

FRANCHISE DISCLOSURE DOCUMENT



Namaste Nail Sanctuary, LLC
a California limited liability company
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The franchise described in this disclosure document is for the establishment of a franchised retail salon business that specializes in hand and foot grooming services in an environment that promotes meditation and relaxation under the name “Namaste Nail SanctuaryTM®” at a specific location (each referred to as a “Location” or “Location Franchise”).

The total Investment necessary to begin operation of a Namaste Nail SanctuaryTM® Location Franchise ranges from \$230,595 to \$480,295, this includes the Initial Franchise Fee of \$39,000 that must be paid to us or our affiliates. If you purchase more than one Location Franchise at the same time, the Initial Franchise Fee is \$39,000 for the second Location Franchise, \$35,000 for the third and fourth Location Franchises, and \$30,000 for each additional Location Franchise.

This disclosure document (“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 fourteen (14) calendar days before you sign a binding agreement with, or make any payment to, us 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 Todd Welker or Mike Watorski, Namaste Nail Sanctuary, LLC, 6320 Canoga Avenue, Suite 1430, Woodland Hills, CA 91367, (818) 657-7220.

The terms of your contract will govern your franchise relationship. Don’t rely on the Disclosure Document alone to understand your contract. Read your entire contract carefully. Show your contract and this Disclosure Document to an advisor, 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 on franchising. Call your state agency or visit your public library for other sources of information on franchising. There may be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March ~~19, 2018~~22, 2019

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit C for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND LITIGATION ONLY IN CALIFORNIA. OUT OF STATE MEDIATION AND LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE OR LITIGATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. YOUR SPOUSE MUST ALSO SIGN A PERSONAL GUARANTY, WHICH MAKES YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT. THIS GUARANTY WILL PLACE BOTH YOUR AND YOUR SPOUSE'S MARTIAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.
4. MARYLAND SPECIFIC RISK FACTOR: YOUR SPOUSE MUST SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR ALL YOUR FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE FRANCHISE. THIS GUARANTEE WILL PLACE BOTH YOU AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS, PERHAPS INCLUDING YOUR HOUSE, AT RISK IF YOUR FRANCHISE FAILS.
5. YOUR TERRITORY IS NOT AN EXCLUSIVE TERRITORY BUT A PROTECTED AREA AS FURTHER DESCRIBED UNDER ITEM 12 TITLED TERRITORY.
- ~~6. WE DO NOT HAVE A FEDERAL REGISTRATION FOR OUR PRINCIPAL TRADEMARKS. THEREFORE, THESE TRADEMARKS DO NOT HAVE AS MANY LEGAL BENEFITS AND RIGHTS AS A FEDERALLY REGISTERED TRADEMARK. IF OUR RIGHT TO USE THESE TRADEMARKS IS CHALLENGED, YOU MAY HAVE TO CHANGE TO AN ALTERNATIVE TRADEMARK, WHICH MAY INCREASE YOUR EXPENSES.~~
6. ~~7.~~ THE FRANCHISOR IS AT AN EARLY STAGE OF DEVELOPMENT AND HAS A LIMITED OPERATING HISTORY. THIS FRANCHISE IS LIKELY TO BE A RISKIER INVESTMENT THAN A FRANCHISE IN A SYSTEM WITH A LONGER OPERATING HISTORY.

7. ~~8.—YOU MAY BE REQUIRED TO MAKE MINIMUM ADVERTISING PAYMENTS, REGARDLESS OF YOUR SALES LEVELS. YOUR INABILITY TO MAKE THE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.~~

8. ~~9.—THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.~~

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: March ~~19, 2018~~22, 2019

Except for the States listed on next page

The effective dates of registration of this Disclosure Document in these states are:

<u>State</u>	<u>Effective Date</u>
California	March 21, 2018 As Amended December 28, 2018 <u>Pending</u>
Hawaii	Not Registered
Illinois	April 24, 2018 As amended January 2, 2019 <u>Pending</u>
Indiana	September 14, 2018
Maryland	Renewal -Pending
Michigan	September 12, 2018
Minnesota	July 16, 2018 As Amended January 7, 2019 <u>Pending</u>
New York	August 2, 2018 Amendment -Pending
North Dakota	Not Registered
Rhode Island	September 21, 2018 As amended January 2, 2019 <u>Pending</u>
South Dakota	No Registered
Virginia	April 16, 2018 As Amended January 15, 2019 <u>Pending</u>
Washington	Renewal -Pending
Wisconsin	August 17, 2018 <u>Pending</u>

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EXHIBITS

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Namaste Nail Sanctuary, LLC, a California limited liability company (“Namaste Nail SanctuaryTM®”), is offering prospective franchise owners the opportunity to own and operate a Namaste Nail SanctuaryTM® location franchise in accordance with the terms described in this Disclosure Document. To simplify the language in this Disclosure Document, the terms, “We”, “Us”, “the Company”, or “Namaste Nail SanctuaryTM®” mean Namaste Nail Sanctuary, LLC, the franchisor (but not the Company’s officers, directors, agents or employees). “You” or “Franchisee(s)” mean the person(s) who buys a franchise from us. The term “Location(s)” or “Location Franchise(s)” mean one or several Namaste Nail SanctuaryTM® location franchises or franchise units. The owner(s) of a Location Franchise is referred to as a “Location Franchisee(s)” or “Franchisee(s)”. If you are a corporation, partnership or other entity, our Franchise Agreement (“FA”) will also apply to your owners, officers and directors (“Owners”). Unless otherwise indicated, the term “Franchised Business” means a Namaste Nail SanctuaryTM® Location Franchise.

The Franchisor, and any Parents, Predecessor and Affiliates

We are a California limited liability company, created on July 12, 2017. We have no predecessors, parents or affiliates. Although not a direct affiliate of Namaste Nail Sanctuary, LLC, our founder, President, and CEO has an interest in and is the founder, President, and CEO of The Hammer & Nails Salon Group, LLC (“Hammer & NailsTM®”), a hand and foot grooming franchise primarily for men which offers franchises and services similar to the services offered by Namaste Nail Sanctuary franchises. Hammer & NailsTM® began offering Location franchises in May 2015 and Area Representative Businesses in January 2016. The Hammer & Nails Salon Group, LLC has not offered franchises in other lines of business.

Our principal business and mailing address is 6320 Canoga Avenue, Suite 1430, Woodland Hills, CA 91367. Our telephone number is (818) 657-7220. We do not maintain a sales office at any location other than our principal places of business. We operate under our corporate name, Namaste Nail Sanctuary, LLC. We do not do business or intend to do business under any other names. Our agent for service of process is disclosed in Exhibit C to this Disclosure Document.

Our Business

Namaste Nail SanctuaryTM® Location Franchises have been developed to offer traditional manicure and pedicure services performed by licensed professionals in an effort to provide a unique grooming experience. The Namaste Nail SanctuaryTM® philosophy is centered on providing quality hand and foot grooming services in an environment that promotes meditation and relaxation. This is a full-service business that operates year-round and is typically located in shopping malls, strip centers or free-standing structures and can also be operated out of non-traditional locations like: hotels, airports, casinos, train stations, universities or military installations (all of which must be approved by us). A Namaste Nail SanctuaryTM® Location Franchise will offer a variety of comprehensive hand and foot care services and products that include, but are not limited to: different types of gender-neutral manicure and pedicure services, foot therapy services (such as: foot skin care, foot scrubs, foot and leg massages, foot paraffin treatments, etc.), proprietary service packages, beverages (such as: coffee, tea, sparkling water and soft drinks), apparel, nail care products (such as: nail clippers, nail files, oils, lotions, grooming accessories, etc.) and other hand and foot grooming related services and products approved by us. We may in the future, authorize Franchisees to offer additional services and products such as: limited massage services and other meditation, grooming and/or salon-related services or products approved by us.

We grant franchises for the right to operate under the name “Namaste Nail SanctuaryTM®”, and other marks designated by the Company from time to time (collectively referred to as the “Marks”). We refer to our proprietary and confidential system for the operation of Namaste Nail SanctuaryTM® Location Franchises, together

with the Marks, as “the System.” You must offer all products and services that we may specify and may not offer any products or services we have not authorized. We are not currently engaged in any other business.

We currently offer and sell two types of franchises: 1) Namaste Nail Sanctuary™® single location franchised businesses, referred to as Locations or Location Franchises; and 2) Namaste Nail Sanctuary™® Area Representative businesses, referred to as “Area Representative Businesses”. We began offering Location Franchises and Area Representative Businesses in August 2017. Area Representative Businesses are offered under a separate Disclosure Document (“AR FDD”). This Disclosure Document is for our Location franchise concept only, and does not contain information about the costs of opening or operating an Area Representative franchise. We do not currently own or operate any Location or Area Representative Businesses which are subject to Franchise or Area Representative Agreements. Other than the sale of Location Franchises and Area Representative Business. As of December 31, 2017, we have not sold any Location Franchises or Area Representative Businesses.

Location Franchises

We offer qualified applicants franchises for Namaste Nail Sanctuary™® Location Franchises. The Franchise Agreement (Exhibit A to this Disclosure Document) gives you the right to establish and operate one Namaste Nail Sanctuary™® Location Franchise at a specified location within a Protected Area. (See Item 12).

Namaste Nail Sanctuary™® Location Franchises operate in compliance with our business operating system (the “System”) under the trade name and service mark “Namaste Nail Sanctuary™®” and the other trade names, service marks, trademarks, logos, emblems and other indicia of origin that we designate in writing for use by Namaste Nail Sanctuary™® Location Franchises operating under the System (collectively, the “Marks”).

The System includes our methods and procedures for the establishment, management and operation of Namaste Nail Sanctuary™® Location Franchises, including our confidential information, our manuals, the Marks, and other business standards, specifications and policies. The distinguishing characteristics of the System include distinctive exterior and interior design, decor, and color scheme; furnishings; unique services and innovative techniques; uniform standards, specifications, policies and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs, all of which we may change, improve, further develop or otherwise modify from time to time.

The Franchise Agreement requires you to designate a “Principal Owner.” Your Principal Owner is the main individual responsible for your business. Your Principal Owner must meet our qualifications and must be approved by us. Your current and future Owners, including your Principal Owner, must sign a Guaranty and Assumption Agreement (“Guaranty”), guaranteeing your performance and binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition and disclosure of confidential information, restrictions on transfer and dispute resolution procedures. (See Item 15).

Under our Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate one Namaste Nail Sanctuary™® Location franchise specializing in hand and foot grooming service in an environment that promotes meditation and relaxation. We may periodically make changes to the systems, service menu, standards, facility, signage, equipment and fixture requirements for your Location Franchise. All Namaste Nail Sanctuary™® Location Franchises must be developed and operated in accordance with our specifications, standards, policies and procedures, which will be communicated to you via our confidential operations manual for Location Franchises and related guidelines (“together referred to as Manuals”) or otherwise in writing. Namaste Nail Sanctuary™® Location Franchises can range anywhere from 1,400 to 1,800 square feet, but this may vary depending on site availability.

Market and Competition

The competition for Location Franchises includes other businesses offering similar products and services to individuals. These competitors may include local and national nail care salons and meditation businesses, operated by national chains, local chains and independent operators, and to some extent day spas, resorts, beauty salons and other grooming related businesses. The nail industry is well established and competitive, however, we are unaware of any nail spas or salons that offer nail services together with meditation.

Laws and Regulations

Many states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of a Location Franchise. For example, state licensing and certification requirements may apply to persons who perform services for or at a Location franchise. In all cases, you must also comply with laws that apply generally to all businesses. You should investigate these laws, and consult with a legal advisor about whether these and/or other requirements apply to your franchise. In addition to laws and regulations that apply to businesses generally, the Location Franchise may be subject to federal, state and local occupational safety and health regulations, Equal Employment Opportunity and Americans with Disabilities Act rules and regulations. There are laws that exist in almost all states that regulate the offering of nail care services. The State Board of Cosmetology or similar administrative or regulatory body of your state regulates nail salons. There are other state laws and regulations specific to providing nail care services, such as laws and regulations dealing with the handling, storage and disposal of hazardous chemicals. Many states also require that your nail technicians have specific licenses, certifications or credentials and you must ensure that your Business and the nail technicians that work in your Business comply with such license, certification or credential requirements. In addition, some states have specific regulations and ordinances that require your Business to pass a facility health and safety inspection before opening and on an ongoing basis; and may also impose minimum specifications for equipment and facility operations and maintenance. These laws, regulations and ordinances vary from place to place and can change over time. You must know such laws, regulations and ordinances in your locality and must make sure that you and all your nail technicians and employees who work in your Business comply with any such laws and regulations as well as obtain any licenses, certifications, credentials or permits required by your locality for performing work in your Business. If you wish to offer alcoholic beverages at your Location, you must get our prior written approval, and will need to comply with all applicable laws and obtain any and all necessary permits prior to doing so. You should consider both their effect on your Business and the cost of compliance.

ITEM 2

BUSINESS EXPERIENCE

Michael Elliot –Founder and Chairman

Mr. Elliot is the founder of Namaste Nail Sanctuary, LLC, and has served as our Chairman since August 2018. He served as our Chief Executive Officer (“CEO”) from August 2017 until August 2018. From August 2017 to March 2018, Mr. Elliot served as our President. Mr. Elliot is also the founder of The Hammer & Nails Salon Group, LLC (“Hammer & Nails”), the franchisor of the Hammer & Nails™® franchise, located in Woodland Hills, California, and has been serving. He served as its Chairman of the Board since for Hammer & Nails from February 2018 to September 2018. Prior to that time, Mr. Elliot served as Hammer & Nails’ CEO from June 2016 until February 2018, and its President from February 2015 until February 2018. From May 2013 to the present, July 2018, Mr. Elliot has been serving served as the President of Hammer & Nails Salons, Inc., based out of Los Angeles, CA.

Todd Welker – Chief Executive Officer

Mr. Welker has been our Chief Executive Officer since September 2018. Mr. Welker has served as the Managing Partner of Noodles Development, LLC in Fountain Hills, AZ since August 2001. He has also been the Manager Partner of TM Western Investments in Pacific Palisades, CA from November 2015 to the present.

Michael Waterski – Vice President of Franchise Development

Mr. Waterski has been our Vice President of Franchise Development since October 2017. Mr. Waterski was our Director of Franchise Development from August 2017 to October 2017. Mr. Waterski has been the Vice President of Franchise for Hammer & Nails in Woodland Hills, California since October 2017. Mr. Waterski was the Director of Franchise Development for Hammer & Nails from January 2016 to October 2017. 2016. From May 2015 to January 2016, Mr. Waterski served as the Vice President of Licensing and Sales for Logistics Trust, Inc., located in Riverside California. From February 2014 to April 2015, Mr. Waterski served as the Vice President of Business Development of ZO Skin Health Group, LLC, located in Laguna Hills CA.

Lia Smith – Vice President of Training

Ms. Smith has been our Vice President of Training since October 2017. Ms. Smith was our Director of Training from August 2017 to October 2017. Ms. Smith has been the Director of Training for Hammer & Nails in Woodland Hills, California since November 2016. From August 2000 to the present, Ms. Smith has provided nail services to an elite client list as an independent manicurist. From September 2014 to April 2016, Ms. Smith served as the Program and Office Manager for Campowerment located in Woodland Hills, CA. Ms. Smith also served as the Executive Assistant to the Vice President and CTO of the Walt Disney Company based out of Burbank, CA, from February 2013 to August 2014. From August 2007 to February 2013, Ms. Smith served as Executive Assistant to the Senior Executive Producer on various television productions by Warner Brothers/Telepictures located in Glendale, CA.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

~~Michael Elliot, our Chairman, filed as an individual for protection under Chapter 7 of the U.S. Bankruptcy Code (U.S. Bankruptcy Court, Central District of California, Case No. 1:08-bk-17062-VK) on September 16, 2008, due to a divorce and unexpected expenses. The case was discharged on March 17, 2009. Michael Elliot's bankruptcy was not in any way affiliated with Namaste Nail Sanctuary, LLC.~~

~~No other person previously identified in Items 1 or 2 of this Disclosure Document has been involved as a debtor in proceedings under the U.S. Bankruptcy code, or under the laws of any foreign nations, bankruptcy information is required to be disclosed in this Item.~~

ITEM 5

INITIAL FEES

Initial Franchise Fee

Upon signing the Franchise Agreement, you must pay us an Initial Franchise Fee in the amount of Thirty-Nine Thousand Dollars (\$39,000). This amount is payable in one lump sum payment, is considered fully

earned and non-refundable upon receipt, and except as provided below, imposed uniformly on all franchisees. We reserve the right to modify or discount the Initial Franchise Fee in the future to reflect the changing costs of doing business and changes in the value of a Namaste Nail Sanctuary™® Location Franchise. We may discount or charge a different Initial Franchise Fee: (i) if a prospect purchases multiple Location Franchises (see below); (ii) if we are unable to locate a Location Franchisee in a particular area we consider desirable; (iii) for a Location Franchisee who is also the owner of an Area Representative Business; or (iv) based on other subjective factors we deem important to the System. The Initial Franchise Fee for an Area Representative Business is included as part of the fee charged to Area Representatives. Area Representative Businesses are offered under a separate franchise disclosure document.

