obligated to promptly pay all fees due and owing to us hereunder, without any such delay or extension.

31. ACKNOWLEDGMENTS

31.1. Independent Investigation. You acknowledge that you have conducted an independent investigation of the business franchised hereunder, and recognize that the business venture contemplated by this Agreement is speculative and involves business risks, and that its success depends to a material extent upon the ability of your Owners as independent businesspersons, as well as other factors. We expressly disclaim the making of, and you acknowledge that you have not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement, and you represent and warrant that you have not entered into this Agreement in reliance upon any representation, oral or written, by us as to potential or expected sales or profits.

31.2. Site Approval. You hereby acknowledge and agree that our approval of the site for the Franchised Business does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the Franchised Business's site, the Franchised Business's profitability or success, or for any other purpose, or of its compliance with any applicable zoning or land-use regulations or ordinances and any federal, state and local laws, codes and regulations including, without limitation, the applicable provisions of the Americans with Disabilities Act (the "ADA") regarding the construction, design and operation of the Franchised Business. You acknowledge and agree that you, and not us, have the duty and obligation to locate and, if necessary, lease a site for the Franchised Business, that we make no representation, warranty, or guarantee that a suitable and acceptable site will be located, and that our approval of a site is not a guarantee or warranty that an acceptable lease can be negotiated or executed.

31.3. Your Independence. You acknowledge and agree that:

31.3.1. you are the only party that employs your employees or independent contractors (even though we may provide you with advice, guidance, and training);

31.3.2. we are not the employer of any of your employees or independent contractors, and we will not play any role in decisions regarding their employment (including but not limited to matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);

31.3.3. the guidance that we provide and requirements under which you will operate are intended to promote and protect the value of the DAELA COSMETIC TATTOO brand and the Marks;

31.3.4. when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including but not limited to our System and the requirements under this Agreement); and

31.3.5. you have made (and will remain responsible at all times for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including but not limited to adopting our standards as your standards), hiring employees and or independent contractors, and employment matters (including but not limited to matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.

31.4. Success Depends on You. You acknowledge and agree that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, quality of services provided, as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated under this Agreement.

31.5. Acknowledgment of Receipt. You represent and agree that you received our Franchise Disclosure Document (with all its exhibits and this Agreement with all its exhibits) at least fourteen (14) calendar days before your signing of this Agreement or the payment of any monies to us under this Agreement or earlier upon your reasonable request. You represent and agree that you received a completed copy of this Agreement and all related agreements attached to the Franchise Disclosure Document with any changes to such agreements unilaterally and materially made by us at least seven (7) calendar days before executing this Agreement.

31.6. Acknowledgment of Understanding; Opportunity to Consult. You acknowledge that you have read and understood this Agreement, the attachments hereto, and agreements relating thereto, if any, and that we have accorded you ample time and opportunity to consult with an attorney or other advisor of your own choosing about the potential benefits and risks of entering into this Agreement.

[THE SPACE BELOW IS LEFT BLANK BY INTENTION]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first above written.

Daela Co.

By:_____

Title: _____

Dated: _____

EFFECTIVE DATE: _____

[FRANCHISEE]

By:_____

Title: _____

Dated: _____

As Individuals:

_____

Dated: _____

_____

Dated: _____

_____

Dated: _____

EXHIBIT A

TO THE FRANCHISE AGREEMENT
BETWEEN Daela Co.
AND
_____

DATED _____, 20___

FRANCHISE OWNERSHIP AND MANAGEMENT.

1. **FORM OF OWNER.**

1.1. **Business Entity.** What is the form of your business entity (for example, corporation or limited liability company)?

_____

Date of Formation of Entity (Date of Incorporation, if applicable):

_____

Federal Identification Number of Entity:

_____

The following is a list of your directors, if applicable, and officers as of the effective date of Exhibit A shown above:

Name of Each Director/Officer/Partner	**Position(s) Held**

2. **OWNERS.** The following list includes the full name and mailing address of each Person who holds a direct or indirect Ownership Interest in the Franchised Business and fully describe the nature of each Person's interest.

Owner's Name and Address	**Description of Interest** (Must total 100%)

EXHIBIT A

TO THE FRANCHISE AGREEMENT
BETWEEN Daela Co. AND
_____
(continued)

3. **ARTIST OWNER**. The name, home address, phone numbers and social security number of the Artist Owner is:
_____
_____

IN WITNESS WHEREOF, the parties hereto have executed this Exhibit A to the Franchise Agreement on the date(s) set forth below.

Daela Co.

By: _____

Name Printed: _____

Title: _____

[FRANCHISEE]

By: _____

Name Printed: _____

Title: _____

Dated: _____

As Individuals:

_____

Dated: _____

_____

Dated: _____

_____

Dated: _____

EXHIBIT B

TO THE FRANCHISE AGREEMENT
BETWEEN Daela Co.
AND
_____

DATED _____, 20___

TERRITORY.

1. **DEFINITION.** The Territory referred to in the Franchise Agreement shall be as follows:
_____
_____
_____

2. **AS OF TODAY.** If the Territory is identified by counties or other political subdivisions, the Territory will be fixed by the political boundaries as they exist today. Any later changes to political boundaries shall not change the boundaries of the Territory.

Daela Co.

By:_____

Title: _____

Dated: _____

[FRANCHISEE]

By:_____

Title: _____

Dated: _____

As Individuals:

_____

Dated: _____

_____

Dated: _____

EXHIBIT C

TO THE FRANCHISE AGREEMENT
BETWEEN Daela Co.
AND
_____

DATED _____, 20___

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT.

As an inducement to Daela Co. ("Franchisor") to execute the Franchise Agreement between Franchisor and _____ ("Franchisee") dated _____, 20___ (the "Agreement"), the undersigned (the "Guarantors"), jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the Guarantors will immediately make each payment to Franchisor required of Franchisee under the Agreement. The Guarantors hereby waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee. Without affecting the obligations of the Guarantors under this Guarantee, Franchisor may, without notice to the Guarantors, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. The Guarantors waive notice of amendment of the Agreement and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement.

The Guarantors hereby agree to defend, indemnify, and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees, reasonable costs of investigation, court costs, and mediation fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The Guarantors hereby acknowledge and agree to be individually bound by all of the confidentiality provisions and non-competition covenants contained in Sections 14 and 21 of the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement or upon the transfer or assignment of the Agreement by Franchisee, except that all obligations and liabilities of the Guarantors which arose from events which occurred on or before the effective date of such termination, expiration, transfer, or assignment of the Agreement shall remain in full force and effect until satisfied or discharged by the Guarantors, and all covenants which by their terms continue in force after the termination, expiration, transfer, or assignment of the Agreement shall remain in force according to their terms. This Guarantee shall not terminate upon the transfer or assignment of the Agreement or this Guarantee by Franchisor. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 29 of the

Franchise Agreement to which this Guarantee is attached. This Guarantee shall be interpreted and construed under the laws of the State of Washington. In the event of any conflict of law, the laws of Washington shall prevail, without regard to, and without giving effect to, the application of the Washington conflict of law rules.