Discount for Purchase of Multiple Location Franchises

If you purchase multiple Locations Franchises from us at the same time, the Initial Franchise Fee will be as follows for each Location Franchise you purchase from us:

First Two Location Franchises	\$39,000 each (no discount)
Third and Fourth Location Franchises	\$35,000 each (\$4,000 discount)
Each Additional Location Franchise	\$30,000 (\$9,000 discount)

Note that to qualify for the multiple Location Franchise discount, you must sign a separate Franchise Agreement for each Location Franchise and pay us the total Initial Franchise Fee due for all Location Franchises your purchase at the same time.

Based on the information above, the Initial Franchise Fees range from \$0 to \$39,000, depending on whether a prospect purchase an Area Representative Business (\$0) or a single Location Franchise (\$39,000). The discounts above would apply if a prospect purchases more than one Location Franchise.

ITEM 6

OTHER FEES

<u>Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalty Fee	6% of Gross Sales.	On the 1 st day and the 16th day of each month.	See Note 2 for the definition of Gross Sales. We require you to pay Royalty Fees by electronic funds transfer. Royalties accrued from the 1st to 15th of each month are debited from your account via electronic funds transfer on the next business day following the end of the period. Royalties accrued from the 16th through the end of the month are debited from your account via electronic funds transfer on the first business day of the following month.
Franchisee Local Advertising	A minimum of \$2,500 per month.	Payments for local advertising are due when billed by the local advertiser.	

<u>Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Franchisee Advertising Cooperatives	Up to 2% of your Gross Sales.	As set by the Cooperative.	We have the right to designate any geographic area in which two or more company-owned or franchised Namaste Nail Sanctuary^{TM®} Franchise locations are located as a region for purposes of establishing an advertising cooperative (“Cooperative”). If we establish a Cooperative that includes your Namaste Nail Sanctuary^{TM®} Location Franchise, you will be required to contribute the amounts required by the Cooperative’s governing documents, which may be at least two percent (2%) of your Gross Sales. Contributions to a Cooperative will not be applied to satisfy a portion of your local advertising requirements. If we have company-owned Namaste Nail Sanctuary^{TM®} Location Franchises that are located in your Cooperative territory, those company-owned franchises will not have the power to increase your required Cooperative contributions. All or a portion of your contributions to a Cooperative may be used to establish and/or maintain a website(s) focused on promoting the System in and around your market area. See Note 2 for the definition of Gross Sales.
Franchisee Advertising Fund	1% of Gross Sales.	On the 1st day and the 16th day of each month.	See Note 2 for the definition of Gross Sales. The Franchisee Advertising Fund contribution is in addition to the local advertising requirement. We require you to pay the Advertising Fund contribution by electronic funds transfer. Advertising Fund amounts accrued from the 1st to 15th of each month are debited from your account via electronic funds transfer on the next business day following the end of the period. Advertising Fund amounts accrued from the 16th through the end of the month are debited from your account via electronic funds transfer on the first business day of the following month. We may increase the required contribution amount on not less than 30 days’ written notice to you (up to a maximum of 2% of Gross Sales).

<u>Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Business Listings	Between \$100 and \$1,000 per year.	On demand.	You must place and pay the cost of a business listing acceptable to us, which may, at our option, be an Internet business listing, in such directories and categories as we may specify from time to time in the Manuals or otherwise in writing. We will not credit your payments for these listings towards your local advertising expenditure requirement.
Interest	The lesser of 18% per year or the maximum lawful rate.	On demand.	We will charge interest on all overdue amounts.
Late Fee	\$100 for each month that an amount owed to us remains past due.	On demand.	We may charge a late fee for any delinquent amounts due under the Franchise Agreement.
Additional Training	At our option, a per diem rate of \$300 for each trainer, based on our costs of providing the training. We may also charge you \$300 per day per person for additional training.	Before additional training.	See Item 11. You must also pay the expenses of your personnel attending training, such as travel, lodging, meals and wages.
On-site Remedial Training	The then-current per diem fee for remedial training, plus costs. Our current per diem rate is \$300 per trainer.	When billed.	If you ask or if we believe it is appropriate, we will (subject to availability) provide trained representatives to conduct on-site remedial training at your Namaste Nail Sanctuary ^{TM®} Location Franchise.

Fee (1)	Amount	Due Date	Remarks
Insurance Fee	An amount equal to our actual expenses for the required coverages.	On demand.	If you fail to maintain the required insurance, we may (but need not) obtain it for you. If we do, we will charge you a fee equal to our actual expenses for obtaining and maintaining the required coverages.
Enforcement Costs	Will vary.	As incurred.	You must pay our costs of enforcement (including attorney's fees and costs) if you do not comply with the Franchise Agreement.

Notes:

(1) All fees and expenses described above are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. Unless we have noted differently, we may increase these amounts based on changes in market conditions, our cost of providing services and future policy changes, but we have no present plans to increase any fees.

(2) "Gross Sales" is the total selling price of all services and products and all income of every other kind and nature related to the Namaste Nail Sanctuary™® Location Franchise, whether for cash or credit and regardless of collection in the case of credit. "Gross Sales" includes: (a) All proceeds from the sale of coupons, gift cards/certificates or vouchers; but when the coupons, gift cards/certificates or vouchers are redeemed, you are not required to count the retail value of the services provided upon redemption in determining Gross Sales for royalty purposes or for other fees calculated in respect of Gross Sales (If you do not record and report sales proceeds for royalty purposes when the coupon, gift card/certificate or voucher is sold, or if coupons, gift cards/certificates or vouchers are distributed free of charge, you will be required to pay royalties based on the retail value of the services provided in exchange for the coupon, gift card/certificate or voucher.); and (b) Your share of revenues from any vending machines or other equipment, machines or devices installed in the Namaste Nail Sanctuary™® Location Franchise. "Gross Sales" does not include (i) sales taxes you collect from customers of the Namaste Nail Sanctuary™® Location Franchise, if the taxes are actually transmitted in a timely manner to the appropriate taxing authority; (ii) tips or gratuities paid directly to your employees by customers of the Namaste Nail Sanctuary™® Location Franchise or paid to you and turned over by you to your employees in lieu of direct tips or gratuities; (iii) returns to shippers or manufacturers; and (iv) proceeds from isolated sales of trade fixtures not constituting any part of the products and services offered for sale at the Namaste Nail Sanctuary™® Location Franchise or having any material effect upon the ongoing operation of the Namaste Nail Sanctuary™® Location Franchise.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
Initial Franchise Fee	\$39,000	\$39,000	Lump Sum	When you sign Franchise Agreement	Us
Lease Expenses (1) (3 months)	\$12,000	\$43,000	As stated in lease	As incurred	Landlord

YOUR ESTIMATED INITIAL INVESTMENT					
Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
Leasehold Improvements (1)(2)	\$60,000	\$180,000	As arranged	As incurred	Contractors and subcontractors
Furniture, Fixtures, and Equipment (3)	\$60,000	\$75,000	As arranged	As incurred	Third-Party Suppliers
Computer Hardware and Software (4)	\$4,500	\$7,500	As arranged	As incurred	Approved Suppliers
Technology Fee (4) (3 months)	\$295	\$295	As arranged	As incurred	Us
Initial Training Costs (per person) (5)	\$250	\$3,000	As arranged	Before opening	Costs of travel, lodging and meals
Security Deposits (6)	\$2,000	\$6,000	As arranged	As incurred	Third-Party Suppliers
Architect, Plans and Designs (including Site Plan/Design Fee) (7)	\$2,500	\$7,500	As arranged	As incurred	Architects, Designers or Engineers
Signage (8)	\$7,500	\$15,000	As arranged	As incurred	Approved Suppliers
Initial Inventory/Supplies(9)	\$7,500	\$12,500	As arranged	As incurred (prior to opening)	Approved Suppliers
Grand Opening Marketing (10)	\$10,000	\$10,000	Lump sum	When you sign Franchise Agreement	Advertisers and other vendors
Business Supplies	\$250	\$1,500	As arranged	As incurred	Approved Suppliers
Business Permits/Licenses (13) (1 st year)	\$800	\$12,000	As required by government authorities	As required by government authorities	Applicable government Authorities
Insurance Deposits and Premiums (1 st year)	\$1,500	\$3,000	As required by insurance carrier	Before opening	Insurance carriers
Professional fees (first three months) (11)	\$2,500	\$5,000	As arranged	As arranged	Attorneys, accountants or other professionals
Additional Funds (12) (3 months)	\$20,000	\$60,000	As arranged	As arranged	Third parties
TOTAL (13)	\$230,595	\$480,295			

Notes:

(1) These estimates are based on the figures of a nail salon operated by Michael Elliot in Los Angeles, California (“the H&N Melrose Shop”) and the experience of several of our directors in working in the nail salon industry. Namaste Nail Sanctuary™® Locations are typically located in commercially zoned shopping or entertainment areas. Due to the cost of land acquisition and new construction, we anticipate that the premises for a Namaste Nail Sanctuary™® Location Franchise will be leased. These amounts assume that you will lease the premises for the Namaste Nail Sanctuary™® Location Franchise and do not include costs of land acquisition and construction of a building. The leasehold improvements estimate is based on the cost of adapting our prototypical architectural and design plans to a facility containing approximately 1,400 to 1,800 square feet. Although the

square footage of Namaste Nail Sanctuary™® Location Franchises may vary depending on site availability, but we anticipate that most Namaste Nail Sanctuary™® Location Franchises will contain between 1,400 and 1,800 square feet. The leasehold improvement ranges will be affected by various factors like the location of the Namaste Nail Sanctuary™® Location Franchise and local market conditions. The estimates assume that the landlord will provide connections to adequate electrical, gas, water and sewage service. Your actual costs may or may not include site preparation and finish-out costs, depending on the arrangements you negotiate with your landlord. If your landlord contributes to the cost of finish-out, total leasehold improvement costs could be reduced. These costs are our best estimate based on commercial leasing and remodeling/finish-out rates based on our officers' and directors' collective experience in working with nail salons. These estimates may vary substantially based on your ability to negotiate with your landlord and your financial strength, as well as on local commercial leasing and labor rates and other local conditions.

(2) Construction and remodeling costs may vary widely, depending upon numerous factors, including but not limited to, weather conditions, labor costs, costs of materials, location, condition of the building, premises and condition of any related facilities, such as HVAC, electrical/wiring and plumbing infrastructure.

(3) This estimate includes all furniture, fixtures and equipment to be used in your Namaste Nail Sanctuary™® business, including trade dress, interior art work and design elements. All of these items must meet our standards and specifications.

(4) This amount includes estimated purchase costs or monthly lease cost of computer hardware and software (including, without limitation, back office software and point of sale software meeting our specifications and provided by our designated supplier or other manufacturer approved in writing by us) that you must use in the operation of your Namaste Nail Sanctuary™® Location franchise. (See Item 11). In addition, you will be required to pay our monthly Technology Fee. You are not required to pay the full monthly Technology Fee (\$295) until the month prior to your Location Franchise opens for business. However, we may require you to pay us an amount equal to one-third of our current Technology Fee on the 1st day of the first month following the date you sign your Franchise Agreement and continuing until the date that you are first required to pay us the full Technology Fee. The table reflects an amount equal to one-third of the monthly Technology Fee for the first three months after you sign the Franchise Agreement.

(5) We provide initial training to your initial Principal Owner and General Manager (if different) at no additional charge. Therefore, these amounts include only your out-of-pocket costs for the training of these people. You must pay all expenses you or your employees incur in the initial training program, like travel, lodging, meals and wages. These costs will vary depending upon your selection of salary levels, lodging and dining facilities, mode and distance of transportation. (See Item 11). The figures in the chart represent the estimated cost for one individual to attend our initial training program. We currently charge a \$500 per person tuition fee for the third and each subsequent attendee you send to our initial training program.

(6) You will likely be required to pay security deposits to certain third parties, including your landlord, telephone service provider, local utility companies and various equipment vendors and suppliers. These amounts will vary for each location and will be based in part on the premises, services and equipment you select.

(7) You must use an approved architect/design vendor. After you receive your initial site plans/designs from the architect/design vendor, you may incur additional architect/design costs if modifications or other design services are needed in order to complete construction of your Namaste Nail Sanctuary™® Location Franchise based on specifications and requirements set for by us. All plans must be approved by us prior to the start of construction.

(8) All interior and exterior signage used at, or in connection with, your Namaste Nail Sanctuary™® Location Franchise must conform to our standards and specifications.

(9) We estimate that this range will cover the cost of product inventory (including nail care services, as well as other grooming services and other related products), supplies and other miscellaneous items for approximately the first 90 to 120 days of operations.

(10) You must carry out a grand opening promotion for your Namaste Nail Sanctuary™® Location Franchise in accordance with our standards. You will pay third party advertising vendors directly, but all grand opening advertising must be agreed upon by you and us in advance, and all advertising must conform to our standards and specifications. This entire grand opening marketing amount must be spent during the period beginning no later than 10 days before the opening of your Namaste Nail Sanctuary™® Location Franchise and ending 90 days after such opening date (the “Grand Opening Period”).

(11) We strongly recommend that you retain an attorney to advise you on this franchise offering. You may also wish to retain an accountant to help you evaluate this franchise offering. If you choose to form an entity to own the franchise, you may incur additional fees that we cannot estimate.

(12) You will need additional funds during the start-up phase of your business to pay employees, purchase supplies and pay other expenses. We estimate the start-up phase to be 3 months from the date you open for business. These amounts do not include any estimates for debt service or any salary or draw for you. You must also pay the royalty and other related fees described in Item 6 of this Disclosure Document. These figures are estimates, and we cannot assure you that you will not have additional expenses. Your actual costs will depend on factors like your management skills, experience and business acumen. You should base your estimated start-up expenses on the anticipated costs in your market and consider whether you will need additional cash reserves. As stated previously, we relied on the experience of the H&N Melrose Shop in Los Angeles, CA and our officers’ and directors’ experience in working with nail salons to compile these estimates. You should review these figures carefully with your business advisor.

(13) The high figure in the table takes into account the cost of a beer and wine license/permit, which we estimate will be range between \$1,500 and \$10,000, however, this cost may be higher depending on the laws where your franchise is located. If you choose to offer alcoholic beverages other than beer and wine (i.e., hard liquor), then the cost for a license/permit could range between \$35,000 and \$100,000, and possibly higher, depending on the laws where your Franchise is located. You are not required to provide/offer alcoholic beverages at your Location Franchise. If you desire to offer alcoholic beverages at your Location, you must first obtain our prior written approval, and you will be required to comply with all applicable laws and obtain all necessary licenses and permits. This may affect the amount of your initial investment and the costs associated with operating your Location Franchise.

Unless otherwise stated above, these estimates are subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments we control. We do not offer any financing for your initial franchise fee or any portion of your initial investment. Unless otherwise stated, the amounts described above are not refundable (See Item 10).

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

You must purchase certain products, supplies, insurance, inventory, signage, fixtures, furniture, equipment, décor and other specified items under specifications and standards that we periodically establish in our Manuals or other notices we send to you from time to time. You may be required to purchase or lease from us, our affiliates, or other designated third party suppliers all of the products, services, supplies, fixtures, equipment, inventory or real estate used in establishing or operating the Namaste Nail Sanctuary™® Location Franchise, but we do impose

several sourcing/supplier requirements for certain items, including, among other things, private label products that you must offer for sale at any Namaste Nail Sanctuary™® Location Franchise you own and the supplies and products used in operating such business, and we reserve the right to require you to purchase some or all of such items from us, our affiliates or other third party designated suppliers in the future. Our sourcing/supplier requirements will impact you as the owner of a Namaste Nail Sanctuary™® Location Franchise. The equipment, products and services may include: equipment (such as pedicure bowls, manicure dishes, paraffin machines, towel warmer units, and other equipment, furniture and fixtures, technology items (such as: POS System, computers, software, camera security system, flat screen televisions, wireless receivers and a sound system), approved products (such as: lotions, oils, nail polishes, towels, grooming products, etc.), privately labeled products (which are products that carry the Namaste Nail Sanctuary™® brand), supplies (such as gloves, liners, containers, replacement pads, paper products, cleaning supplies, etc.), uniforms, signage, site design services, satellite television providers, merchant services, promotional merchandise, printed advertising materials, shows and event marketing opportunities and vendor, co-branding, affinity programs.

Designated Suppliers

We reserve the right to designate specific suppliers for the products and services used and sold in the Namaste Nail Sanctuary™® Location Franchises (and we or our affiliates may be the sole source for some products or services). You will be required to use our designated suppliers for insurance and real estate services. We are in the process of finalizing our relationships with the suppliers for these services and will include more information about these suppliers in our Manuals. None of our officers own an interest in any approved suppliers. We also reserve the right to change or add designated suppliers from time to time at our option upon written notice to you.

Approved Suppliers

If we have approved suppliers (including manufacturers, distributors and other sources) for any items, supplies, materials, fixtures, furnishings, equipment, sight plans and designs, computer systems and other products used or offered for sale at the Namaste Nail Sanctuary™® Location Franchise, you must obtain these items from those suppliers. Approved suppliers are those who demonstrate on a continuing basis the ability to meet our then-current standards and specifications, who have adequate quality controls and the capacity to supply the needs of the Namaste Nail Sanctuary™® Franchise network promptly and reliably, whom we have approved in writing and whom we have not later disapproved. We may designate ourselves or our affiliates as approved or designated suppliers of any item. Before opening a Namaste Nail Sanctuary™® Location Franchise (and from time to time as needed during operation), you must purchase from approved suppliers certain items required for the operation of a Namaste Nail Sanctuary™® Location Franchise, including, among other things, uniforms, certain equipment/tools, approved signage and a designated POS system. We are not currently an approved or designated supplier of any items, but we may be in the future.

We have the right to make available to you for resale in the Namaste Nail Sanctuary™® Location Franchise merchandise identifying the System. This may include Namaste Nail Sanctuary™® memorabilia, like T-shirts, cups and hats. If we make this type of merchandise available, we may require you to purchase it from us or a supplier we designate in amounts necessary to meet your customer demand.

If we require that an item be purchased from an approved supplier and you wish to purchase it from a supplier we have not approved, you must submit to us a written request for approval. You must not purchase or lease the item from the supplier until and unless we have approved the supplier in writing. We have the right to require you to submit information, specifications and samples to us to enable us to determine whether the item complies with our standards and specifications and that the supplier meets our criteria. We also have the right to inspect the supplier's facilities, and to have samples from the supplier delivered to us or to an independent laboratory we designate for testing. We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial compatibility, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. We may re-inspect the facilities and products of any approved supplier, and may revoke our approval upon

the supplier's failure to continue to meet any of our then-current criteria. If we revoke our approval of any supplier, you must promptly discontinue use of that supplier. You must reimburse us for the costs that we incur in the supplier approval process. Nothing requires us to approve any particular supplier and we are not required to notify you of our approval or disapproval within any specified period of time, but we will use commercially reasonable efforts to notify you within 30 days once we have completed our evaluation of the proposed product or supplier. Our specifications for products and criteria for supplier approval are generally issued through written communications and are available to franchisees and approved suppliers.

Purchases According to Specifications

You must comply with all of our standards and specifications relating to the purchase of all supplies, materials, fixtures, furnishings, equipment, computer systems and other products used or offered for sale at a Namaste Nail Sanctuary™® Location Franchise. Among other things, the following must comply with our specifications:

Site Selection and Construction

You must locate a site for the Namaste Nail Sanctuary™® Location Franchise that satisfies our site selection requirements. You must adapt our prototypical architectural and design plans as needed for the construction or remodeling of your Namaste Nail Sanctuary™® Location Franchise and provide them to us within 15 days after you acquire the site for the Namaste Nail Sanctuary™® Location Franchise. We have the right to review your plans and must notify you of our objections within 15 days after we receive your plans. If we do not notify you of any objections within that time, you may use the plans. If we do object within the 15-day period, you may not use the plans. Any objections we make will also include a reasonably detailed list of changes that you must make for the plans to be acceptable. We will notify you within 15 days after we receive your revised plans if they are acceptable. If we do not object to your revised plans within the 15-day period, you may use the revised plans.

Advertising and Promotional Materials

You agree that any advertising, promotion and marketing you conduct will be completely clear and factual and not misleading and will conform to the highest standards of ethical marketing and the promotion policies that we prescribe periodically. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted to us for approval at least 15 days before you use them or deliver them to a third party for use in any advertisement. If you do not receive written approval within 10 days after our receipt of such materials, we will be deemed to have disapproved such materials. You may not use any advertising or promotional materials that we have disapproved. Our approval of any advertising material may be withdrawn at our sole discretion at any time.

Insurance

You must obtain and maintain insurance policies protecting you and us and various related parties against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense related to or connected with the operation of the Namaste Nail Sanctuary™® Location Franchise. All required insurance policies must be purchased from an approved vendor. In addition, each of your insurance policies must include a one-year tail following the termination, expiration or transfer of your Franchise Agreement, and each policy must name us as a co-insured. At a minimum (except as additional coverages and higher policy limits may reasonably be specified by us from time to time in writing), you must carry:

- (1) Comprehensive general liability insurance written on an occurrence form, including coverage for beauticians professional liability, broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in an amount not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate, \$2,000,000 products/completed operations aggregate, \$1,000,000 personal and advertising injury, \$50,000 damage to premises rented to you, and \$5,000 medical

expense (any one person). The general liability coverage shall include a waiver of subrogation endorsement in favor of us and shall not limit or exclude contractual liability. There should be no limitation or exclusion for sexual abuse or molestation coverage;

(2) Employment related practices liability insurance, including third party coverage, in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate. Such insurance must include a deductible of less than \$10,000 unless we approve a higher deductible in writing. Prior acts retroactive date must be no later than the effective date of your Namaste Nail Sanctuary™® Franchise Agreement;

(3) Commercial automobile insurance written on a combined single limit basis for bodily injury and property damage with a limit not less than \$1,000,000 per accident. Such insurance shall include coverage for owned, hired, and non-owned automobiles and shall include additional insured and waiver of subrogation endorsements in favor of us;

(4) Commercial umbrella or excess liability following form insurance in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate;

(5) Property insurance coverage to include coverage for replacement costs of all Franchisee-owned contents and tenant improvements at each location, and business interruption insurance for a period adequate to re-establish normal business operations, not to be less than six months. All property related coverage shall be written on special causes of loss forms with deductibles not to be greater than \$10,000 per occurrence;

(6) Workers' compensation (Coverage A) with statutory limits complying with the laws of the applicable state, and employer's liability (Coverage B) with limits not less than \$1,000,000 per accident, \$1,000,000 disease policy limit, and \$1,000,000 disease per employee. Such insurance shall include a waiver of subrogation endorsement in favor of us; and

(7) Such other insurance as may be required by us from time to time or by the landlord of the Namaste Nail Sanctuary™® Location Franchise premises, and by the state or locality in which the Namaste Nail Sanctuary™® Location Franchise is located. All required insurance coverages may be obtained by separate primary policies, or in combination with umbrella or excess liability policies.

Purchasing Arrangements

Neither we, nor ~~any our~~ affiliate received revenues or rebates from the sale of products or services to ~~our franchisees in 2017.~~ Franchisees in the year 2018.

We may negotiate certain purchase arrangements (including price terms) for the purchase of certain items, such as uniforms, logoed paper products, insurance, design/architecture services, music/on-hold messaging services, supplies or other items, with suppliers for the benefit of franchisees. In doing so, we seek to promote the overall interests of our franchise system and our interests as the franchisor. We or our affiliates may receive rebates or other material consideration from approved or designated sources. We will not provide material benefits to franchisees based upon their use of designated or approved suppliers. There are currently no purchasing or distribution cooperatives for the System.

Your obligations to purchase or lease goods, services, supplies, fixtures, equipment, inventory, and computer hardware and software from us or our designee, from suppliers we approve, or under our specifications are all considered "required purchases." We describe these obligations in detail in the preceding sections of this Item 8. The magnitude of required purchases in relation to all purchases you make to establish and operate the Namaste Nail Sanctuary™® Location Franchise is difficult to determine due to the highly variable nature of expenditures necessary to establish and operate the Namaste Nail Sanctuary™® Location Franchise as described in Item 7. It is estimated that all your initial expenditures from us, our affiliates or the vendors that we specify and/or approve that meet our standards and specifications will represent approximately 25%-35% of your total initial

purchases. It is anticipated that during the operation of your Location Franchise, required purchases from us, our affiliates or the vendors that we specify or approve (not including rent, royalties or labor costs) are estimated to be approximately 50%-70% of your total monthly purchases in the continuing operation of your Location Franchise (this depends on the size of your Location, amount of inventory you purchase and your sales volume).

None of our officers hold any ownership interest in any privately-held suppliers or any material interest in any publicly-held suppliers of the Namaste Nail SanctuaryTM® franchise system. From time to time our officers may own non-material interests in publicly-held companies that may be suppliers to our franchise system.

ITEM 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement 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.

Obligations	Section in Franchise Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	Franchise Agreement Section III.A.	Items 8 and 11
(b) Pre-opening purchases/leases	Franchise Agreement Sections III, VIII, IX. and XIII.	Items 5, 6, 7, 8 and 11
(c) Site development and other pre-opening requirements	Franchise Agreement Sections III, VII, IX.F, VIII, and XIII.	Items 1, 7, 8 and 11
(d) Initial and ongoing training	Franchise Agreement Sections VI.B. and VIII.A.	Items 6, 7 and 11
(e) Opening	Franchise Agreement Sections III, IX.F. and <u>Exhibit C</u>	Items 7 and 11
(f) Fees	Franchise Agreement Sections V. and IX.	Items 5, 6 and 11
(g) Compliance with standards and policies	Franchise Agreement Sections III, IV, VII, VIII, IX, X., XI, XII, XIII.	Items 8, 11, 14 and 16
(h) Trademarks and proprietary information	Franchise Agreement Sections X. and XI. and <u>Exhibit B</u>	Items 11, 13 and 14
(i) Restrictions on products/services offered	Franchise Agreement Section VIII.	Items 11, 13 and 14

Obligations	Section in Franchise Agreement	Disclosure Document Item
(j) Warranty and Customer Service Requirements	Franchise Agreement Section VIII.H.	Items 8 and 16
(k) Territorial Development and Sales Quotas	Not applicable	Item 16
(l) On-going products/services purchases	Franchise Agreement Sections VIII. and IX.	Item 12
(m) Maintenance, appearance and remodeling requirements	Franchise Agreement Sections IV.B. and VIII.	Items 8, 11 and 16
(n) Insurance	Franchise Agreement Section XIII.	Item 8
(o) Advertising	Franchise Agreement Section IX.	Items 7 and 8
(p) Indemnification	Franchise Agreement Section XVI.	Items 6, 8 and 11
(q) Owners Participation management/staffing	Franchise Agreement Sections VII. and VIII.	Items 1, 11 and 15
(r) Records/reports	Franchise Agreement Sections III, V., IX. and XII.	Item 11
(s) Inspections/audits	Franchise Agreement Sections III, VI, VIII. and XII.	Items 6, 8 and 11
(t) Transfer	Franchise Agreement Section XV.	Items 6, 12 and 17
(u) Renewal	Franchise Agreement Section IV.	Items 6, 12 and 17
(v) Post-termination obligations	Franchise Agreement Section XIX.	Item 17
(w) Non-competition covenants	Franchise Agreement Section XI. and <u>Exhibit B</u>	Item 17
(x) Dispute resolution	Franchise Agreement Section XX.	Item 17

ITEM 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation. We are unable to estimate whether you will be able to obtain financing for any of your investment and, if you are able to obtain financing, we cannot predict the terms of the financing. We do not receive payment from any person for obtaining or placing financing. We do not guarantee any of your obligations to third parties, including any relating to notes or leases.

ITEM 11

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

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

Pre-Opening Obligations: Before you open your Namaste Nail SanctuaryTM® Location Franchise, we or our designee will:

1. Provide you a copy of our written site selection guidelines and give you the site selection assistance we believe to be necessary. (Section III.A. of Franchise Agreement);
2. Review your proposed site for compliance with our site selection guidelines and accept or not accept the site and your proposed lease or contract of sale within 15 days after receiving your complete site information. (Section III.A. of Franchise Agreement);
3. Identify approved or designated suppliers of the products, signs, equipment, materials, supplies, and services you must use to develop and operate your Location (Franchise Agreement, Section VI.I);
4. Provide access to or loan you one (1) set of our Manuals. (Franchise Agreement, Section VI.A.);
5. Provide you a list of any approved suppliers. (Franchise Agreement, Section VI.I);
6. Conduct an initial training program. (Franchise Agreement, Sections VI.B. and VIII.A.); and
7. Provide you on-site opening assistance. (Franchise Agreement, Section VI.C.).

Post-Opening Obligations: During the operation of your Namaste Nail SanctuaryTM® Location Franchise, we will:

1. Conduct periodic evaluations of your operations. (Franchise Agreement, Section VI.E.)
2. We will administer an advertising fund and provide any advertising and promotional materials we develop for local advertising. (Franchise Agreement, Sections VI.F. and IX.)
3. Give you any advice and written materials we may develop on the techniques of managing and operating Namaste Nail SanctuaryTM® Location Franchises. (Franchise Agreement, Section VI.G.)
4. Give you updated lists of approved suppliers and vendors. (Franchise Agreement, Section VI.I.)

5. Provide pricing methods/guidance from time to time for products and services to be sold at Namaste Nail Sanctuary™® Location Franchises. We will establish maximum, minimum or other pricing requirements for the products to be sold at your Namaste Nail Sanctuary™® Location Franchise to the fullest extent allowed by law. (Franchise Agreement, Section VIII.K)

6. Provide to you, on loan, proprietary software programs (if any) as may be developed by us or on our behalf for use in the System. We reserve the right to charge a reasonable license fee. (Franchise Agreement, Section VI.D)

Site Selection and Construction

You must identify and secure a site for your Namaste Nail Sanctuary™® Location Franchise within a non-exclusive Designated Area. In reviewing your proposed site, we consider various factors, including the condition of the site, the location of the site, population, and other demographic factors. We must accept the site as meeting our standards before you may begin any construction or renovations or use such site for your Namaste Nail Sanctuary™® Location Franchise. You cannot place a Namaste Nail Sanctuary™® Location Franchise at a site we have not first accepted in writing. We loan you our written site selection guidelines to assist you in selecting a site that meets our guidelines, but we do not generally own premises and lease them to our franchisees. (Section III.A. of Franchise Agreement)

When you identify a proposed site, you must submit to us in writing a description of the site, evidence that the site satisfies our site selection guidelines, a copy of the proposed lease or contract of sale for the site, and any other information we may require. We have 15 days after we receive all required information to review and accept or not accept your proposed site and notify you of such acceptance or rejection. You must also obtain our written approval of the final, complete lease or contract for sale for your site prior to your signing, and such document must include a rider in substantially the form of Exhibit G to the Franchise Agreement. If we accept multiple sites, you must notify us within 5 days of our acceptance of the sites of the site that you intend to acquire for the Namaste Nail Sanctuary™® Location Franchise. Our acceptance of a site does not guarantee that a Namaste Nail Sanctuary™® Location Franchise will be profitable or successful at that site. (Section III.A. of Franchise Agreement)

You are solely responsible for locating and obtaining a site for your Namaste Nail Sanctuary™® Location Franchise that is acceptable to us, and you must do so within 120 days after signing the Franchise Agreement. We have 15 days after we receive all required site information from you to review and approve or reject your proposed site and notify you of such approval or rejection. If you are not able to locate a site that is approved by us within 120 days after signing the Franchise Agreement then you will be in default under the Franchise Agreement, and we may, at our option, terminate such agreement.

Promptly following our acceptance of the site, you must enter into a lease or contract of sale for the site. You must provide us with a copy of the signed lease or contract of sale within 10 days of signing it. (Section III.A. of Franchise Agreement)

You are responsible for obtaining all zoning classifications and clearances which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the construction and operation of the Namaste Nail Sanctuary™® Location Franchise, and you must conform the studio premises as needed to comply with any local ordinances and building codes at your expense. (Franchise Agreement, Section III.C.) Before beginning construction of the Namaste Nail Sanctuary™® Location Franchise, you must (i) obtain all approvals, clearances, permits, licenses and certifications required for the lawful construction or remodeling and operation of the Namaste Nail Sanctuary™® Location Franchise, and (ii) certify in writing to us that they have been obtained and that the insurance coverage required under the Franchise Agreement is in full force and effect. (Franchise Agreement, Section III.C.)

You must obtain, at your expense, any architectural, engineering, design, construction and other services you deem necessary for the construction of the Namaste Nail Sanctuary™® Location Franchise. The architect(s) and engineer(s) selected to plan and oversee construction of your Namaste Nail Sanctuary™® Location Franchise must be approved by us before beginning their work on the Namaste Nail Sanctuary™® Location Franchise. We may, but are not obligated to, provide you a list of approved architect(s) and engineer(s). (Franchise Agreement, Section III.D.)