The Guarantors agree that the dispute resolution and attorney fee provisions in Section 29 of the Agreement are hereby incorporated into this Guarantee by reference, and references to "You" and the "Franchise Agreement" therein shall be deemed to apply to "Guarantors" and this "Guarantee," respectively, herein.

Any and all notices required or permitted under this Guarantee shall be in writing and shall be personally delivered, sent by registered mail, or sent by other means which affords the sender evidence of delivery or rejected delivery (including, without limitation, private delivery or courier service), which shall not include electronic communication, such as e-mail, to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

If directed to Franchisor, the notice shall be addressed to:

Daela Co.
19609 NE 35th Court,
Ridgefield, Washington 98642
Attention: President

If directed to Guarantor, the notice shall be addressed to:

_____
_____
_____
Attention: _____

Any notice by a method which affords the sender evidence of delivery or rejected delivery shall be deemed to have been given at the date and time of receipt or rejected delivery.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

EXHIBIT C

TO THE FRANCHISE AGREEMENT
BETWEEN Daela Co.
AND
_____
(continued)

IN WITNESS WHEREOF, each of the Guarantors has signed this Guarantee as of the date of the Agreement.

GUARANTOR(S)

_____

_____
Date

_____

_____
Date

_____

_____
Date

EXHIBIT D

TO THE FRANCHISE AGREEMENT
BETWEEN Daela Co.
AND

_____

DATED _____, 20____

FRANCHISE LOCATION.

The approved principal business address of the Franchised Business (the "Franchise Location") is:
_____
_____.

If no location is approved at the time this Agreement is executed, this Exhibit D will be updated when a location has been designated by you and duly approved by us.

Daela Co.

By:_____

Title: _____

Dated: _____

[FRANCHISEE]

By:_____

Title: _____

Dated: _____

As Individuals:

_____

Dated: _____

_____

Dated: _____

_____

EXHIBIT E

TO THE FRANCHISE AGREEMENT
BETWEEN Daela Co.
AND

_____

DATED _____, 20____

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENT
(ACH TRANSACTIONS)

The undersigned depositor ("Depositor") hereby: 1.) authorizes Daela Co. or its designee ("Company") to initiate debit entries and/or credit correction entries to the Depositor's checking and/or savings account(s) indicated below and 2.) authorizes the bank or other depository indicated below ("Depository") to debit such accounts pursuant to Company's instructions.

_____ _____
Bank Branch

_____
Address

_____ _____ _____
City State Zip Code

_____ _____
Bank Transit/ABA Number Account Number

This authorization is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor's termination of the authorization in a time and manner that shall give Depository a reasonable opportunity to act on it. In spite of the foregoing, Depository shall provide Company and Depositor thirty (30) days' prior written notice of the termination of this authorization. If an erroneous debit entry is made to Depositor's account, Depositor shall have the right to have the amount of the entry credited to the account by Depository, if within fifteen (15) days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to the entry or forty five (45) days after posting, whichever occurs first, Depositor has sent Depository and Company a written notice identifying the entry, stating that the entry was in error, and requesting Depository to credit the amount of it to the account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

_____ _____
Depositor Depository

By: _____ By: _____

Title: _____ Title: _____

Date: _____ Date: _____

EXHIBIT F

TO THE FRANCHISE AGREEMENT
BETWEEN Daela Co.
AND

_____

FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, Daela Co. ("we," "us" or "Franchisor") and you are preparing to enter into a Franchise Agreement for the operation of a Franchised Business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed our Franchise Agreement and each exhibit and schedule attached to it?

   ☐ Yes. ☐ No.

2 Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

   ☐ Yes. ☐ No.

   If "No," what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary)

   _____
   _____
   _____

3. Did you receive a copy of the Franchise Agreement at least seven (7) days prior to signing it?

   ☐ Yes. ☐ No.

4. Have you received and personally reviewed the Disclosure Document we provided to you?

   ☐ Yes. ☐ No.

5. Do you understand all of the information contained in the Disclosure Document?

   ☐ Yes. ☐ No.

   If "No", what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary)

   _____
   _____

6. Did you receive a copy of the Disclosure Document at least fourteen (14) days prior to signing any agreement with us or paying us any money?

☐ Yes. ☐ No.

7. Have you discussed the benefits and risks of operating a Franchised Business with an attorney, accountant or other professional advisor and do you understand those risks?

☐ Yes. ☐ No.

8. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

☐ Yes. ☐ No.

9. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a Franchised Business operated by us or our franchisees?

☐ Yes. ☐ No.

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?

☐ Yes. ☐ No.

11. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a Franchised Business?

☐ Yes. ☐ No.

12. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue a Franchised Business will generate?

☐ Yes. ☐ No.

13. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you may incur in operating a Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?

☐ Yes. ☐ No.

14. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

☐ Yes. ☐ No.

15. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish you that is contrary to, or different from, the information contained in the Disclosure Document?

☐ Yes. ☐ No.

16. If you have answered "Yes" to any of questions nine (9) through fifteen (15), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of such questions, please leave the following lines blank.

_____
_____
_____

17. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and the Franchisor?

☐ Yes. ☐ No.

18. Do you understand that nothing in the Franchise Agreement or in our communications with one another is intended to make, or in fact makes, either you or us a general or limited partner, general or special agent, joint venturer, or employee of the other for any purpose, that the Franchise Agreement does not create a fiduciary relationship between you and us, and that we and you are and will be independent contractors during the term of the Franchise Agreement?

☐ Yes. ☐ No.

By signing this Questionnaire, you agree that you understand that your answers are important to us and that we will rely on them, and you are representing that you have responded truthfully to the above questions.

NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed:_____

Date:_____

APPROVED ON BEHALF OF Daela Co.

By:_____

Title:_____

Date:_____

DAELA COSMETIC TATTOO®

EXHIBIT “B”
TO THE FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

DAELA CO.
(fka Meraki PMU Inc.)

FINANCIAL STATEMENT

December 31, 2022 and March 9, 2022

(See Independent Auditor's Report)

Van Beek & Co., llc
CERTIFIED PUBLIC ACCOUNTANTS

DAELA CO.