Time Between Signing the Franchise Agreement and Locating and Opening an Approved Site

We estimate that it will be approximately 150 to 180 days from the time you sign the Franchise Agreement to the time you begin operations. This time period may be shorter or longer depending on the modifications that must be made to the site to accommodate your Namaste Nail Sanctuary™® Location Franchise and other factors, such as delays or difficulties in obtaining financing, building permits, zoning and local ordinances, weather conditions, shortages of materials or delayed installation of equipment, fixtures or signs. You must begin business within 180 days after signing the Franchise Agreement, unless we give you a written extension. (Franchise Agreement, Section III.E.)

You must begin operating your Namaste Nail Sanctuary™® Location Franchise within 365 days after signing the Franchise Agreement. If you fail to do so you will be in default under the Franchise Agreement and we may terminate such agreement at our option.

Advertising

You must participate in a grand opening promotion and all advertising and sales promotion programs that we may authorize or develop for Namaste Nail Sanctuary™® Franchisees. You must spend at least \$10,000 on grand opening marketing during the period beginning no later than 10 days before the opening of your Namaste Nail Sanctuary™® Location Franchise and ending 90 days after such opening date (the “Grand Opening Period”). Your grand opening promotion costs are in addition to the required local advertising expenditures described below (Franchise Agreement, Section IX.D., F)

Local Advertising

After the Grand Opening Period, you must spend at least an amount equal to \$2,500 per month for advertising and promotion of the Namaste Nail Sanctuary™® Location Franchise in the Protected Area (See Item 12 for a description of the Protected Area).

You must submit to us any reports (including substantiating receipts) detailing your local advertising expenditures that we may require. We may reallocate the proportion of those monies directed to local advertising (individually or through a Cooperative) and to the Fund. (Franchise Agreement, Section IX.)

You must place and pay the cost of a business listing acceptable to us, which may, at our option, be an Internet business listing, in such directories and categories as we may specify from time to time in the Manuals or otherwise in writing. We will not credit your payments for these listings towards your local advertising expenditure requirement. (Franchise Agreement, Section IX.G.)

All advertising and promotions you place in any medium must be conducted professionally, must conform to our standards and requirements and must be approved by us before use. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted to us for approval at least 15 days before you use them or deliver them to a third party for use in any advertisement. If you do not receive written approval within 10 days after our receipt of such materials, we will be deemed to have disapproved such materials. You may not use any advertising or promotional materials that we have disapproved. Our approval of any advertising material may be withdrawn at our sole discretion at any time.

You may not advertise, promote, post or list information relating to the Namaste Nail Sanctuary™® Location Franchise on the Internet (through the creation of a website or otherwise), but we may, at our option, decide to include information about your Namaste Nail Sanctuary™® Location Franchise on our Website.

Advertising Cooperative

We can designate any geographic area in which 2 or more company-owned or franchised Namaste Nail Sanctuary™® Franchisees are located as a region for an advertising cooperative (“Cooperative”). We may require Cooperatives to be formed, changed, dissolved or merged from time to time. If we do form a Cooperative, the Cooperative must be organized and governed as we determine. We reserve the right to require all Cooperatives to be formed as legal entities under applicable state laws. Any Cooperatives we authorize will be for the exclusive purpose of administering advertising programs and developing promotional materials for members in local advertising. If a Cooperative is established for an area that includes your Protected Area, you must become a member of the Cooperative and participate in the Cooperative by contributing the amounts required by the Cooperative's governing documents, which may require contributions of at least two percent (2%) of the Namaste Nail Sanctuary™® Location Franchise's Gross Sales. Your Cooperative contributions will not be applied toward partial satisfaction of your local advertising requirement. All or a portion of your contributions to a Cooperative may be used to establish and/or maintain a website(s) focused on promoting the System in and around your market area. All franchisee, affiliate- and company-owned Locations that are part of a Cooperative will be required to contribute to the Cooperative on the same basis as the other members of the Cooperative. If we have company-owned Namaste Nail Sanctuary™® businesses that are included in your Cooperative territory, those company-owned franchises will not have power to increase your required Cooperative contributions without a majority vote of the franchisee members of the Cooperative. You must also submit to the Cooperative and to us all statements and reports that we, or the Cooperative, may require. Cooperative contributions will be maintained and administered under the Cooperative's governing documents and the Cooperative will be operated solely as a conduit for the collection and expenditure of advertising contributions. The Cooperative governing documents will be available for review by all of the Cooperative members. Cooperative members will be entitled to a report on an annual basis on how the Cooperative's funds are being spent. (Franchise Agreement, Section IX.B.)

Advertising Fund and Regional Advertising

Franchisee Advertising Fund Contributions

In addition to local advertising, we have established a franchisee advertising fund (“Fund”). You must make periodic contributions to the Fund of up to 2% of the Namaste Nail Sanctuary™® Location Franchise's Gross Sales. Initially, your periodic contributions will each be an amount equal to one percent (1%) of the Namaste Nail Sanctuary™® Location Franchise's Gross Sales. In our sole discretion on not less than 30 days' written notice, we may increase the amount you must contribute to the Fund; provided, however, that you will not be required to contribute more than 2% of the Namaste Nail Sanctuary™® Location Franchise's Gross Sales to the Fund. Your required contributions to the Fund are in addition to amounts you are required to spend for local advertising. Fund contributions are also in addition to any contributions that may be required through a Cooperative.

Administration of the Advertising Fund

We or someone we designate will separately administer the Fund. The Fund is not a trust or escrow account, and we do not have any fiduciary obligations with respect to the Fund. We will direct all programs financed by the Fund, including the creative concepts, materials, endorsements, and the geographic market and media placement and allocation thereof. We may use the Fund to satisfy the costs of producing video, audio and written advertising materials; administering regional and multi-regional advertising programs; developing and maintaining an Internet website; developing and maintaining gift card, membership and other customer loyalty programs; and supporting public relations, market research and other advertising, promotion and marketing

activities. We are not required to make expenditures for you that are equivalent or proportionate to your Fund contributions or to ensure that any particular franchisee benefits directly or in proportion to its contributions to the Fund. Except for any portion of the Fund spent on Website development and maintenance (a portion of which may include soliciting the sale of franchises using the websites or websites primarily focused on franchise growth), the Fund is not used to solicit the sale of franchises. The Namaste Nail Sanctuary™® businesses owned by us and our affiliates may, but are not required to, contribute to the Fund on the same basis as a franchisee under the terms of a standard franchise agreement.

Presently, we anticipate that Fund advertising will be conducted primarily through electronic or print media on a regional basis, and that the majority of our advertising will initially be developed in-house. We may use the Fund to directly place advertising in your local or regional market; however, we also intend to use the Fund to create and prepare marketing materials or advertising programs that will be provided to you so that you may directly place or implement such materials or programs in your local or regional market. Any amounts that you spend to place or implement advertising created by the Fund in your local or regional market will be credited towards your local advertising obligations.

We will not use your Fund contributions to defray any of our operating expenses, except for any reasonable salaries, administrative costs, travel expenses and overhead that we may incur in administering the Fund and its programs. We will prepare an annual statement of the Fund's operations and will make it available to you if you request it. Any amounts in the Fund that are not spent in the fiscal year in which they accrue will be applied toward advertising activities or our expenses incurred in administering the Fund and its programs in the following fiscal year. We are not required to have the Fund's statements audited.

For the fiscal year ending December 31, ~~2017, 2018~~, there were \$0 contributed to the Ad Fund. Ad Fund contributions were spent as follows: 0% on media placement, 0% on production expenses, and 0% on administrative and miscellaneous expenses. However, we did not begin offering Location Franchises until August 2017, and no Location Franchises were sold in 2017. We presently do not have an advertising council.

We may terminate the Fund at any time on 30 days' prior written notice to you. If we terminate the Fund, all unspent monies will be distributed to the contributors in proportion to their respective contributions during the preceding 12-month period. (Franchise Agreement, Section IX.C.)

Computer and Electronic Cash Register Systems

You must purchase, install and at all times use our designated point of sale computer system ("POS System") at your Namaste Nail Sanctuary™® Location Franchise. If the POS System is updated or modified by the manufacturer from time to time you may be required to purchase the modified or upgraded version. You must also install and maintain at least two point-of-sale terminals that are capable of running the POS software (and one back-office work station computer). The POS software is used to generate, compile, store and manage Namaste Nail Sanctuary™® Location Franchise sales information. You must purchase this software and the related point of sale hardware from a supplier approved by us. Before approving a new supplier, we will require you to pay the cost of testing the supplier's products and inspecting its facilities (including our administrative expenses). These costs will vary depending on the nature of the products being tested and the nature and location of the facilities being inspected. Nothing requires us to approve any particular supplier and we are not required to notify you of our approval or disapproval within any specified period of time, but we will use commercially reasonable efforts to notify you within 30 days once we have completed our evaluation of the proposed product or supplier.

The POS system, including the required computer hardware needed to operate the system, costs approximately \$4,500 to \$7,500 (as shown in Item 7 of this disclosure document), depending on the number of terminals needed for your Namaste Nail Sanctuary™® Location Franchise and whether you wish to have a central office terminal for tracking information for multiple locations.

You must also install and maintain a computer at the Namaste Nail Sanctuary™® Location Franchise that has Internet access via high speed internet connection, is capable of running the software we require from time to time and is able to transmit and receive e-mails. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by Namaste Nail Sanctuary™® Location Franchises.

Except as stated above, neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades or updates to your hardware or software. Except as stated above, there are currently no optional or required maintenance/upgrade contracts for the POS System or any of your computer systems. The software programs and hardware used at Namaste Nail Sanctuary™® Location Franchises are designed to enable us to have independent access to the information generated and stored by the system, and there is no contractual limitation on our access to or use of the information we obtain.

We may revise our specifications for the hardware and any software used in the Namaste Nail Sanctuary™® Location Franchises as we deem necessary, including the designation of specific brands or models of accounting software or other software used for word processing, spreadsheets and other office functions, that you must use in the operation of your Namaste Nail Sanctuary™® Location Franchise. In addition, you must update and upgrade the hardware and software described in this Item 11 from time to time as we require, and you must install any other hardware or software for the operation of the Namaste Nail Sanctuary™® Location Franchise that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. The licensors of the required software may develop enhancements and upgrades for their programs that you may be required to obtain. We cannot estimate how often those licensors may develop updates, upgrades or enhancements, or whether we will require you to obtain them, or their cost to you. There are, however, no limitations on the frequency and cost of the updates, upgrades or enhancements. However, we estimate that the annual cost of any optional or required maintenance or upgrades of your computer system would not be expected to exceed the cost of your original purchase of the computer system.

Confidential Operations Manuals

After you sign the Franchise Agreement, we will loan you a copy of our Manuals (in electronic format only), which we may amend from time to time upon written notice to you. A copy of the table of contents for the operations manual for Location Franchises is attached as Exhibit B to this Disclosure Document. The operations manual for Location Franchises is currently being revised at this time. We consider the contents of the manual and any other documents we provide you relating to Namaste Nail Sanctuary™® Location Franchise (collectively referred to as our “Manuals”) to be proprietary, and you must treat them as confidential. You may not make any copies of the Manuals.

Training

Unless we agree otherwise, within sixty (60) days of executing the Franchise Agreement for your Namaste Nail Sanctuary™® Location Franchise, you and your Principal Owner and General Manager (if different from the Principal Owner) must have attended and completed our initial management training program to our satisfaction. (Franchise Agreement, Section VIII.A.)

The training program will be conducted at our offices in Woodland Hills, CA, or such other location we designate in CA. The Manuals detail all aspects of franchise operations presented in training and serve as an ongoing reference. Updates to the Manuals will be made available to you through various means including online. Training sessions will be taught by a combination of Lia Smith, Mecca Elliot, and/or other qualified members of our staff or third party professionals designated by us. Each member of our training staff will have at least 2 years of experience in the subject matter to which they have been assigned training responsibilities. ~~our~~ Our staff will teach franchisees the Namaste Nail Sanctuary™® Systems and Philosophy and train franchisees on our Product Presentation and Merchandising, our Approved Vendors and Suppliers, our Strategies for Purchasing Equipment, our Products and Supplies, our Pricing Guidelines, How to Run Your Shop Efficiently, Staffing and Labor Costs,

Marketing and Promoting Your Business, our POS System and Software Training, and Administrative and Bookkeeping Responsibilities.

Lia Smith ~~has over 30 years in the nail care industry, including nail salon ownership and management experience.~~ She will train franchisees on our Approved Equipment and Products and How to Use Them, our Manicure and Pedicure Systems, Methodology and Techniques, our Client Service Standards, Quality and Handling Complaints, Safety, Security, Health and Sanitation, and on Hiring and Training Nail Technicians and Employees. Mecca Elliot will train on front desk protocols and membership sales.

Occasionally, different guest speakers may make an appearance at the training program to provide information about various products, services and programs offered by us. For example, some speakers may be our employees, franchisees or industry experts. Our training program uses presentations, demonstrations, examples from the Operations Manual, on the job training, and various speakers.

TRAINING PROGRAM			
Subject	Hours of Classroom Training	Hours of On the Job Training	Location
The Namaste Nail Sanctuary™® System and Philosophy	1 Hour		Our offices in Woodland Hills, CA
Approved Services	2 Hours		Our offices in Woodland Hills, CA
Approved Equipment and Products and How to Use Them	2 Hours		Our offices in Woodland Hills, CA
Product Presentation and Merchandising	1 Hour		Our offices in Woodland Hills, CA
Approved Vendors and Suppliers	2 Hours		Our offices in Woodland Hills, CA
Strategies for Purchasing Equipment, Products and Supplies	2 Hours		Our offices in Woodland Hills, CA
Manicure and Pedicure Systems, Methodology and Techniques	4 Hours		Our offices in Woodland Hills, CA
Client Service Standards, Quality and Handling Complaints	1 Hours		Our offices in Woodland Hills, CA
Pricing Guidelines	1 Hours		Our offices in Woodland Hills, CA
How to Run Your Shop Efficiently, Staffing and Labor Costs	4 Hours		Our offices in Woodland Hills, CA
Safety, Security, Health and Sanitation	1 Hour		Our offices in Woodland Hills, CA
Marketing and Promoting Your Business	2 Hours		Our offices in Woodland Hills, CA
Hiring and Training Nail Technicians and Employees	2 Hours		Our offices in Woodland Hills, CA
POS System and Software Training*	2 Hours		Our offices in Woodland Hills, CA
Administrative and Bookkeeping Responsibilities	1 Hours		Our offices in Woodland Hills, CA
Totals Hours**	28 Hours		

*Additional POS and software training may be provided to you and performed by our approved vendors after the initial training above is completed.

**The actual hours of classroom and on-the-job training may vary. For example, it may take less time to cover a subject in a smaller class than in a larger class.

Pre-Opening Staff Training:

In addition to the initial management training program mentioned above, at our (or designated representative's) expense, within two (2) weeks of your Location franchise opening for business, we (or our designated representative) will train your staff on various manicure, pedicure, and foot treatment techniques while at your location. We will also provide you grand opening assistance during this time. Pre-opening staff training will typically take between 2 to 4 days, however, it may vary depending on the size of your staff.

Ongoing Training:

We may provide you with memos and/or newsletters that will contain ongoing training relating to your Namaste Nail Sanctuary™® Location Franchise. In very rare instances, we may periodically require that you or your Owners (if you are an entity), general manager and/or technicians complete additional or refresher training programs to correct, improve or enhance the operations of your Franchise. Such additional or refresher training programs may be conducted through the telephone, webinars, video training or at annual conferences. Anyone attending additional or refresher training programs (training other than by telephone, webinars or video training) will be subject to an additional training fee and all costs associated with attending the training program such as travel, room and board. You are responsible for any and all expenses incurred in connection with any initial or additional training and attendance at any franchisee conventions, including, without limitation, the costs of travel, lodging, meals and wages incurred by you and your personnel. We may charge a fee of up to \$300 per day per person for additional training, conventions, and seminars, exclusive of travel, lodging, meals and wages.

ITEM 12

TERRITORY

The Franchise Agreement gives you the right to operate a Namaste Nail Sanctuary™® Location Franchise at a site we accept as meeting our site selection guidelines (the "Site"). You must select the Site for your Namaste Nail Sanctuary™® Location Franchise from within the non-exclusive "Designated Area" identified in Exhibit C to your Franchise Agreement. The Designated Area will be agreed upon by you and us before your execution of the Franchise Agreement and may range from a portion of a city or an unincorporated area to a single or multi-county area. You have no rights in the Designated Area other than the right to identify a Site for your Namaste Nail Sanctuary™® Location Franchise, but after you locate a Site acceptable to us we will grant you a "Protected Area" around that Site as described below.

Franchise Agreement

If you remain in compliance with the Franchise Agreement and any other agreement you have with us or our affiliates, we and our affiliates will not establish or authorize anyone except you to establish a Namaste Nail Sanctuary™® Location Franchise in the geographic area identified as the "Protected Area" in Exhibit C of the Franchise Agreement (the "Protected Area") during the term of the Franchise Agreement. Your Protected Area will be (a) a circular geographic area, typically having a radius of at least 1.5 miles and its center at the front door of your Namaste Nail Sanctuary™® Location Franchise, or (b) an irregularly shaped geographic area which includes your Namaste Nail Sanctuary™® Location Franchise and typically extends out from the front door of your Namaste Nail Sanctuary™® Location Franchise at least 1.5 miles in all directions. Note, however, that your Protected Area may be smaller in densely populated areas. We determine the boundaries of

each Protected Area on a case-by-case basis based on various factors, including (i) the population in the surrounding area; (ii) traffic volume and traffic patterns; (iii) proximity to retail centers, residential areas, businesses and other potential customer sources; and (iv) other site-specific data as applicable. The Protected Area will be described in Exhibit C of the Franchise Agreement as a radius or by street boundaries, county or state lines, or other descriptions of municipal boundaries.

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

You cannot relocate the Namaste Nail SanctuaryTM® Location Franchise without our consent. If you lose possession of the Location through no fault of your own, you may apply to us for our approval to relocate your Namaste Nail SanctuaryTM® Location Franchise to another site in the Protected Area. Such request must be submitted to us as soon as possible (but in no event longer than 10 days) after the date you discover you will be unable to continue the operation of the Namaste Nail SanctuaryTM® Location Franchise at the Location. We will allow relocation of your franchise if the newly proposed site meets the requirements we impose on other new Location franchises, and unless you are in default of your Franchise Agreement or the proposed site adversely impacts an existing or proposed Location franchise.

You are not required to achieve any particular sales volume or market penetration or meet any other contingency to maintain your rights in the Protected Area, and we may not reduce your rights in the Protected Area due to population increases or other circumstances other than your breach of the Franchise Agreement or other agreement you have with us or our affiliates.

You must operate the Namaste Nail SanctuaryTM® Location Franchise only at the Location. You may not solicit or accept orders from consumers outside the Protected Area through any channels of distribution (including the Internet, catalog sales, telemarketing and other direct marketing sales).

We retain all other rights. Among other things, this means we can:

- (i) Operate, and license others to operate, Namaste Nail SanctuaryTM® Location Franchisees at any location outside the Protected Area.
- (ii) Develop and establish other business systems (including systems that distribute products or services similar to those offered at Namaste Nail SanctuaryTM® Franchisees) using other names or marks, and grant licenses to use those systems;
- (iii) Advertise and promote the System within and outside the Protected Area;
- (iv) Acquire, or be acquired by, any competing system or other third party, including a competing system that has one or more units located within your Protected Area;
- (v) Within and outside the Protected Area, offer and sell, and authorize others to offer and sell, any similar or dissimilar products and services (under the Marks or under other names or marks) through any channel or by any method of distribution (including the Internet sales, wholesale sales, catalog sales, telemarketing and other direct marketing sales) other than a Namaste Nail SanctuaryTM® Location Franchise offered under this disclosure document, on any terms and conditions we deem appropriate, and without any compensation to you.

Except as described above, continuation of any Protected Area does not depend on the achievement of a certain sales volume, market penetration, or other contingency and we may not alter your Protected Area.

Rights of First Refusal

We generally do not grant any options, rights of first refusal or similar rights to obtain additional franchises. If you wish to obtain an additional franchise, you must enter into a separate Franchise Agreement for that franchise.

Neither we nor any affiliates have established or have present plans to establish franchises, company-owned outlets or other channels of distribution offering and selling products and services similar to those to be offered by you under different trademarks. There are, however, no restrictions in the Franchise Agreement that would prohibit us from doing so.

You may use the Internet to advertise only on our website and only to the extent expressly permitted under, and in compliance with, the Franchise Agreement.

ITEM 13

TRADEMARKS

We grant you the right and license to use the Marks and the System solely in connection with your Location Franchise. You may use our trademark “Namaste Nail Sanctuary™®” and such other Marks as are designated in writing by us for your use. In addition, you may use them only in the manner authorized and permitted by us and you may not directly or indirectly contest our ownership of or rights in the Marks.

The following Marks are registered or pending registration with the U.S. Patent and Trademark Office (“USPTO”) on the Principal Register. At the appropriate times, we intend to renew the registrations and to file all appropriate affidavits.

Mark	Serial Number	Application Date	Registration Number	Registration Date	Register
Namaste Nail Sanctuary (1)	87451030	May 16, 2017	Pending 5487941	Pending June 5, 2018	Principal
	87550143	July 31, 2017	Pending	Pending	Principal

Note 1: This Mark has or will be assigned to us by our President and CEO, Michael Elliot.

There are no effective agreements that limit our right to license the Marks. With respect to the Marks, there are currently no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending infringement, opposition, or cancellation proceeding. We do not have a federal registration for our principal trademark at this time. Therefore, this trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use a trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses. All affidavits have been filed.

We will indemnify against or reimburse for expenses you incur in defending claims of infringement or unfair competition arising out of your use of the Marks. You are required to notify us immediately when you become aware of the use, or claim of right to, a Mark identical or confusingly similar to our Marks. If litigation involving the Marks is instituted or threatened against you, you must notify us promptly and cooperate fully with us in defending or settling the litigation. We, at our option, may, but is not required to, defend and control the defense of any proceeding relating to any Marks. We have the exclusive right to control any litigation or other proceeding arising out of any actual or alleged infringement, challenge, or claim relating to any Marks. You agree to sign any

documents, render any assistance, and do any acts that our attorneys say is necessary or advisable in order to protect and maintain our interests in any litigation or proceeding related to the Marks, or to otherwise protect and maintain our interests in the Marks.

If it becomes advisable at any time in our sole judgment for us to modify or discontinue the use of any Mark, or use one or more additional or substitute trade or service marks, including the Marks used in our business name, then you agree, at your sole expense, to comply with our directions to modify or otherwise discontinue the use of the Mark, or use one or more additional or substitute trade or service marks, within a reasonable time after our notice to you.

We have no actual knowledge of either superior prior rights or infringing uses that could materially affect a Franchisee's use of the Marks in any state.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents Rights

The Company owns no rights in or to any patents that are material to the franchise. We have no patent applications pending at this time.

Copyrights

The Company claims a common law copyright and treats the information in the Manuals as confidential trade secrets, but you are permitted to use the material as part of your Location Franchise.

The Company has no actual knowledge of either superior prior rights or infringing uses that could materially affect a Franchise Owner's use of the Company's copyrighted materials in any state.

Confidential Operations Manuals

Under the Franchise Agreement, you must operate the Namaste Nail Sanctuary™® Location Franchise in accordance with the standards, methods, policies, and procedures specified in the Manuals. You will be loaned a copy of the Manuals for Namaste Nail Sanctuary™® Locations Franchises for the term of the Franchise Agreement, when you have completed the initial training program to our satisfaction. You must operate your Namaste Nail Sanctuary™® Location Franchise strictly in accordance with the Manuals, as it may be revised by the Company from time to time. You must at all times, treat the Manuals and the information in them, as well as any other materials created for or approved by use for the operation of your Namaste Nail Sanctuary™® Location Franchise, as confidential, as required by the Franchise Agreement. You must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record or otherwise make them available to any unauthorized person. The Manuals will remain our sole property and must be returned in the event that you cease to be a Namaste Nail Sanctuary™® Location Franchise owner.

We may from time to time revise the contents of the Manuals, and you must comply with each new or changed provision in the Manuals. You must ensure that our Manuals are kept current at all times. In the event of any dispute as to the contents of the Manuals, the terms of the master copies maintained by us at Company's home office will be controlling.

Confidential Information

The Franchise Agreement requires you to maintain all Confidential Information of the Company as confidential both during and after the term of the Agreement. “Confidential Information” includes all information, data, techniques and know-how designated or treated by the Company as confidential and includes the Manuals. You may not at any time disclose, copy or use any Confidential Information except as specifically authorized by the Company. Under the Agreement, you agree that all information, data, techniques and know-how developed or assembled by you or your employees or agents during the term of the Franchise Agreement and relating to the System will be deemed a part of the Confidential Information protected under the Franchise Agreement. See Item 15 below concerning your obligation to obtain confidentiality and non-competition agreements from persons involved in the Namaste Nail Sanctuary™® Location Franchise.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

When you sign the Franchise Agreement, you must designate an individual to serve as your “Principal Owner.” The Principal Owner must be an individual holding an ownership interest in you, or, if you are an individual you will be the Principal Owner. The Principal Owner must meet our qualifications and must be approved by us. The same person must act as the Principal Owner under the Franchise Agreements for all Namaste Nail Sanctuary™® Location Franchises operated by you and, if applicable, your affiliates.

Unless a separate General Manager is approved by us, your Principal Owner must devote his or her full time and best efforts to the supervision of your operations under the Franchise Agreement. If you wish to appoint a General Manager, that person must devote his or her full time best efforts to the supervision of your operations under the Franchise Agreement, must successfully complete our required training program, pass a background check, and must be approved by us in writing. While there are no written restrictions on who may act as your General Manager, we expect that you will select someone that will at all times act in a manner that is protective of the franchise brand and the goodwill of the Marks. Without our written consent, your Principal Owner may not engage in any business other than the development and operation of your Namaste Nail Sanctuary™® Location Franchise(s). Your Principal Owner must satisfy our training requirements and our other standards and must personally guaranty your performance under the Franchise Agreement. Your Principal Owner will be individually, jointly and severally bound by all of your obligations and the obligations of the Principal Owner and an Owner under the Franchise Agreement. (See Item 1). If you are an individual, your spouse must personally guaranty your performance under the Franchise Agreement.

Within sixty (60) days of signing your Franchise Agreement for your Namaste Nail Sanctuary™® Location Franchise, you must designate an individual who meets our qualifications to serve as the General Manager and supervise the operation of your Namaste Nail Sanctuary™® Location Franchise. Your Principal Owner may serve as the General Manager of your Namaste Nail Sanctuary™® Location Franchise, but he or she may not serve as the General Manager for more than one Namaste Nail Sanctuary™® Location Franchises at the same time. With our written consent, you may elect to designate an individual other than your Principal Owner as General Manager. Even if we permit you to designate a General Manager to supervise your operations under the Franchise Agreement, your Principal Owner remains ultimately responsible for the General Manager’s performance. The General Manager must devote his or her full time and best efforts to the supervision of your operations under the Franchise Agreement and may not engage in any other business. Each Namaste Nail Sanctuary™® Location Franchise must have a different General Manager.

You must notify us promptly if your Principal Owner or any General Manager or Assistant Manager cannot continue or no longer qualifies to serve as a Principal Owner, General Manager or Assistant Manager, as applicable. You will have 30 days from the date of the notice (or from any date that we independently determine the Principal Owner or General Manager or Assistant Manager no longer meets our standards) to take corrective

action acceptable to us. During that 30-day period, you must provide for interim management of your operations in compliance with the Franchise Agreement.

At our request, you must have your General Manager, Assistant Managers and any other personnel who will have access to our training, sign covenants not to compete, and such persons must maintain the confidentiality of information they have access to through their relationship with you. (See Item 14). These covenants will be in substantially the form of Exhibit B to the Franchise Agreement. We have the right, in our sole discretion, to decrease the period of time or geographic scope of the noncompetition covenants or eliminate the noncompetition covenant altogether for any person who must sign an agreement described in this paragraph. (See Item 17).

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

All products you use or sell at the Namaste Nail Sanctuary^{TM®} Location Franchise must conform to our standards and specifications. (See Item 8). These are described in our Manuals and other writings. You must not deviate from our standards and specifications unless we first give you our written consent. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Namaste Nail Sanctuary^{TM®} Location Franchise.

You must offer and sell only the products and services that we have expressly approved in writing, and you must offer and sell each of the products and services we authorize for sale at Namaste Nail Sanctuary^{TM®} Location Franchises. You must stop selling any products or services that we disapprove in writing. There is no limit on our right to add or remove items from our standard list of products and services, and you must promptly comply with any changes that we make to that list. You must perform all services using the procedures contained in our Manuals or other written instructions. You must not use or offer nonconforming products or services unless we first give you our written consent. You must open and operate the Namaste Nail Sanctuary^{TM®} Location Franchise during the hours we specify in the Manuals or otherwise in writing.

We may make available to you and may require you to purchase from us for resale to your customers certain merchandise, like clothing or other memorabilia, in amounts necessary to meet your customer demand.

You may only install and offer at your Namaste Nail Sanctuary^{TM®} Location Franchise such equipment and machines as we have expressly approved in the Manuals or otherwise in writing.

We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services.

You may not sell any products at wholesale or to any purchaser whom you know (or have reasonable grounds to suspect) intends to resell the products unless you receive our prior written consent to such sale. Any such sale must be conducted in accordance with our System Standards. We do not impose any other restrictions in the Franchise Agreement or otherwise on the goods or services that you may offer or sell or the customers to whom you may offer or sell.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP This table lists important provisions of the Franchise Agreement. You should read these provisions in the agreements attached to this Disclosure Document.		
Provision	Section in Franchise Agreement	Summary
a. Length of the term of the franchise	Section IV.A	10 year initial term.
b. Renewal or extension of the term	Section IV.B	One additional 10-year term.
c. Requirements for you to renew or extend	Section IV.B	Your renewal right permits you to remain as a franchisee after the initial term of your franchise agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal, including signing our then-current Franchise Agreement, which may contain materially different terms and conditions from your original contract, except that the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees. Other requirements are: Give written notice; update required items; not be in default; pay all money owed; retain right to Location; execute our then-current form of renewal Franchise Agreement and pay us a renewal fee; sign general release; comply with then-current qualifications and training requirements.
d. Termination by you	Not Applicable	Not Applicable (your termination rights are subject to state law).
e. Termination by us without cause	Not Applicable	Not Applicable.
f. Termination by us with cause	Section XVIII.	We may terminate on your default.
g. "Cause" defined – curable defaults	Section XVIII.C.	For any default except those specified as non-curable you have 30 days to cure (5 days for failure to submit a required report or pay monies; 24 hours for misuse of the Marks; 7 days if you fail to obtain the required insurance coverages; and 10 days if you fail to comply with the noncompetition covenants.
h. "Cause" defined – defaults which cannot be cured	Sections XVIII.A. and XVIII.B.	Insolvency; general assignment for benefit of creditors; bankruptcy; receivership; final judgment remains unsatisfied for 30 days or

THE FRANCHISE RELATIONSHIP

This table lists important provisions of the Franchise Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Section in Franchise Agreement	Summary
		more; dissolution; execution of levy or sale after levy; foreclosure proceedings not dismissed within 30 days; operation of Namaste Nail Sanctuary™® Location Franchise at location that we have not accepted; failure to construct the Namaste Nail Sanctuary™® Location Franchise in accordance with requirements; failure to begin business within the required time period; abandonment or forfeiture of right to do business; conviction of certain crimes; threat to public health or safety; unauthorized transfer; failure to comply with certain confidentiality covenants; false records or submission of false reports; breach of any covenants or false representations; failure to comply with quality assurance program; default under any other franchise agreement and failure to cure; repeated defaults whether or not cured; assets, property or interests “blocked” under any terrorism laws or regulations or other violation of such laws or regulations.
i. Your obligations on termination/non-renewal	Section XIX.	Stop operating your Namaste Nail Sanctuary™® Location Franchise and using the System's confidential methods, procedures, techniques and marks; cancel any registration containing the Marks; not use any imitation of the Marks; pay amounts due and our damages and enforcement costs; comply with confidentiality and non-competition covenants; return all Manuals and other proprietary materials; furnish list of advertising/sales promotion materials bearing the Marks; at our option, sell or assign us your rights in business telephone numbers, advertising and promotional materials, furnishings equipment, and the premises; modify the appearance of the Namaste Nail Sanctuary™® Location Franchise.
j. Assignment of contract by us	Section XV.A.	We may transfer our rights without restriction.
k. “Transfer” by you - defined	Sections XV.B. and XV.C.	You must not transfer any direct or indirect interest in you, the Franchise Agreement or the assets of the Location Franchise without our consent.
l. Franchisor approval of transfer by franchisee.	Section XV.B.	We must consent and you must meet conditions before transferring.
m. Conditions for our approval of transfer by you	Section XV.B.	Pay all amounts due; not be in default; sign a general release; pay transfer fee; remain liable for pre-transfer obligations; and obtain a

THE FRANCHISE RELATIONSHIP

This table lists important provisions of the Franchise Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Section in Franchise Agreement	Summary
		one-year tail on insurance policies to cover liabilities that may have been incurred prior to the transfer. Transferee must meet our criteria, complete required training, guarantee obligations; enter into then-current franchise agreement and upgrade the Namaste Nail Sanctuary ^{TM®} Location Franchise.
n. Our right of first refusal to acquire your business	Section XV.D.	On 30 days written notice, we have the option to purchase an interest being transferred on the same terms and conditions offered by a third party.
o. Our option to purchase your business	Sections XIX.A(8) and (9) and XIX.B.	Upon termination or expiration, we have the option to purchase your advertising materials bearing the Marks at your cost. We have the option to acquire the Location and the assets of the Namaste Nail Sanctuary ^{TM®} Location Franchise from you (subject to any rights of approval retained by the owner of the leasehold) at fair market value. If you own the land where the Namaste Nail Sanctuary ^{TM®} Location Franchise is located, we have the option to lease the land (and any building on the land used for the operation of the Namaste Nail Sanctuary ^{TM®} Location Franchise), at a reasonable commercial rent. We have the option to have the lease for the premises of the Namaste Nail Sanctuary ^{TM®} Location Franchise assigned to us.
p. Your death or disability	Section XV.E.	On death or permanent disability of you or an Owner the person's interest must be transferred to someone we approve within 6 months.
q. Non-competition covenants during the term of the franchise	Section XI.C.(1)	You may not operate or have an interest in a business which is similar to the Location Franchise and which is located within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which we or our affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks.