(a Washington S corporation)

_____

Van Beek & Co., llc
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Stockholders
Daela Co.
Ridgefield, WA

Opinion
We have audited the accompanying financial statement of Daela Co., which comprise the balance sheets as of December 31, 2022 and March 9, 2022 and the related notes to the financial statement.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Daela Co. as of December 31, 2022 and March 9, 2022 in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT, Continued:

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

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

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

Van Beek & Co., LLC

Tigard, Oregon
February 7, 2023

DAELA CO.
BALANCE SHEET
December 31, 2022 and March 9, 2022
(See Independent Auditor's Report)

	December 31	March 9
ASSETS		
Current assets:		
Cash	$ 5,226	$ 3,000
Total current assets	5,226	3,000
Website development costs	16,000	
Total assets	$ 21,226	$ 3,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,640	$
Contract liabilities, current	2,000	
Total current liabilities	3,640	
Contract liabilities, non-current	16,833	
Total liabilities	20,473	
Stockholders' equity:		
Common stock; 1,000 shares authorized, 300 shares issued and outstanding	3,000	3,000
Additional paid-in-capital	54,000	54,000
Accumulated deficit	(56,247)	(54,000)
Total stockholders' equity	753	3,000
Total liabilities and stockholders' equity (accumulated deficit)	$ 21,226	$ 3,000

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

1. **THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**:

Daela Co. ("Daela"), a Washington corporation since 2022 is a franchisor of cosmetic tattooing and permanent and semi-permanent makeup service businesses.

There was one franchise sold during the period ended December 31, 2022; however the franchise location was not open as of December 31, 2022 and the Company has an outstanding commitment to provide training and guidance prior to the location's opening.

There were no franchisor-owned outlets in operation at December 31, 2022 and March 9, 2022.

Following is a summary of the Company's significant accounting policies:

Cash Equivalents:

The Company considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at either December 31, 2022 or March 9, 2022.

Cash Concentration of Credit Risk:

The Company limits its risk by depositing cash with an established financial institution (JP Morgan Chase Bank). The Company's cash deposits of $5,226 are insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC").

Taxable Income:

The Company's stockholders have elected to have the Company treated as an S corporation for income tax reporting purposes. Under this election, the Company's taxable income is reported by the stockholders on their individual income tax returns. No income tax provision is recorded by the Company; however, the stockholders withdraw cash dividends from the Company to pay these taxes as they become due.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events:

Subsequent events that could affect the Company's financial statement and related disclosures have been evaluated through February 7, 2023, the date the financial statement was available for distribution.

1. **THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued:

Website Development Costs:

Website costs in the development stage are capitalized as incurred and amortized over 36 months after being placed in service. Costs incurred in the planning and operating stages of development are expensed as incurred.

The Company capitalized website costs in the development stage totaling $16,000 and no amortization was recorded during the period ended December 31, 2022, as website costs were not placed in service as of December 31, 2022. There were no website costs incurred in the planning and operating stages of development during the period ended December 31, 2022.

Revenue Recognition:

The Company sells individual franchises which grant the right to develop stores in designated areas. The franchise agreements require the franchisee to pay an initial nonrefundable fee, artist training fees, and continuing fees based on a percentage of sales (royalty income).

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property and exclusive geographic exclusive area development rights, and all other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use the Company's intellectual property and exclusive geographic development rights over the term of each franchise agreement. Initial franchise fees are recognized as revenue on a straight-line basis over the term of the respective franchise agreement.

Artist training fees are recognized upon completion of the training. Royalty income is based on a percentage of franchisee gross sales (7%) and is recognized when earned at the franchisees' point of sale. The royalty percentage may be reduced to 6% after three years of a franchise agreement if certain gross sales targets are met by the franchisee.

Revenue from initial franchise fees totaled $1,167 during the period ended December 31, 2022. There were no artist franchise fees nor royalty income recognized during the period ended December 31, 2022.

Advertising Fund:

The Company will maintain an advertising fund on behalf of its franchisees once opened, to collect and administer funds used in advertising and promotional programs designed to increase sales and enhance the reputation of the brand and its franchises. Contributions to the advertising fund will be collected by the Company based on a percentage of franchisee gross sales (1%). The advertising fees will be recognized when earned at the franchisees' point of sale.

2. **CONTRACT LIABILITIES**:

Contract liabilities consist of deferred franchise fees. Changes in deferred franchise fees were as follows:

	December 31
Deferred franchise fees, beginning of period	0
Revenue recognized during the period	(1,167)
Cash received from franchise sold	20,000
Deferred franchise fees, end of period	18,833

The Company expects to recognize revenue associated with deferred franchise fees as follows:

2023	$ 2,000
2024	2,000
2025	2,000
2026	2,000
2027	2,000
Thereafter	8,833
	$ 18,833

The Company has applied the sales-based royalty exemption which permits exclusion of variable consideration in the form of sale-based royalties from the disclosure of remaining performance obligations.

3. **RELATED PARTY TRANSACTIONS**:

During 2021 the Company borrowed $54,000 from Daela Cosmetic Tattoo, Inc. (a related party through common ownership) for initial start-up expenses which were reported by the Company as legal fees when incurred during the period ending December 31, 2022. The funds were contributed to the Company from Daela Cosmetic Tattoo, Inc.'s members and are reported as additional paid-in-capital on the accompanying balance sheet as of December 31, 2022.

DAELA COSMETIC TATTOO®

EXHIBIT "C"
TO THE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS AND
LIST OF STATE AGENTS FOR SERVICE OF PROCESS

LIST OF STATE AGENCIES

California

Department of Financial Protection and Innovation
320 West 4th Street
Los Angeles, CA 90013
866-275-2677

Connecticut

Connecticut Dept. of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103
860-240-8230

Florida

Florida Department of Agriculture & Consumer Services
Div. of Consumer Services
2005 Apalachee Parkway
Tallahassee, FL 32399-6500
850-410-3807

Hawaii

Business Registration Division
Securities Compliance
Dept. of Commerce & Consumer Affairs
335 Merchant Street
Honolulu, Hawaii 96813
808-586-2744

Illinois

Illinois Office of the Attorney General
500 South Second Street
Springfield, IL 62706
217-782-1090

Indiana

Franchise Section
Indiana Securities Division
Secretary of State
Room E-111
302 West Washington Street,
Indianapolis, Indiana 46204
317-232-6681

Kentucky

Kentucky Attorney General
700 Capitol Avenue
Frankfort, Kentucky 40601-3449
502-696-5300

Maine

Bureau of Banking
Securities Division
121 State House Station
Augusta, Maine 04333
207-624-8551

Maryland

Office of the Attorney General
Securities Division
200 Saint Paul Place
Baltimore, MD 21202
410-576-6360

Michigan

Michigan Dept. of Attorney General
Consumer Protection Div.
Franchise Section
525 W. Ottawa Street
1st Floor
Lansing, Michigan 48913
517-335-7567

Minnesota

Minnesota Dept. of Commerce
85 7th Place East, Suite 500
Saint Paul, Minnesota 55101
651-539-1600