THE FRANCHISE RELATIONSHIP

This table lists important provisions of the Franchise Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Sections XI.C.(2)	For 2 years you may not divert any of your business or customers to a competitor or have an interest in any business that is similar to the Location Franchise, within the Protected Area, within a 50-mile radius of the Location, or within a 50-mile radius of any Namaste Nail Sanctuary™® Location Franchise then in existence or under construction.
s. Modification of the agreement	Sections XI.A. and XX.P.	Except for changes we can make unilaterally, changes require mutual agreement. You must comply with the Manuals as amended.
t. Integration/merger clause	Section XX.AA.	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise Agreement or in any other written agreement is intended to disclaim representations made in the franchise disclosure document.
u. Dispute resolution by arbitration or mediation	Section XX.G.	Claims, controversies or disputes from or relating to the Franchise Agreement must be mediated, except for actions we bring for monies owed, injunctive or other equitable relief, or relief relating to real property.
v. Choice of forum	Sections XX.G. and XX.H.	Unless contrary to applicable state law: Mediation at the American Arbitration Association offices nearest to our principal place of business, except actions for monies owed, injunctive relief, or relief related to real property, the Marks or confidentiality information. Venue for any litigation is the state courts in Los Angeles County, California, and Federal District Courts in the Central District of California.
w. Choice of law	Section XX.I.	Unless contrary to applicable state law, California law.

The Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of a right to a jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. (See Franchise Agreement Section XX). We recommend that you carefully review all of these provisions with a lawyer.

A provision in the Franchise Agreement which terminates the agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101.

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote our Namaste Nail SanctuaryTM® Location Franchises. You have no right to use the name of any public figure for purposes of promotional efforts, advertising or endorsements, except with our prior written consent. No public figure has any investment in the System or us.

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 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 our management by contacting Todd Welker, CEO, Namaste Nail Sanctuary, LLC, (818) 657-7220, the Federal Trade Commission, and any appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION (Location Franchises)

Table No. 1
Systemwide Outlet Summary
For Years 2015 to 2017

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2015 2016	0	0	0
	2016 2017	0	0	0
	2017 2018	0	<u>0</u> <u>1</u>	<u>0</u> <u>+1</u>
Company-Owned	2015 2016	0	0	0
	2016 2017	0	0	0
	2017 2018	0	<u>0</u> <u>1</u>	<u>0</u> <u>+1</u>
Total Outlets	2015 2016	0	0	0
	2016 2017	0	0	0
	2017 2018	0	<u>0</u> <u>2</u>	<u>0</u> <u>+2</u>

Table No. 2
Transfers of Outlets From Franchises to New Owners
(Other than the Franchisor)
For Years 2015 to 2017

State(s)	Year	Number of Transfers
All States	2015 2016	0
	2016 2017	0
	2017 2018	0
Total	2015 2016	0
	2016 2017	0
	2017 2018	0

Table No. 3
Status of Franchised Outlets
For Years 2015 to 2017

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
<u>OH</u>	<u>2016</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2017</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2018</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
All States	2015 2016	0	0	0	0	0	0	0
	2016 2017	0	0	0	0	0	0	0
	2017 2018	0	0	0	0	0	0	0
Total	2015 2016	0	0	0	0	0	0	0
	2016 2017	0	0	0	0	0	0	0
	2017 2018	0	<u>01</u>	0	0	0	0	<u>01</u>

Table No. 4
Status of Company-Owned Outlets
For Years 2015 to 2017

State	Year	Outlets at Start of Year	Outlets Opened	Terminations <u>Terminations</u>	Non-Rene wals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
<u>CA</u>	<u>2016</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2017</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2018</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>All Other States</u>	<u>20152016</u>	0	0	0	0	0	0	0
	<u>20162017</u>	0	0	0	0	0	0	0
	<u>20172018</u>	0	0	0	0	0	0	0
Total	<u>20152016</u>	0	0	0	0	0	0	0
	<u>20162017</u>	0	0	0	0	0	0	0
	<u>20172018</u>	0	<u>01</u>	0	0	0	0	<u>01</u>

Table No. 5
Projected Openings for 2018

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in <u>2018</u> <u>2019</u>	Projected New Company-Owned Outlets in <u>2018</u> <u>2019</u>		
Alabama <u>Arizona</u>	0	1	0		
Arkansas	0			1	0
California	0 <u>10</u>	1 <u>3</u>	0		
Connecticut <u>Colorado</u>	0	1	0		
<u>Florida</u>	<u>2</u>	<u>2</u>	<u>0</u>		
Indiana <u>Georgia</u>	0	1	0		
Kansas <u>Illinois</u>	0	1	0		
Kentucky	0 <u>1</u>	1	0		
Massachusetts	0			1	0
Michigan	0			1	0
Missouri	0 <u>1</u>	1 <u>2</u>	0		
<u>New Jersey</u>	<u>0</u>	<u>1</u>	<u>0</u>		
New York	0	3 <u>1</u>	0		
<u>North Carolina</u>	<u>3</u>	<u>1</u>	<u>0</u>		
Ohio	0 <u>4</u>	1 <u>3</u>	0		
Utah <u>Pennsylvania</u>	0 <u>1</u>	1 <u>2</u>	0		
<u>South Carolina</u>	<u>8</u>	<u>4</u>	<u>0</u>		
<u>Texas</u>	<u>0</u>	<u>2</u>	<u>0</u>		
Virginia	0 <u>2</u>	1	0		
West Virginia	0			1	0
Wisconsin	0			1	0
All other states	0	<u>0</u>	0		
Total	0 <u>33</u>	18 <u>27</u>	0		

Note: We did not begin selling Location Franchises until August 2017.

Exhibit G lists the names of all of our operating Namaste Nail Sanctuary™® Location Franchisees and their addresses and telephone numbers as of December 31, 20172018. Exhibit G lists the Namaste Nail Sanctuary™® Location Franchisees who have signed Franchise Agreements for which were not yet operational as of December 31, 20172018, and also lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every Location Franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

None of our Location Franchisees have signed confidentiality clauses with us during the last three years which would restrict their ability to speak openly about their experience with us.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit D hereto are our: 1) audited financial statements for ~~the period from July 12, 2017 (date of inception) to December 31, 2017; and 2) unaudited balance sheet and profit and loss statement as of November 30, 2018, years ended December 31, 2018 and 2017.~~ Because we have not been in business for three (3) years, we cannot include 3 years of financial statements.

ITEM 22

CONTRACTS

- Franchise Agreement with State-Specific Addenda and Exhibits (Exhibit A)
- General Release (Exhibit E)

ITEM 23

RECEIPTS

Exhibit H includes Receipts acknowledging that you received this Disclosure Document. Please return one Receipt to us and retain the other for your records. If you are missing these Receipts, please contact us at this address or telephone number:

Namaste Nail Sanctuary, LLC
a California limited liability company
6320 Canoga Avenue, Suite 1430
Woodland Hills, CA 91367
Telephone: (818) 657-7220
todd@namastenailsanctuary.com

NAMASTE NAIL SANCTUARY, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Agreement”) is made and entered into this _____ day of _____, 20__ (the “Effective Date”), by and between Namaste Nail Sanctuary, LLC, a California limited liability company (“Franchisor,” “we,” “us,” or “our”) and _____ (“Franchisee,” “you,” or “your”).

RECITALS

We have the right to use and license the use of a business system (the “System,” as further defined below) for the establishment and operation of a full service nail salon that specializes in hand and foot grooming devoted to providing clients with different types of gender-neutral manicure and pedicure services, foot therapy services (such as: foot skin care, foot scrubs, foot and leg massages, foot paraffin treatments, etc.) and proprietary service packages, as well as offering limited beverages (such as: coffee, tea, sparkling water and soft drinks) and selling apparel, nail care products and other hand and foot related merchandise (each, a “Namaste Nail SanctuaryTM® Franchise”).

Namaste Nail SanctuaryTM® Franchises operate under the System and are identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin (the “Marks,” as further defined below).

You wish to obtain a franchise to establish and operate a Namaste Nail SanctuaryTM® Franchise using the Marks and the System at the Franchise Location (defined below) specified in Exhibit C to this Agreement.

We are willing to grant you a franchise to do so upon the terms and conditions set forth in this Agreement in reliance on your application and your representations made in the application and in this Agreement.

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

I. DEFINITIONS

“Advertising Fund” or “Fund” means the advertising fund described in Section IX.C. of this Agreement.

“Affiliate” or “Affiliates” of a named person means any person or entity that is controlled by, controlling or under common control with the named person.

“Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

“Assistant Managers” means the assistant managers employed by you to assist in operating your Namaste Nail Sanctuary™® Franchise.

“Business Day” means each day other than a Saturday, Sunday, U.S. holidays or any other day on which the Federal Reserve is not open for business in the United States.

“Computer System” means the computer hardware and software (including, without limitation, back office software and point of sale software meeting our specifications from our required or approved vendor or other manufacturer approved in writing by us) and point-of-sale terminals that we may designate from time to time for use in the operation of Namaste Nail Sanctuary™® Franchises.

“Confidential Information” means all proprietary and confidential information relating to the establishment and operation of Namaste Nail Sanctuary™® Franchises, including, without limitation: (i) our standards and specifications, including equipment, product, and supplier standards and specifications; (ii) site selection criteria; (iii) nail care techniques and any other processes, procedures and techniques used in operating a Namaste Nail Sanctuary™® Franchise; (iv) advertising and marketing plans and programs; (v) research, development and test programs for products, services and operations; (vi) the contents of our Manuals; (vii) knowledge of the operating and financial results of Namaste Nail Sanctuary™® Franchises, other than your Namaste Nail Sanctuary™® Franchise; (viii) computer programs and systems, including electronic data files and passwords, and (ix) Improvements (as defined in Section XI.D.).

“Cooperative” means an advertising cooperative, as described in Section IX.B. of this Agreement.

“Control” or “Controlling Interest” means 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.

“Designated Area” means the non-exclusive geographic area described in Exhibit C to this Agreement within which you will locate a site for your Namaste Nail Sanctuary™® Franchise.

“Namaste Nail Sanctuary™® Franchise” means the Namaste Nail Sanctuary™® Franchise or business operated by you at the Franchise Location pursuant to this Agreement, including all assets used in connection with its operation.

“Force Majeure” means acts of God, strikes, lockouts or other industrial disturbances, war, acts of terrorism, riot, epidemic, fire or other catastrophe or other forces beyond a party’s control.

“Franchise Location” means the address of the premises, located by you and accepted by us, at which the Namaste Nail Sanctuary™® Franchise is located, as listed in Exhibit C to this Agreement.

“General Manager” means any person designated pursuant to Section VII.E.(2) of this Agreement to manage the day-to-day on-site operations of the Namaste Nail Sanctuary™® Franchise business to be operated under this Agreement.

“Gross Sales” is the total selling price of all services and products and all income of every other kind and nature related to the Namaste Nail Sanctuary™® Franchise, whether for cash or credit and regardless of collection in the case of credit. “Gross Sales” includes: (a) All proceeds from the sale of coupons, gift cards/certificates or vouchers; but when the coupons, gift cards/certificates or vouchers are redeemed, you are not required to count the retail value of the services provided upon redemption in determining Gross Sales for royalty purposes or for other fees calculated in respect of Gross Sales (If you do not record and report sales proceeds for royalty purposes when the coupon, gift card/certificate or

voucher is sold, or if coupons, gift cards/certificates or vouchers are distributed free of charge, you will be required to pay royalties based on the retail value of the services provided in exchange for the coupon, gift card/certificate or voucher.); and (b) Your share of revenues from any vending machines or other equipment, machines or devices installed in the Namaste Nail SanctuaryTM® Franchise. “Gross Sales” does not include (i) sales taxes you collect from customers of the Namaste Nail SanctuaryTM® Franchise, if the taxes are actually transmitted in a timely manner to the appropriate taxing authority; (ii) tips or gratuities paid directly to your employees by customers of the Namaste Nail SanctuaryTM® Franchise or paid to you and turned over by you to your employees in lieu of direct tips or gratuities; (iii) returns to shippers or manufacturers; and (iv) proceeds from isolated sales of trade fixtures not constituting any part of the products and services offered for sale at the Namaste Nail SanctuaryTM® Franchise or having any material effect upon the ongoing operation of the Namaste Nail SanctuaryTM® Franchise.

“Gross Sales Report” means the report, in the form we require, due on the same day as the corresponding royalty payments during the term of this Agreement, itemizing the Gross Sales of the Namaste Nail SanctuaryTM® Franchise for the applicable royalty period (which shall be either the period from the 1st day to 15th day of the month or the period from the 16th day of the month through the end of the month, as applicable).

“Manual” or “Manuals” means our confidential operations manual, which may consist of one or more manuals, containing our mandatory and suggested standards, specifications and operating procedures relating to the development and operation of Namaste Nail SanctuaryTM® Franchises and your obligations under this Agreement. The term also includes alternative or supplemental means of communicating information to you, including bulletins, videotapes, audio tapes, compact discs, computer diskettes, CD ROMs and electronic communications.

“Marks” means the trade names, trademarks, service marks, logos, emblems and other indicia of origin that we have designated, and may hereafter designate, in writing for use in connection with the System, including, but not limited to, the mark “Namaste Nail SanctuaryTM®.”

“Opening Date” means the date the Namaste Nail SanctuaryTM® Franchise first opens for business to the public.

“Owners” mean those persons and entities which, collectively and individually, hold an ownership interest in you and in any entity directly or indirectly controlling you.

“Principal Owner” means the Owner designated by you and approved by us as meeting our qualifications who is responsible for overseeing the day-to-day operation of the Namaste Nail SanctuaryTM® Franchise.

“Protected Area” means the geographic area assigned to you upon your acquisition of the Franchise Location and described on Exhibit C, within which you will be afforded the protections described in Section II.B. of this Agreement.

“Software Programs” means the proprietary or other software programs we develop or acquire for use by Namaste Nail SanctuaryTM® Franchises.

“System” means our comprehensive methods and procedures for the establishment, management and operation of Namaste Nail SanctuaryTM® Franchises, including the Confidential Information, our Manuals, the Marks and other business standards and policies, the distinguishing characteristics of which include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; special processes or techniques we have developed; uniform standards, specifications, policies and procedures for operations; quality and uniformity of the products and services offered; procedures for

inventory, management and financial control; training and assistance; and advertising and promotional programs, all of which we may change, improve, further develop or otherwise modify from time to time.

“Taxes” means any present or future taxes, levies, imposts, duties or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the franchised business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except taxes imposed by federal tax authorities on our net income.

II. GRANT

A. Grant of Rights. We hereby grant you the right, and you accept the obligation, to establish and operate a Namaste Nail Sanctuary™® Franchise under the Marks and the System in accordance with this Agreement at the Franchise Location. This Agreement only grants you the right to operate the Namaste Nail Sanctuary™® Franchise at the Franchise Location in accordance with this Agreement and our standards. You are not authorized to offer any of the products and services offered by Namaste Nail Sanctuary™® Franchises at wholesale.

B. Protected Area. Your Protected Area will be described in Exhibit C. Except as provided in Section II.C. and subject to your full compliance with this Agreement and any other agreement between you or your Affiliates and us or our Affiliates, neither we nor any of our Affiliates will establish, or authorize any person or entity other than you to establish, a Namaste Nail Sanctuary™® Franchise in the Protected Area during the term of this Agreement.

C. Reserved Rights. The rights granted to you under this Agreement are nonexclusive, and we and our Affiliates have and retain all rights within and outside the Protected Area except those expressly granted to you. Accordingly, we, our Affiliates, and any other authorized person or entity will have the right, among others, (i) to operate, and license others to operate, Namaste Nail Sanctuary™® Franchises at any location outside the Protected Area, including locations that are adjacent to or surrounded by the Protected Area; (ii) within and outside the Protected Area to develop and establish other business systems (including systems that distribute products or services similar to those offered at Namaste Nail Sanctuary™® Franchises) using other names or marks and to grant licenses to use those systems; (iii) to advertise and promote the System in the Protected Area; (iv) to acquire, or be acquired by, any competing system or other third party, including a competing system that has one or more units located within your Protected Area; and (v) except for the restriction in Section II.B. against the establishment of another Namaste Nail Sanctuary™® Franchise in the Protected Area, to engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license and sale of any and all similar or dissimilar services and products, under the Marks or under other names or marks, within and outside the Protected Area, through any other method of distribution, including, but not limited to, mail order catalogs and the internet, regardless of the competitive impact on the Namaste Nail Sanctuary™® Franchise.

III. SITE SELECTION, CONSTRUCTION AND OPENING DATE

A. Site Selection and Acquisition. You assume all cost, liability, expense and responsibility for locating, obtaining and developing a site for the Namaste Nail Sanctuary™® Franchise within the Designated Area. You acknowledge and agree that you acquire no rights in and to the Designated Area, other than the right to select a site for the Namaste Nail Sanctuary™® Franchise from within its boundaries. Following your selection and our acceptance of a site for your Namaste Nail Sanctuary™® Franchise, the Franchise Location will be identified in Exhibit C to this Agreement and the Designated Area will be of no further force or effect.

(1) To assist you in your selection of a site for your Namaste Nail Sanctuary™® Franchise, we will provide to you: (i) our written site selection guidelines and such site selection assistance as we deem advisable; and (ii) such on-site evaluation as we may deem necessary; provided, that we will not provide an on-site evaluation for any proposed site before receiving all required information and materials required pursuant to Section III.A(2) below and, in our discretion, before receiving such information for multiple proposed sites.

(2) Before acquiring a site for the Namaste Nail Sanctuary™® Franchise, you must submit to us, in the form specified by us, a description of the site, evidence satisfactory to us demonstrating that the site satisfies our site selection guidelines, and such other information and materials as we may reasonably require, including, but not limited to, a final, complete copy of the lease (which must incorporate a rider in substantially the form attached hereto as Exhibit G) or contract of sale for the site for your Namaste Nail Sanctuary™® Franchise. Such lease or contract for sale may not be signed by you unless it includes a rider in substantially the form attached hereto as Exhibit G and is submitted to, and approved by, us in advance.

(3) We shall have fifteen (15) days after receiving all required site information to accept or reject, in our sole discretion, the proposed site as the location for your Namaste Nail Sanctuary™® Franchise. No site may be used for a Namaste Nail Sanctuary™® Franchise unless it is first accepted in writing by us, and you shall not make any binding commitment with respect to a site for your Namaste Nail Sanctuary™® Franchise unless the site is first accepted in writing by us. If we accept multiple sites for the Namaste Nail Sanctuary™® Franchise, you shall notify us in writing within five (5) days of the date of such acceptance of the site that you intend to acquire for the Namaste Nail Sanctuary™® Franchise. You acknowledge that our acceptance of a prospective site and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guarantee, express or implied, by us that the Namaste Nail Sanctuary™® Franchise operated at that site will be profitable or otherwise successful.

(4) Promptly following our acceptance of the site for your Namaste Nail Sanctuary™® Franchise, you shall acquire the site by purchase or lease, at your expense. You agree to furnish to us a copy of the executed lease or contract of sale within ten (10) days after execution.

(5) After we accept the site and you acquire the site pursuant to this Agreement, the address of the site shall be entered on Exhibit C to this Agreement as the Franchise Location and the Protected Area around the Franchise Location will be described on Exhibit C.

(6) If you are not able to locate a site that is approved by us within 120 days after signing this Agreement then you will be in default, and we may, at our option, terminate this Agreement.

B. Franchise Location; Relocation. You have been granted the right to operate a Namaste Nail Sanctuary™® Franchise at the Franchise Location listed in Exhibit C to this Agreement. You must not relocate the Namaste Nail Sanctuary™® Franchise without our express prior written consent. If you are unable to continue the operation of the Namaste Nail Sanctuary™® Franchise at the Franchise Location because of the occurrence of an event of Force Majeure or for other reasons not constituting an event of default under this Agreement, you may request our consent to relocate the Namaste Nail Sanctuary™® Franchise to another location in the Protected Area. Such request must be submitted to us as soon as possible (but in no event longer than 10 days) after the date you discover you will be unable to continue the operation of the Namaste Nail Sanctuary™® Franchise at the Franchise Location. If we grant you the right to relocate the Namaste Nail Sanctuary™® Franchise, you must comply with such reasonable site selection and construction procedures as we may require. We will allow relocation of your Franchise if the newly proposed site meets the requirements we impose on other new Location franchises, and unless you are in

default of your Franchise Agreement or the proposed site adversely impacts an existing or proposed Location franchise.

C. Licenses; Permits. You are responsible for obtaining all zoning classifications and clearances which may be required by any laws, ordinances, regulations, or restrictive covenants relating to the construction and operation of the Namaste Nail Sanctuary™® Franchise at the Franchise Location, and you must conform the premises as needed to comply with any local ordinances and building codes at your expense. Before beginning construction of the Namaste Nail Sanctuary™® Franchise, you must (i) obtain all approvals, clearances, permits, licenses and certifications required for the lawful construction or remodeling and operation of the Namaste Nail Sanctuary™® Franchise, and (ii) certify in writing to us that they have been obtained and that the insurance coverage specified in Section XIII. of this Agreement is in full force and effect. At our request, you agree to provide to us copies of all such approvals, clearances, permits, licenses and certifications. If you wish to offer alcoholic beverages at your Franchise Location, you must get our prior written approval, and must comply with all applicable laws and first obtain any and all necessary permits.

D. Construction and Finish Out. You must obtain, at your expense, all architectural, engineering, design, construction and other services necessary for the construction of the Namaste Nail Sanctuary™® Franchise, and unless otherwise agreed by us in writing, you must retain the architecture and design firm designated by us to prepare the initial plans and drawings for your Namaste Nail Sanctuary™® Franchise. In addition to using our designated architecture and design firm, any other architect(s) and engineer(s) that you may select to assist with the planning and oversight of construction of your Namaste Nail Sanctuary™® Franchise must be approved by us before beginning their work on the Namaste Nail Sanctuary™® Franchise. We may, but are not obligated to, provide you a list of approved architect(s) and engineer(s).

(1) If you wish to make any adjustments to the initial architectural and design plans and specifications for the Namaste Nail Sanctuary™® Franchise, which will be created by the architecture and design firm designated by us, you must submit the revised plans to us for review within fifteen (15) days after you receive the initial plans. We will notify you of any objections to the revised plans within fifteen (15) days of receiving them. If we fail to notify you of an objection to the plans within the fifteen (15) day period, you may use the plans. If we object to the plans, we will provide you with a reasonably detailed list of the changes needed to make the plans consistent with System standards. We will notify you within fifteen (15) days of receiving revised plans incorporating such changes, whether the revised plans are acceptable. If we fail to notify you of any objection within such fifteen (15) day period, you may use the revised plans. You acknowledge that our review of the plans is only for the purpose of determining compliance with System standards, and that our acceptance of the plans does not constitute a representation, warranty, or guarantee, express or implied, that the plans are accurate or free of error concerning their structural application. We are not responsible for architecture or engineering, or for code, zoning, or other requirements of the laws, ordinances or regulations of any federal, state, local, or municipal governmental body, including, without limitation, any requirement relating to accessibility by disabled persons or others, nor are we responsible for any errors, omissions, or discrepancies of any nature in the plans.

(2) You must promptly commence and diligently pursue construction of the Namaste Nail Sanctuary™® Franchise. During construction, you agree to provide us with such periodic progress reports as we may reasonably request. In addition, we will make such on-site inspections as we may deem reasonably necessary to evaluate your progress. You agree to notify us of the scheduled date for completion of construction no later than forty-five (45) days prior to such date. Within a reasonable time after the date construction is completed, we will, at our option, conduct an inspection of the completed Namaste Nail Sanctuary™® Franchise. You must not open the Namaste Nail Sanctuary™® Franchise for business without our written authorization, which will be conditioned upon your strict compliance with this Agreement.

E. Opening Date. You must open the Namaste Nail Sanctuary™® Franchise and commence business within three hundred sixty-five (365) days after the Effective Date of this Agreement, unless you obtain a written extension of such time period from us. You acknowledge that time is of the essence. Before the Opening Date, you must complete all exterior and interior preparations for the Namaste Nail Sanctuary™® Franchise, including installation of equipment, fixtures, furnishings and signs, pursuant to the plans and specifications we have approved, and must comply with all other pre-opening obligations. If you fail to comply with any of these obligations, we have the right to prohibit you from opening the Namaste Nail Sanctuary™® Franchise. Your failure to timely open the Namaste Nail Sanctuary™® Franchise in compliance with these provisions will be deemed a material event of default under this Agreement.

IV. TERM AND RENEWAL

A. Term. Unless sooner terminated as provided in this Agreement, the term of this Agreement will begin on the Effective Date and will continue until ten (10) years from the Opening Date.

B. Renewal. You may, at your option, renew your rights under this Agreement for one (1) additional term of ten (10) years, subject to any or all of the following conditions which must, at our option, be met prior to and at the time of renewal:

(1) You must give us written notice of your election to renew not less than six (6) months nor more than nine (9) months before the end of the initial term;

(2) You must refurbish, repair or replace, at your expense, all equipment, Computer Systems, signs, interior and exterior decor items, fixtures, furnishings, supplies and other items required for the operation of the Namaste Nail Sanctuary™® Franchise as we may reasonably require and must otherwise upgrade the Namaste Nail Sanctuary™® Franchise to reflect the then-current standards and image of the System, provided that you will not be required to spend more than \$50,000 under this Section IV.B(2);

(3) You must not be in default of this Agreement, neither you nor your Affiliates may be in default of any other agreement with us or any of our Affiliates; and you and your Affiliates shall have substantially and timely complied with the terms and conditions of such agreements during their respective terms;

(4) You must have timely satisfied all monetary obligations owed to us and our Affiliates under this Agreement and any other agreement between you or any of your Affiliates and us or any of our Affiliates;

(5) You must present evidence satisfactory to us that you have the right to remain in possession of the Franchise Location during the entire renewal term or obtain our consent to a new site for the Namaste Nail Sanctuary™® Franchise;

(6) You must execute our then-current form of renewal franchise agreement, which will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, except that the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees;

(7) You and your Owners must execute a general release of any and all claims against us, our Affiliates, and our and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their

corporate and individual capacities, including, without limitation, claims arising under this Agreement or under federal, state or local laws, rules, regulations or orders;

(8) You must pay us a renewal fee in an amount equal to Twenty-Five Percent (25%) of our then-current initial franchise fee, provided that the renewal fee will not exceed \$10,000; and

(9) You must comply with our then-current qualification and training requirements.

V. FEES

A. Initial Franchise Fee. You agree to pay us an initial franchise fee of Thirty-Nine Thousand Dollars (\$39,000) upon the execution of this Agreement. The initial franchise fee shall be deemed fully earned and nonrefundable upon receipt by us.

B. Royalty Fee. During the term of this Agreement, you agree to pay to us a continuing periodic royalty fee in an amount equal to six percent (6%) of the Namaste Nail Sanctuary™® Franchise's Gross Sales for the immediately preceding royalty period (which shall be either the period from the 1st day to 15th day of the month or the period from the 16th day of the month through the end of the month, as applicable). You must pay the royalty fee via electronic funds transfer, or any other means we reasonably specify. The royalty fee will be due on the 1st day and the 16th day of each month during the term of this Agreement. If the date on which a royalty payment would otherwise be due is not a Business Day, then payment shall be due on the next Business Day. On each royalty due date during the term of this Agreement, you must provide a Gross Sales Report to us for the applicable royalty period.

C. Monthly Software and Technology Licensing and Support Fee. Beginning the month prior to the Opening Date, and on or before the 1st day of each month thereafter throughout the term of this Agreement, you must pay us a monthly software and technology licensing and support fee ("Technology Fee"). The Technology Fee is currently \$295 per month. We may require you to pay us an amount equal to one-third of our current Technology Fee per month on the 1st day of the first month following Effective Date of this Agreement and continuing until the date that you are first required to pay us the full Technology Fee. We may, in our sole discretion, increase the amount of the Technology Fee up to \$500 per month upon 30 days' prior written notice to you.

D. Site Plan and Design Fee. You are not currently required to pay us a Site Plan and Design Fee. However, we reserve the right to implement such a fee in the future at our discretion if you request our assistance with preparing or revising your site plans and designs.

E. Other Fees and Payments. In addition to the initial franchise fee and periodic royalty payments, you must pay when due all other fees or amounts described in this Agreement and in any other agreement between you and us or our Affiliates.

F. Past Due Amounts; Acceptance and Application of Payments.

(1) Any payment not actually received by us on or before the applicable due date will be deemed past due. All past due obligations under this Agreement will bear interest from the date due until paid at the lesser of eighteen percent (18%) per annum, or the maximum rate allowed by applicable law. No provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment to reduce any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid to the party making the payment. You also agree to pay us a late payment fee equal to \$100 for each delinquent payment under this Agreement.

In addition to the initial training program mentioned above, within two (2) weeks of your Location franchise opening for business, we (or our designee) will train your staff on various manicure, pedicure and foot treatments while at your location.

C. Opening Assistance. Such on-site pre-opening and opening assistance as we reasonably deem necessary. In connection with the opening of your Namaste Nail Sanctuary™® Franchise, one or more of our representatives shall provide on-site assistance to you at your Namaste Nail Sanctuary™® Franchise for up to five days prior to the Opening Date and up to five days following the Opening Date, as we reasonably deem necessary.

D. Software Programs. For a reasonable fee, any Software Programs that we acquire or develop for use in the System; provided, that we are under no obligation to develop or acquire such Software Programs.

E. Inspections. Inspections of the Namaste Nail Sanctuary™® Franchise and evaluations of the products sold and services offered and sold at and from the Namaste Nail Sanctuary™® Franchise from time to time as reasonably determined by us.

F. Advertising. Administration of an Advertising Fund in accordance with Article IX. We may also provide to you, at a reasonable cost, any advertising and promotional materials we may develop from time to time for use in marketing and promoting Namaste Nail Sanctuary™® Franchises.

G. Operational Advice. Advice and written materials concerning techniques for managing and operating Namaste Nail Sanctuary™® Franchises, including new developments and improvements in the System.

H. Collateral Merchandise; Equipment; Décor Items. From time to time in our discretion and at a reasonable cost, certain merchandise identifying the System, such as clothing other System memorabilia, in sufficient amounts to meet customer demand, and/or certain equipment, décor items or other products and services.

I. Approved Suppliers. From time to time as we deem appropriate a list of approved or designated suppliers of products, signs, equipment, materials, supplies, and services you must use to develop and operate your Namaste Nail Sanctuary™® Franchise.

VII. YOUR REPRESENTATIONS, WARRANTIES AND COVENANTS

A. Your Investigation of this Franchise.

(1) You acknowledge having received our franchise disclosure document (a) at least fourteen (14) days before signing a binding agreement or making any payment to us, or (b) if applicable, by the time required by your state's law as specified in the Disclosure Questionnaire attached hereto as Exhibit F. You acknowledge that this Agreement contains no changes from the form of franchise agreement attached to our franchise disclosure document other than changes made with your knowledge and pursuant to negotiations between you and us. You further acknowledge that you have read this Agreement and our franchise disclosure document and that you understand the terms of this Agreement and accept them as being reasonably necessary for us to maintain the uniformity of Namaste Nail Sanctuary™® Franchises and to protect the goodwill of the Marks and the integrity of the System.

(2) You have conducted an independent investigation of the business contemplated by this Agreement and recognize that an investment in a Namaste Nail Sanctuary™® Franchise involves business risks; that your success is largely dependent on your own abilities and efforts; and that the nature

of Namaste Nail Sanctuary™® Franchises may change over time. You have not received or relied on any guaranty or assurance, express or implied, as to the revenues, profits or success of the business contemplated by this Agreement.