Nebraska

Nebraska Department of Banking and Finance
1200 N Street – Suite 311
Post Office Box 95006
Lincoln, Nebraska 68509
402-471-3445

New York

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
212-416-8236

North Carolina
Secretary of State
Legislative Office Building
2 South Salisbury Street
Raleigh, NC 27601-2903
919-807-2000

North Dakota

North Dakota Office of Securities Commission
600 East Boulevard
Bismarck, North Dakota 58505
701-328-2910

LIST OF STATE AGENCIES

Rhode Island

Rhode Island Department of
Business Regulation
Securities Division
1511 Pontiac Avenue
John Pastore Complex-69-1
Cranston, RI 02920-4407
(401) 462-9527

South Carolina

Secretary of State
1205 Pendleton Street
Suite 525
Columbia, SC 29201
803-734-1728

South Dakota

South Dakota Division of
Securities
445 East Capitol Avenue
Pierre, SD 57501-3185
605-773-4823

Texas

Secretary of State
Statutory Document Section
1719 Brazos
Austin, Texas 78701
512-475-1769

Utah

Department of Commerce
Division of Consumer
Protection
160 East 300 South
Post Office Box 45804
Salt Lake City, Utah
84145-0804
801-530-6601

Virginia

State Corporation
Commission
Division of Securities and
Retail Franchising
1300 East Main Street
9th Floor
Richmond, Virginia 23219
804-371-9051

Washington

Washington Department of
Financial Institutions
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

Wisconsin

Wisconsin Department
Financial Institutions
201 West Washington Ave.
Post Office Box 1768
Madison, Wisconsin 53703
608-261-9555

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

California

Commissioner of
Department of Financial Protection and Innovation
320 West 4th Street
Los Angeles, CA 90013
213-576-7500

Connecticut

Commissioner of
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103
860-240-8230

Florida

Florida Department of Agriculture & Consumer Services
Division of Consumer Services
2005 Apalachee Parkway
Tallahassee, FL 32399-6500
850-410-3807

Hawaii

Commissioner of Securities
Dept. of Commerce & Consumer Affairs
335 Merchant Street
Honolulu, Hawaii 96813
808-586-2727

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62706
217-782-1090

Indiana

Indiana Secretary of State
Room E-111
201 State House
200 W. Washington Street
Indianapolis, Indiana 46204
317-232-6531

Kentucky

Kentucky Attorney General
700 Capitol Avenue
Frankfort, Kentucky 40601
502-696-5300

Maine

Bureau of Banking
Securities Division
121 State House Station
Augusta, Maine 04333
207-624-8551

Maryland

Maryland Securities Commissioner
Securities Division
200 Saint Paul Place
Baltimore, MD 21202-2020
410-576-6360

Michigan

Michigan Dept. of Commerce, Corporations and Securities Bureau
6546 Mercantile Way
Lansing, Michigan 48909
517-335-7567

Minnesota

Minnesota Commissioner of Commerce
85 7th Place East, Suite 500
Saint Paul, MN 55101
651-539-1600

Nebraska

Nebraska Department of Banking and Finance
1200 N Street – Suite 311
Post Office Box 95006
Lincoln, Nebraska 68509
402-471-3445

New York

Secretary of State of New York
99 Washington Avenue
Albany, New York 12231
518-474-4750

North Carolina

Secretary of State
Legislative Office Building
2 South Salisbury Street
Raleigh, NC 27601-2903
919-807-2000

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

North Dakota

North Dakota Office of
Securities Commission
600 East Boulevard
Bismarck, ND 58505
701-328-2910

Rhode Island

Director of Rhode Island
Department of Business
Regulation
1511 Pontiac Avenue
John Pastore
Complex-69-1
Cranston, RI 02920-4407
(401) 462-9527

South Carolina

Secretary of State
1205 Pendleton Street
Suite 525
Columbia, SC 29201
803-734-1728

South Dakota

Director of South Dakota
Division of Securities
445 East Capitol Avenue
Pierre, SD 57501-3185
605-773-4823

Texas

Secretary of State
Statutory Document
Section
1719 Brazos
Austin, Texas 78701
512-475-1769

Utah

Department of Commerce
Division of Consumer
Protection
160 East 300 South
Post Office Box 45804
Salt Lake City, Utah
84145-0804
801-530-6601

Virginia

Clerk of the State
Corporation Commission
1300 East Main Street
1st Floor
Richmond, VA 23219
804-371-9672

Washington

Director, Department of
Financial Institutions
Securities Division
150 Israel Rd SW
Tumwater WA 98501
360-902-8760

Wisconsin

Wisconsin Department
Financial Institutions
201 West Washington
Ave.
Post Office Box 1768
Madison, WI 53703
608-261-9555

DAELA COSMETIC TATTOO®

EXHIBIT “D”
TO THE DISCLOSURE DOCUMENT

COPY OF CURRENT FORM OF GENERAL RELEASE

RELEASE OF CLAIMS

THIS IS A CURRENT FORM THAT IS SUBJECT TO CHANGE OVER TIME.

For and in consideration of the Agreements and covenants described below, Daela Co. ("DAELA COSMETIC TATTOO") and _____ ("Franchisee") enter into this Release of Claims ("Agreement").

RECITALS

A. DAELA COSMETIC TATTOO and Franchisee entered into a DAELA COSMETIC TATTOO Franchise Agreement dated _____, ____.

B. [NOTE: Describe the circumstances relating to the release.]

C. Subject to and as addressed with greater specificity in the terms and conditions set forth below, DAELA COSMETIC TATTOO and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

AGREEMENTS

1. **Consideration**. [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

4. **Release of Claims by Daela Co..** In consideration of, and only upon full payment of $_____ to DAELA COSMETIC TATTOO, and the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, DAELA COSMETIC TATTOO, for itself and for each of its affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of its past and present directors, officers, employees, attorneys, agents, assigns and representatives does hereby release and forever discharge Franchisee and each of his heirs, executors, successors, and assigns of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney's fees), complaints, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, disclosed or undisclosed, related to the Franchise Agreement. This release does not release Franchisee from any obligations he may have under this Agreement.

5. **Release of Claims by Franchisee.** In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisee, for himself and for each of his heirs, executors, administrators, insurers, attorneys, agents, representatives, successors, and assigns, does hereby release and forever discharge DAELA COSMETIC TATTOO and each of its respective affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of their past and present directors, officers, employees, attorneys, agents, assigns and representatives in their capacities as such, of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney's fees), complaints, charges, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, related to the Franchise Agreement.

6. **Reservation of Claims Against Non-Settling Parties.** DAELA COSMETIC TATTOO and Franchisee expressly reserve their right and claims against any non-settling persons, firms,

corporations, or other entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

7. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

8. **Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms.

9. **Governing Law and Jurisdiction.** This Agreement will be construed and enforced in accordance with the law of the State of Washington.

10. **Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

Dated: _____, 20____ Daela Co.

By_____
Its_____

Dated: _____, 20____ FRANCHISEE:_____

By_____

DAELA COSMETIC TATTOO®

EXHIBIT “E”
TO THE DISCLOSURE DOCUMENT

COPY OF CURRENT FORM OF
CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (this "Agreement") is made and entered into this _____ day of , 20_____ ("Effective Date"), between Daela Co. ("Company"), a corporation formed under Washington law, with its principal business address at 19609 NE 35th Court, Ridgefield, Washington 98642, _____ ("Franchisee") a [TYPE OF ENTITY] with its principal business address at _____ (the "Business Location"), and _____ ("Recipient"), an individual residing at _____.

RECITALS

WHEREAS, Company, as the result of the expenditure of time, skill, effort and money, developed and owns a distinctive System for the development and operation of businesses operating under the DAELA COSMETIC TATTOO trade name which offer and provide specialized cosmetic tattooing and permanent makeup services, as well as offering and providing related services and products; and

WHEREAS, Company's Confidential Information developed and used in connection with the System provides economic advantages to Company and includes information and knowhow not generally known to, and not readily ascertainable by proper means by, Company's competitors who could obtain economic value from knowledge and use of the Confidential Information; and

WHEREAS, Company has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Confidential Information; and

WHEREAS, Company has granted Franchisee the limited right to operate a DAELA COSMETIC TATTOO business (the "Franchised Business") using the System, the Marks and Confidential Information for the period defined in the Franchise Agreement made and entered into on _____, 20_____ ("Franchise Agreement"), by and between Company and Franchisee; and

WHEREAS, Company and Franchisee have agreed in the Franchise Agreement on the importance to Company and to Franchisee and other authorized users of the System of restricting the use, access and dissemination of the Confidential Information; and

WHEREAS, it shall be necessary for certain Personnel, agents, independent contractors, officers, directors and interest holders of Franchisee, or any entity having an interest in Franchisee to have access to and to use some or all of the Confidential Information in the management and operation of Franchisee's business using the System; and

WHEREAS, Franchisee has agreed to obtain from recipients of Confidential Information written Agreements protecting the System against unfair competition; and

WHEREAS, Recipient wishes to remain, or wishes to become employed by or associated with Franchisee; and

WHEREAS, Recipient wishes and needs to receive and use the Confidential Information in the course of his or her employment or association in order to effectively perform services for Franchisee; and

WHEREAS, Recipient acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Recipient herein;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. Definitions

"Affiliate" means any Person that is directly or indirectly owned or controlled by, controlling, or under common control with another Person.

"Business Day" means any day other than Saturday, Sunday and national holidays on which the U.S. postal service is authorized not to deliver mail and any other DAELA COSMETIC TATTOO holidays specifically designated in our Operations Manual.

"Competitive Business" means any business that offers or provides cosmetic tattooing or permanent makeup services, or any business that offers or provides services or products that are similar to those offered at DAELA COSMETIC TATTOO businesses; or any business that offers franchises or licenses for any business that offers or provides cosmetic tattooing or permanent makeup services, or any services or products that are similar to those offered at DAELA COSMETIC TATTOO businesses. A Competitive Business does not include: (a) other businesses that are licensed or franchised by us or any of our Affiliates; or (b) shares of a class of securities that are listed on a public stock exchange or traded on the over-the-counter market and that represent less than five percent (5%) of that class of securities.

"Confidential Information" means trade secrets, including proprietary and confidential information relating to the development and operation of DAELA COSMETIC TATTOO businesses, including:

(a) computer systems and software programs and manuals for use in DAELA COSMETIC TATTOO businesses;

(b) identity of suppliers and knowledge of Standards for, and suppliers of, Services and Products as well as fixtures, furnishings, equipment, products, materials and other supplies;

(c) methods of training and management relating to the operation of DAELA COSMETIC TATTOO businesses;

(d) Standards, programs and protocols, the Operations Manual, trade secrets (whether or not meeting the statutory requirements of a trade secret), any other proprietary materials, and knowledge of, and experience in, developing and operating DAELA COSMETIC TATTOO businesses;

(e) sales, marketing and advertising programs, techniques and methods for DAELA COSMETIC TATTOO businesses;

(f) knowledge of operating results and financial performance of DAELA COSMETIC TATTOO businesses;

(g) manager, employee, and independent contractor recruiting, interviewing, orientation and training programs, procedures and requirements;

(h) information and data regarding DAELA COSMETIC TATTOO business personnel, clients, and billing information; and

(i) any and all other information that we provide you that we designate proprietary or confidential.

"Immediate Family" means a person's spouse, parents, brothers, sisters and children, whether natural, adopted or through marriage, including parents-in-law, brothers-in-law, sisters-in-law and step-children.

"Legal Entity" means a business entity, including a corporation, general or limited partnership, limited liability company, limited liability partnership, or any other type of legal entity.

"Marks" means the current and future trade names, trademarks, service marks and trade dress used to identify the services and/or products offered by DAELA COSMETIC TATTOO businesses, including the "DAELA COSMETIC TATTOO" mark and the distinctive building design, color scheme and signage of DAELA COSMETIC TATTOO businesses.

"Operations Manual" means Company's confidential policy manual, as amended from time to time, which may consist of one or more manuals, including any of Company's operating system manuals and management training manuals containing Company's mandatory and suggested Standards relating to the development and operation of DAELA COSMETIC TATTOO businesses and other information relating to Franchisee's obligations, which Company furnishes to franchisees and developers from time to time for use in operating a DAELA COSMETIC TATTOO business. The term "Operations Manual" also includes any directives or other information or materials provided to franchisees or developers (by any means whatsoever) in connection with the operation of a DAELA COSMETIC TATTOO business that Company deems part of the Operations Manual, including, but not limited to, bulletins, e-mails, videotapes, audio tapes, compact discs, computer diskettes, magnetic media, computer software and CD/Roms.

"Owner" means collectively or individually, all Persons holding a direct or indirect ownership interest in Franchisee or in any Affiliate of Franchisee as designated by Company.

"Person" means any natural person and any business entity, including a corporation, general or limited partnership, limited liability company, limited liability partnership, or any other type of legal entity.

"Personnel" means all persons employed by Franchisee in connection with the development, management or operation of the Franchised Business, including persons in management positions, hourly or salaried employees, independent contractors, and all other persons who work in or for the Franchised Business.

"Services and Products means the services, products, promotional items and any other ancillary services or merchandise designated by us from time to time for sale at or from DAELA COSMETIC TATTOO businesses.

"Standards" means the mandatory and suggested specifications, standards, programs and protocols, training protocols, operating procedures and rules that Company prescribes from time to time

for the operation of a DAELA COSMETIC TATTOO business and any other information provided to Franchisee relating to Franchisee's development of DAELA COSMETIC TATTOO businesses or to any other of Franchisee's obligations under the Franchise Agreement and related agreements.

"System" means the business methods, designs, arrangements and other Standards for developing and operating the Franchised Business, including those pertaining to site selection, construction, building design, signage and layouts, equipment, specifications for Services and Products, training, training protocols, client service, and requirements and policies regarding Personnel, accounting and financial performance, advertising and marketing programs and information technology, all of which Company may improve, further develop or otherwise modify from time to time.

Confidentiality

2. Recipient expressly acknowledges that Recipient possesses skills and abilities of a general nature and has other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Agreement shall not deprive Recipient of any personal goodwill or ability to earn a living.

3. Company and/or Franchisee shall disclose to Recipient some or all of the Confidential Information relating to the System.

4. Recipient shall receive the Confidential Information in confidence and shall, at all times, maintain it in confidence, and use the Confidential Information only in the course of his or her employment by or association with Franchisee and then only in connection with the operation by Franchisee of DAELA COSMETIC TATTOO businesses using the System for so long as Franchisee is authorized by Company to use the System.

5. Recipient shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Company's written permission.

6. Recipient shall not at any time disclose or permit the disclosure of the Confidential Information except to other Personnel of Franchisee and only to the limited extent necessary to train or assist other Personnel of Franchisee in the development or operation of the Franchised Business using the System.

7. Recipient shall surrender any material containing some or all of Company's Confidential Information to Franchisee or Company, upon request, or upon termination of employment by or association with Franchisee, or upon conclusion of the use for which such information or material may have been furnished to Recipient.

8. Recipient shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

9. All Operations Manuals are loaned by Company to Franchisee for limited purposes only and remain the property of Company and may not be reproduced, in whole or in part, without Company's consent.

Covenants Not to Compete

10. In order to protect the goodwill and distinctive qualities of the System and the confidentiality and value of the Confidential Information, and in consideration for the disclosure to Recipient of the Confidential Information, Recipient agrees and covenants as follows:

10.1 During the term of this Agreement and for two (2) years following the earlier of the expiration, termination or transfer of all of Franchisee's interest in the Franchise Agreement or the termination of Recipient's employment by or association with Franchisee (the "Restriction Period"), Recipient shall not, without Company's prior consent (which consent may be withheld at Company's sole discretion):

i) as a direct or beneficial owner, or as an investor, partner, director, officer, member, employee, advisor, consultant, representative or agent or in any other capacity, have any direct or indirect interest (including through Immediate Family) in, including any Ownership Interest in, making loans to, engaging in or performing services for, any Competitive Business operating at the Business Location; or operating within fifty (50) miles of the Business Location; or operating within fifty (50) miles of the principal business address of any DAELA COSMETIC TATTOO business in operation or under construction upon the effective date of this Agreement.

ii) divert or attempt to divert directly or indirectly, any business, business opportunity or client of the Franchised Business to any Competitive Business or do anything injurious or prejudicial to the goodwill associated with the Marks or the System.

10.2 Recipient acknowledges and agrees that the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect Company's goodwill or other business interests. Recipient also acknowledges and agrees that the covenants are reasonable, proper and necessary to maintain the reputation and goodwill of the System, generally. Each of the foregoing covenants is independent of each other covenant or agreement contained in this Agreement.

10.3 Company may, in its sole discretion, reduce the area, duration or scope of any covenant contained in this Section without Recipient or Franchisee's consent or the consent of any Owners, effective upon notice to Recipient. Recipient shall comply with any covenant as so modified. If all or any portion of a covenant in this Section is held invalid, unreasonable or unenforceable by a court or agency having jurisdiction, Recipient shall be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

Miscellaneous

11. The term of this Agreement shall begin on the date first written above and shall continue in effect until the earlier of the expiration, termination or transfer of all of Franchisee's interest in the Franchise Agreement or the termination of Recipient's employment by or association with Franchisee.

12. Franchisee shall make all commercially reasonable efforts to ensure that Recipient acts as required by this Agreement.

13. Recipient agrees that in the event of a breach of this Agreement, Company would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or

threatened or attempted breach of any of the provisions hereof, Company shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies which are made available to it at law or in equity (including any right to terminate the Franchise Agreement, as provided therein), to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

14. Recipient agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Company and Franchisee in enforcing this Agreement.

15. Any failure by Company or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Recipient shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Recipient.

16. Arbitration. Recipient agrees that any dispute, controversy or claim between Company and Recipient arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or the scope or validity of the arbitration obligation under this Section must be submitted to binding arbitration in accordance with the Federal Arbitration Act. The arbitration will be administered by the American Arbitration Association ("AAA") pursuant to its Commercial Arbitration Rules then in effect by one arbitrator.

16.1. In connection with any arbitration proceeding, each party will submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such a proceeding will be barred.

16.2. Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any claim or any other proceeding involving third parties. If a court or arbitrator determines that this limitation or joinder of or class action certification of claims is unenforceable, then the agreement to arbitrate the dispute will be null and void and the parties must submit all claims to the jurisdiction of the courts, in accordance with this Agreement.

16.3. The arbitration must take place in the city closest to where Company's headquarters is located at the time of the dispute.

16.4. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator shall be a practicing attorney or retired judge with at least five years total working experience in commercial law. The arbitrator may not consider any settlement discussions or offers that might have been made by either party. The arbitrator may not under any circumstances (a) assess punitive or exemplary damages, or (b) certify a class or a consolidated action. The arbitrator will have the right to make a determination as to any procedural matters as would a court of competent jurisdiction be permitted to make in the state in which the main office of Company is located. The arbitrator will also decide any factual, procedural, or legal questions relating in any way to the dispute between the parties, including, but not limited to: subject matter, timeliness, scope, remedies, and unconscionability.

16.5. The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, etc. by any court having jurisdiction.

16.6. The arbitrator will have subpoena powers limited only by the laws of the state in which the main office of the Company is located.

16.7. The parties to the dispute will have the same discovery rights as are available in civil actions under the laws of the state in which the main office of Company is then located.

16.8. All other procedural matters will be determined by applying statutory, common laws, and rules of procedure that control a court of competent jurisdiction in which the main office of Franchisor is then located.

16.9. Other than as may be required by law, the entire arbitration proceedings (including, but not limited to, any rulings, decisions or orders of the arbitrator) will remain confidential and will not be disclosed to anyone other than the parties to this Agreement.

16.10. The judgment of the arbitrator on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction.

16.11. Company reserve the right, but has no obligation, to advance Recipient's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished its right to seek recovery of those costs in accordance with this Agreement.

17. Exceptions to Arbitration. Notwithstanding Section 16, the parties agree that the following claims will not be subject to arbitration.

17.1. any action for equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, declaratory relief, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible property, brought at any time, including, without limitation, prior to or during the pendency of any arbitration proceeding initiated hereunder,

17.2. any action in ejectment or for possession of any interest in real or personal property;

17.3. any action which by applicable law cannot be arbitrated; or

17.4. in the event any third party action, suit or proceeding is commenced against Company, or any Affiliate, and such action, suit or proceeding relates to any acts, errors, or omissions of Recipient, Company's decision to join Recipient to the action, suit or proceeding, or Company's decision to file any claim against Recipient relating to the action, suit or proceeding.

18. Costs and Attorney's Fees. The prevailing party in any action or proceedings arising under, out of, in connection with, or in relation to this Agreement will be entitled to recover its reasonable costs and expenses (including attorneys' fees, arbitrator's fees and expert witness fees, costs of investigation and proof of facts, court costs, and other arbitration or litigation expenses) incurred in connection with the claims on which it prevailed.

19. Tolling of the Statute of Limitations. All applicable statutes of limitations and defenses based on the passage of time are tolled while the arbitration procedures in Section 16 are pending. The parties will take such action, if any, required to effectuate tolling.

20. Governing Law. All matters relating to arbitration will be governed by the FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 *et. seq.*). Except to the extent governed by the Federal Arbitration Act as required hereby, the UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§ 1051 *et seq.*) or other federal law, this Agreement, the Franchise Agreement and all claims arising from the relationship between Recipient and Company will be governed by the laws of Washington, without regard to its conflict of laws principles, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless jurisdictional requirements are met independently without reference to this Section.

21. Consent to Jurisdiction. Subject to Section 16 hereof, Recipient agrees that Company may institute any action against Recipient in any state or federal court of general jurisdiction in Washington, and Recipient irrevocably submit to the jurisdiction of such courts and waive any objection Recipient may have to either the jurisdiction of or venue in such courts. **RECIPIENT HEREBY IRREVOCABLY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM OR HER IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY APPLICABLE LAW. RECIPIENT FURTHER AGREES THAT WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, COMPANY MAY BRING SUCH ACTION IN ANY COURT THAT HAS JURISDICTION.**

22. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

23. The rights and remedies of Company under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective Affiliates, successors and assigns. The respective obligations of Franchisee and Recipient hereunder may not be assigned by Franchisee or Recipient, without the prior consent of Company.

24. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or sent by other means which affords the sender evidence of delivery or rejected delivery (including, without limitation, private delivery or courier service), which shall not include electronic communication, such as e-mail, to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party, and shall be deemed so delivered:

a. at the time delivered by hand;

b. one (1) Business Day after transmission by facsimile (provided that the sender confirms the facsimile by sending to the other party an original confirmation copy by certified or registered mail or expedited delivery service delivered within five (5) days after transmission);

c. one (1) Business Day after being placed in the hands of a commercial courier service, provided there is proof of receipt; or

d. three (3) Business Days after placement in the United States Mail by certified mail, return receipt requested, postage prepaid.

e. Any notice by a means which affords the sender evidence of delivery or rejected delivery shall be deemed to have been given and received at the date and time of receipt or rejected delivery.

If directed to Company, the notice shall be addressed to:

Daela Co.
19609 NE 35th Court
Ridgefield, Washington 98642
Attention: President

If directed to Recipient, the notice shall be addressed to:

_____
_____
_____
Attention: _____

If directed to Franchisee, the notice shall be addressed to:

_____
_____
_____
Attention: _____

IN WITNESS WHEREOF, the undersigned have entered into this Agreement on the Effective Date as witnessed by their signatures below.

COMPANY:

Daela Co.

By: _____
Name: _____
Title: _____

RECIPIENT:

By: _____
Name: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

DAELA COSMETIC TATTOO®

EXHIBIT “F”
TO THE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDA

ADDENDUM TO

DAELA COSMETIC TATTOO®
FRANCHISE DISCLOSURE DOCUMENT FOR THE
STATE OF CALIFORNIA

The following information applies to franchises and franchisees subject to the California Franchise Investment Act. Item numbers correspond to those in the main body:

THE CALIFORNIA INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

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 DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

SECTION 31125 OF THE CALIFORNIA INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

Item 3.

Item 3 is amended to provide that neither we nor any other person identified in Item 2 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 such persons from membership in such association.

Item 17.

1. California Business & Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

2. Termination of the Franchise Agreement by us because of your insolvency or bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

3. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

4. You must sign a general release if you are granted a successor franchise or transfer your franchise. These provisions may be unenforceable under California law. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code

ADDENDUM TO

DAELA COSMETIC TATTOO®
FRANCHISE DISCLOSURE DOCUMENT FOR THE
STATE OF CALIFORNIA
(continued)

20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

5. The Franchise Agreement requires the application of the laws of Washington. This provision may not be enforceable under California law.

6. The Franchise Agreement requires binding arbitration. The arbitration will occur in the office of the American Arbitration Association that is nearest to our principal business address with the costs being borne as determined by the arbitrator. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

7. All owners of the franchise may be required to sign personal guaranties. This requirement places the personal and marital assets of the Franchise Owner(s) at risk.

ADDENDUM TO
DAELA COSMETIC TATTOO®
FRANCHISE AGREEMENT FOR THE
STATE OF CALIFORNIA

This Addendum pertains to franchises sold in the State of California and is for the purpose of complying with California statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

1. Article 21.3 of the Franchise Agreement contain a covenant not to compete which extends beyond the term of the franchise. This provision may not be enforceable under California law.

2. Article 29.8 of the Franchise Agreement requires the application of the laws of Washington. This provision may not be enforceable under California law.

3. 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 a disclaiming reliance on or the right to rely upon any statement made or information provided by the franchisor, broker, or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

In all other respects, the Franchise Agreement will be construed and enforced according to its terms. Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

Daela Co.

By: _____
Name Printed: _____
Title: _____
Dated: _____

[FRANCHISEE BUSINESS ENTITY]

By: _____
Name Printed: _____
Title: _____
Dated: _____

ADDENDUM TO
DAELA COSMETIC TATTOO®
FRANCHISE DISCLOSURE DOCUMENT FOR THE
STATE OF WASHINGTON

1. Item 17 of the Franchise Disclosure Document is hereby amended with the addition of the following language:

Washington law RCW 19.100.180(2)(i) and (j) provides certain rights and remedies to franchisees in connection with termination or renewal of a franchise. More specifically Washington law provides that it is unlawful for a franchisor to:

(i) Refuse to renew a franchise without fairly compensating the franchisee for the fair market value, at the time of expiration of the franchise, of the franchisee's inventory, supplies, equipment, and furnishings purchased from the franchisor, and good will, exclusive of personalized materials which have no value to the franchisor, and inventory, supplies, equipment, and furnishings not reasonably required in the conduct of the franchise business: PROVIDED, That compensation need not be made to a franchisee for good will if (i) the franchisee has been given one year's notice of nonrenewal and (ii) the franchisor agrees in writing not to enforce any covenant which restrains the franchisee from competing with the franchisor: PROVIDED FURTHER, That a franchisor may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to the franchisor.

(ii) Terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include, without limitation, the failure of the franchisee to comply with lawful material provisions of the franchise or other agreement between the franchisor and the franchisee and to cure such default after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty days, to cure such default, or if such default cannot reasonably be cured within thirty days, the failure of the franchisee to initiate within thirty days substantial and continuing action to cure such default: PROVIDED, That after three willful and material breaches of the same term of the franchise agreement occurring within a twelve-month period, for which the franchisee has been given notice and an opportunity to cure as provided in this subsection, the franchisor may terminate the agreement upon any subsequent willful and material breach of the same term within the twelve-month period without providing notice or opportunity to cure: PROVIDED FURTHER, That a franchisor may terminate a franchise without giving prior notice or opportunity to cure a default if the franchisee: (i) Is adjudicated a bankrupt or insolvent; (ii) makes an assignment for the benefit of creditors or similar disposition of the assets of the franchise business; (iii) voluntarily abandons the franchise business; or (iv) is convicted of or pleads guilty or no contest to a charge of violating any law relating to the franchise business. Upon termination for good cause, the franchisor shall purchase from the franchisee at a fair market value at the time of termination, the franchisee's inventory and supplies, exclusive of (i) personalized materials which have no value to the franchisor; (ii) inventory and supplies not reasonably required in the conduct of the franchise business; and (iii), if the franchisee is to retain control of the premises of the franchise business, any inventory and supplies not purchased from the franchisor or on his or her express requirement:

ADDENDUM TO
DAELA COSMETIC TATTOO®
FRANCHISE DISCLOSURE DOCUMENT FOR THE
STATE OF WASHINGTON
(continued)

PROVIDED, that a franchisor may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to the franchisor.

2. Washington law RCW 19.100.180(2)(g) provides that it is unlawful to require the franchisee to assent to a release, assignment, violation or waiver which would relieve the franchisor from any liability imposed by the Washington Franchise Investment Protection Act.

ADDENDUM TO
DAELA COSMETIC TATTOO®
FRANCHISE AGREEMENT FOR THE
STATE OF WASHINGTON

This Addendum pertains to franchises sold in the State of Washington and is for the purpose of complying with Washington statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

1. The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

3. Article 29.8 of the Franchise Agreement is amended by the addition of the following language:

If any of the provisions in the Franchise Disclosure Document or Franchise Agreement are inconsistent with the relationship provisions of R.C.W. 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Franchise Disclosure Document and Franchise Agreement with regard to any franchise sold in Washington.

4. Article 29.10 of the Franchise Agreement is amended by the addition of the following language:

A release or waiver of rights executed by you will not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

ADDENDUM TO
DAELA COSMETIC TATTOO®
FRANCHISE AGREEMENT FOR THE
STATE OF WASHINGTON
(continued)

5. Article 20.9 of the Franchise Agreement is amended by adding the following sentence:

We will purchase your inventory and supplies for their fair market value at the time of termination of the Franchise Agreement for good cause, subject to and in compliance with RCW 19.100.180(2)(j).

6. Each provision of this Addendum is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this addendum.

7. Except as amended herein, the Franchise Agreement will be construed and enforced in accordance with its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

Daela Co.

By: _____
Name Printed: _____
Title: _____
Dated: _____

[FRANCHISEE]
By: _____
Name Printed: _____
Title: _____
Dated:_____

DAELA COSMETIC TATTOO®

EXHIBIT “G”
TO THE DISCLOSURE DOCUMENT

RECEIPT

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.

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.

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

State	Effective Date
California	Pending

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 Daela Co. offers you a franchise, it must provide this Franchise 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 or grant.

Michigan law requires that Daela Co. provide this Franchise Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Daela Co. 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 Federal Trade Commission, Washington, D.C. 20580 and appropriate state agency listed in Exhibit "C". Daela Co.'s registered agents authorized to receive service of process are listed in Exhibit "C".

The name, principal business address and telephone number of each franchise seller offering the franchise is:	
Susan K. Orr	Erica Johnson
Joseph A. Orr	Angelina A. Anderson
The principal business address and telephone number for the individuals listed above is: Daela Co., 19609 NE 35th Court, Ridgefield, Washington 98642, (360) 907-9326. The name, principal business address and telephone number of each additional franchise seller offering the franchise is: _____	

Date of Issuance: March 15, 2023

I received a disclosure document dated March 15, 2023, that included the following Exhibits:

A. FRANCHISE AGREEMENT
B. FINANCIAL STATEMENTS
C. LIST OF STATE AGENCIES AND LIST OF STATE AGENTS FOR SERVICE OF PROCESS
D. COPY OF CURRENT FORM OF GENERAL RELEASE
E. COPY OF CURRENT FORM OF CONFIDENTIALITY AGREEMENT
F. STATE SPECIFIC ADDENDA
G. RECEIPTS

DATE DISCLOSURE DOCUMENT RECEIVED: _____
Signed: _____
Date Signed: _____
Print Name and Address: _____
_____

Please sign and date this Receipt (with the date you received the Franchise Disclosure Document) and if you received it electronically via email, also: Open the attached Franchise Disclosure Document to verify that you can download it; then immediately Reply to All, with a cc to the email address listed on the cover page of this Franchise Disclosure Document, stating that you received and downloaded this Franchise Disclosure Document.

Also, print, sign and date a copy of this Receipt (with the date you received this Franchise Disclosure Document), and return the signed Receipt by mail to us at: Daela Co., 19609 NE 35th Court, Ridgefield, Washington 98642

FRANCHISEE'S COPY

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 Daela Co. offers you a franchise, it must provide this Franchise 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 or grant.

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E. COPY OF CURRENT FORM OF CONFIDENTIALITY AGREEMENT
F. STATE SPECIFIC ADDENDA
G. RECEIPTS

DATE DISCLOSURE DOCUMENT RECEIVED: _____
Signed: _____
Date Signed: _____
Print Name and Address: _____
_____

Please sign and date this Receipt (with the date you received the Franchise Disclosure Document) and if you received it electronically via email, also: Open the attached Franchise Disclosure Document to verify that you can download it; then immediately Reply to All, with a cc to the email address listed on the cover page of this Franchise Disclosure Document, stating that you received and downloaded this Franchise Disclosure Document.

Also, print, sign and date a copy of this Receipt (with the date you received this Franchise Disclosure Document), and return the signed Receipt by mail to us at: Daela Co., 19609 NE 35th Court, Ridgefield, Washington 98642

FRANCHISOR'S COPY