(3) You understand and agree that we may operate and change the System and our business in any manner that is not expressly and specifically prohibited by this Agreement.

(4) Whenever we have expressly reserved in this Agreement, or are deemed to have, a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, then except as otherwise expressly and specifically provided in this Agreement, we may make our decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including, without limitation, our judgment of what is in the best interests of our franchise network, at the time our decision is made or our right or discretion is exercised, without regard to whether: (i) other reasonable alternative decisions or actions could have been made by us; (ii) our decision or the action we take promotes our financial or other individual interest; (iii) our decision or the action we take applies differently to you and one or more other franchisees or our company-owned operations; or (iv) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations hereunder.

B. Your Organization. If you are a corporation, partnership, limited liability company or other legal entity:

(1) You are duly organized and validly existing under the law of the state of your formation;

(2) You are duly qualified and authorized to do business in each jurisdiction in which your business activities or the nature of the properties you own require such qualification;

(3) Your corporate charter or written partnership or limited liability company agreement, as applicable, will at all times provide that your activities are confined exclusively to the operation of Namaste Nail Sanctuary™® Franchises. You warrant and represent that neither you nor any of your Affiliates or Owners own, operate or have any financial or beneficial interest in any business that is the same as or similar to a Namaste Nail Sanctuary™® Franchise (including any business that offers and sells nail care and related services);

(4) The execution of this Agreement and the performance of the transactions contemplated by this Agreement are within your corporate power, or if you are a partnership or a limited liability company, are permitted under your written partnership or limited liability company agreement and have been duly authorized; and

(5) You have provided to us prior to the execution of this Agreement, and will from time to time during the term of this Agreement at our request provide to us, copies of your articles of incorporation and bylaws or, as applicable, your written partnership or limited liability company agreement, other governing documents, any amendments to them, resolutions authorizing your entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of your stock or other ownership interests and any other documents that we may reasonably request.

C. Your Owners.

(1) If you are a corporation, partnership, limited liability company or other legal entity, the ownership interests in you are accurately and completely described in Exhibit D. You agree to maintain at all times a current list of all your Owners and to make your list of Owners available to us upon request.

(2) If you are a corporation, you agree to maintain stop-transfer instructions against the transfer on your records of any of your equity securities and to conspicuously endorse each stock certificate with a statement, in a form satisfactory to us, that it is held subject to all restrictions imposed upon assignments by this Agreement. If you are a partnership or limited liability company, your written partnership or limited liability company agreement shall provide that ownership of an interest in the partnership or limited liability company is held subject to all restrictions imposed upon assignments by this Agreement.

(3) Unless otherwise agreed in writing by us, you must cause each of your Owners to execute the Guaranty and Assumption Agreement attached as Exhibit A to this Agreement, jointly and severally guarantying your performance under this Agreement and otherwise binding themselves to the terms of this Agreement as stated therein.

D. Your Financial Covenants.

(1) You have provided to us your most recent financial statements. These financial statements present fairly your financial position at the dates indicated therein and the results of your operations and cash flow for the years then ended. Each of the financial statements are certified as true and correct and have been prepared in conformity with generally accepted accounting principles and, except as expressly described in the applicable notes, applied on a consistent basis. There are no material liabilities, adverse claims, commitments or obligations of any nature, whether accrued, unliquidated, absolute, contingent or otherwise, which are not reflected as liabilities on the financial statements.

(2) At our request, you agree to provide us with any and all loan or other documents regarding the financing of the Namaste Nail Sanctuary™® Franchise.

(3) You agree to maintain at all times during the term of this Agreement sufficient working capital to fulfill your obligations under this Agreement.

E. Your Management.

(1) You agree to designate upon the execution of this Agreement, and to retain at all times during the term of this Agreement, an individual to serve as your Principal Owner. The Principal Owner must meet our qualifications and must be approved by us. Unless a separate General Manager is approved by us as described in Section VII.E(2), your Principal Owner must devote full time and best efforts to the supervision of the Namaste Nail Sanctuary™® Franchise(s) operated by you and your Affiliates. Without our written consent, your Principal Owner shall not engage in any business other than the operation of your Namaste Nail Sanctuary™® Franchise(s). Your Principal Owner and any General Manager whom we approve must be empowered with full authority to act for you.

(2) Unless we agree otherwise, you agree to designate not later than sixty (60) days after signing this Agreement, and to retain at all times during the term of this Agreement, a General Manager who meets our qualifications to supervise the operation of your Namaste Nail Sanctuary™® Franchise. Your Principal Owner may serve as the General Manager of your Namaste Nail Sanctuary™®

Franchise, provided that he or she may not serve as the General Manager for more than one Namaste Nail Sanctuary™® Franchise at the same time. Subject to our written consent, you may elect to designate an individual other than your Principal Owner for the position of General Manager. Your General Manager must devote full time and best efforts to the supervision of the Namaste Nail Sanctuary™® Franchise operated by you and your Affiliates and, without our written consent, shall not engage in any other business. You acknowledge and agree that the appointment of a General Manager will not relieve your Principal Owner of his or her supervisory responsibilities for the operation of your Namaste Nail Sanctuary™® Franchise. You and your Principal Owner shall remain fully responsible for your General Manager's performance. Each Namaste Nail Sanctuary™® Franchise must have a different General Manager.

(3) You agree to designate not later than thirty (30) days before the Opening Date and to retain at all times during the term of this Agreement the required number of Assistant Managers as determined by us from time to time, but in no event less than one (1) Assistant Manager. The Assistant Managers shall meet our qualifications, shall devote full time and best efforts to the day-to-day operation and management of the Namaste Nail Sanctuary™® Franchise and shall not engage in any other business activity without our prior written consent.

(4) The names of your Principal Owner, General Manager and Assistant Managers shall be listed in Exhibit D to this Agreement and you agree to keep such information current at all times during the term of this Agreement. You must promptly notify us in writing if your Principal Owner or any General Manager or Assistant Manager cannot continue or no longer qualifies to serve in that capacity and must take corrective action within thirty (30) days after any such notice. During such thirty (30) day period, you must provide for interim management of your operations in accordance with this Agreement. Any failure to comply with this Section VII.E. will be a material breach of this Agreement.

F. Legal Compliance. In addition to complying with your obligations under this Agreement, you agree to comply with all applicable federal, state and local laws, rules, regulations, ordinances and orders. Such laws, rules, regulations, ordinances and orders vary from jurisdiction to jurisdiction and may be amended or implemented or interpreted in a different manner from time to time. It is your sole responsibility to apprise yourself of the existence and requirements of all such laws, rules, regulations, ordinances and orders, and to adhere to them at all times during the term of this Agreement. Without limiting the foregoing, you certify that neither you nor any of your Owners, employees or anyone associated with you is listed in connection with any Anti-Terrorism Law and you agree not to hire or have any dealings with a person so listed. You further certify that you have no knowledge or information that, if generally known, would result in you, your Owners, employees, or anyone associated with you being so listed. You agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws and, in connection with such compliance, you represent and warrant that none of your property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that you and your Owners are not otherwise in violation of any of the Anti-Terrorism Laws. You also agree to comply with all payment card infrastructure ("PCI") industry and government security standards and requirements designed to protect cardholder data. PCI standards apply to both technical and operational aspects of credit card and other payment card transactions and apply to all organizations which store, process or transmit cardholder data. You acknowledge and agree that you shall be solely responsible for any costs, expenses, damages or other liabilities incurred by you or us as a result of, or in connection with, your failure to comply with any PCI standards.

G. Powers of Attorney. You hereby appoint us as your true and lawful attorney-in-fact, with full power and authority (i) to assign to us upon the termination or expiration of this Agreement (a) all rights to the telephone numbers of the Namaste Nail Sanctuary™® Franchise, any related business listings, and all rights to any website listings or services, search engines or systems, and any other business listings related to the Namaste Nail Sanctuary™® Franchise and (b) at our option, your interest in any lease for the Franchise Location and any equipment used in the operation of the Namaste Nail Sanctuary™® Franchise;

and (ii) to obtain any and all returns and reports related to the Namaste Nail Sanctuary™® Franchise that you file with any local, state or federal taxing authority. Such powers of attorney shall survive the expiration or termination of this Agreement, and you agree to execute such forms and documents as we deem necessary to appoint us your true and lawful attorney-in-fact with full power and authority for the foregoing purposes.

H. Continuing Obligations. You and you Owners make the foregoing representations, warranties and covenants understanding that such representations, warranties and covenants are continuing obligations. You agree to cooperate with us to verify your and your Owners' continuing compliance with such representations, warranties and covenants. Any failure to comply with these representations, warranties and covenants will constitute a material event of default under this Agreement.

VIII. OPERATIONS

A. Training. Your Principal Owner and General Manager must successfully complete our management training program before the Opening Date, but not less than sixty (60) days after signing this Agreement unless we agree otherwise. Any successor or replacement Principal Owner or General Manager must successfully complete our management training program within a reasonable time after such persons are designated, provided that each successor or replacement must successfully complete training no more than sixty (60) days after the date on which his or her predecessor ceased to be employed by you (or ceased to serve as Principal Owner, as applicable). These persons, and any of your other personnel whom we may designate, must attend and complete any additional training that we may require from time to time. In addition, we may, at our option, conduct periodic franchisee conventions at a location designated by us, and your Principal Owner and/or General Manager must attend such conventions. At our option, we may certify your Principal Owner, General Manager or one or more of your Assistant Managers (following their completion of all applicable training as required by us) as a "Certified Trainer" authorized to provide and conduct one or more designated training programs (as determined by us) for new or replacement employees at your Namaste Nail Sanctuary™® Franchise; provided, however, that we reserve the right to test any employees trained by a Certified Trainer and to require any Certified Trainer and any of your employees to successfully complete additional training programs conducted by us from time to time. Initial management training for your Principal Owner and General Manager is provided at our offices in Woodland Hills, CA (or other location(s) we designate) at no charge; however, we reserve the right to charge a reasonable fee for training any additional persons, including any successor or replacement personnel, and for any additional training programs. Such additional training shall be conducted at locations we designate. You are responsible for any and all expenses incurred in connection with any initial or additional training and attendance at any franchisee conventions, including, without limitation, the costs of travel, lodging, meals and wages incurred by you and your personnel. If any Principal Owner or General Manager fails, in our sole judgment, to satisfactorily complete our management training program, and you fail to cure such default within ninety (90) days following written notice from us, we may terminate this Agreement.

B. Standards Compliance. You acknowledge the importance of maintaining uniformity among all of the Namaste Nail Sanctuary™® Franchises and the importance of complying with all of our standards and specifications relating to the operation of Namaste Nail Sanctuary™® Franchises. To protect the reputation and goodwill of the System and to maintain high standards of operation under the Marks, you agree to conduct your business in accordance with the Manuals, other written directives which we may issue to you from time to time, and any other manuals and materials created or approved for use in the operation of Namaste Nail Sanctuary™® Franchises.

C. Maintenance of Namaste Nail Sanctuary™® Franchise. You agree to maintain the Namaste Nail Sanctuary™® Franchise in a high degree of sanitation and repair, and to make such additions, alterations, repairs and replacements as may be required for that purpose, including, without limitation, such periodic repainting or replacement of signs, furnishings, décor, and equipment (including, but not limited to, Computer Systems) as we may reasonably direct. You also agree to obtain, at your expense, any new or additional equipment (including, but not limited to, point of sale or Computer Systems), fixtures, supplies and other products and materials which we may reasonably require for you to offer and sell new services or products from the Namaste Nail Sanctuary™® Franchise or to provide such services or products by alternative means. Notwithstanding the foregoing, you will not be required by us to spend more than \$4,000 during any calendar year under this Section VIII.C. No alterations, improvements or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures or furnishings shall be made in or about the Namaste Nail Sanctuary™® Franchise without our prior written approval.

D. Upgrade of Namaste Nail Sanctuary™® Franchise. Promptly upon our request, you must make improvements, renovations, updates and upgrades to the Namaste Nail Sanctuary™® Franchise to conform it to our then-current standards and specifications. Without limiting the foregoing, you agree that, if we request, you will make any capital improvements required by this Section VIII.D. on or after the fifth (5th) anniversary of the Opening Date, or at such other time during the term of this Agreement that a majority of Namaste Nail Sanctuary™® Franchises then operated by us or our Affiliates have made or are utilizing best efforts to make such improvements. Notwithstanding the foregoing, you will not be required to spend more than \$25,000 on an update, upgrade or renovation under this Section VIII.D.

E. Sourcing.

(1) You agree to comply with all of our standards and specifications for the purchase of all inventory, supplies, materials, fixtures, furnishings, equipment, Computer Systems, and other products used or offered for sale at the Namaste Nail Sanctuary™® Franchise. If we have approved or designated suppliers (which may include us or our Affiliates or third party manufacturers, distributors and other sources) for any such item, you agree to obtain these items from those suppliers. Our approved or designated suppliers are those who demonstrate on a continuing basis the ability to meet our standards and specifications; who have adequate quality controls and the capacity to supply the needs of the Namaste Nail Sanctuary™® Franchise network promptly and reliably over an extended period of time; and who have been approved in writing by us and who have not thereafter been disapproved by us. We may designate ourselves, our Affiliates or a third party as an approved or designated supplier, or as the sole approved or designated supplier of any item. You agree that we and our Affiliates may derive revenue based on your purchases and leases (including, without limitation, from charging you for products and services we or our Affiliates provide to you and from payments made to us or our Affiliates by suppliers that we designate or approve for some or all of our franchisees).

(2) If you wish to use any item or service that we have not yet evaluated or (for items that we require you to purchase from designated or approved suppliers) if you wish to purchase or lease any such item from a supplier that we have not yet approved, you must submit a written request for approval to us. You cannot purchase or lease any such item unless the supplier has been approved in writing by us. We are not required to approve any particular supplier. We will have the right to require you to submit information, specifications and samples to us to enable us to determine whether the item complies with our standards and specifications and that the supplier meets our criteria. We also have the right to send our representatives to inspect the supplier's facilities and to have samples from the supplier be delivered to us or to an independent laboratory designated by us for testing. You or the proposed supplier will be required to pay for the cost of the inspection and the test (including our administrative expenses) and reimburse us for any costs or expenses we incur in connection with the evaluation of your proposed supplier. We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, client relations, frequency of delivery, concentration of

purchases, standards of service (including prompt attention to complaints) or other criteria. We reserve the right to re-inspect from time to time the facilities and products of any approved supplier and to revoke our approval of the supplier if the supplier fails to continue to meet any of our criteria. If we revoke our approval of any supplier, you agree to promptly discontinue use of that supplier. Your failure to comply with the provisions of this Section VIII.E. shall be deemed a material breach under this Agreement.

F. Operational Requirements. You agree to operate the Namaste Nail SanctuaryTM® Franchise in full conformity with our methods, standards and specifications as set forth in the Manuals and as from time to time otherwise prescribed in writing. Without limitation of the foregoing, you agree:

(1) To sell or offer for sale all products and services we require using the method and manner of distribution we prescribe. Distribution methods must be expressly authorized by us in writing in the Manuals or otherwise;

(2) To sell and offer for sale only the products and services that we have expressly approved for sale in writing; to discontinue selling and offering for sale any products or services and any method or manner distribution which we may disapprove in writing at any time;

(3) To maintain in sufficient supply and to use and sell at all times only those items, products, materials, and supplies that conform to our standards and specifications; to conduct all services in accordance with our standards, specifications and procedures; to use the brand and/or type of products we require; and to refrain from deviating from our standards and specifications by using or offering non-conforming items or services without our prior written consent;

(4) To permit us or our agents, at any reasonable time, to remove samples of any items from the Namaste Nail SanctuaryTM® Franchise, without payment, in amounts reasonably necessary for testing to determine whether such samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if the supplier of the item has not previously been approved by us or if the sample fails to conform to our specifications;

(5) To purchase or lease and install, at your expense, all fixtures, furnishings, equipment, Computer Systems, decor items, signs, and related items that we may reasonably direct from time to time; and to refrain from installing or permitting to be installed in or about the Namaste Nail SanctuaryTM® Franchise, without our prior written consent, any fixtures, furnishings, equipment, decor items, signs, vending machines or other items not previously approved as meeting our standards and specifications;

(6) To grant us and our agents the right to enter the Namaste Nail SanctuaryTM® Franchise at any reasonable time to conduct inspections; to cooperate with our representatives conducting the inspections by rendering such assistance as they may reasonably request; and, upon notice from us or our agents (and without limiting our other rights under this Agreement), to take any and all steps that may be necessary to correct promptly any deficiencies detected during an inspection. If you fail for any reason to correct such deficiencies within a reasonable time, as determined by us, we will have the right and authority (but no obligation) to correct the deficiencies and to charge you a reasonable fee, payable on demand, for our expenses in taking the corrective action (including, without limitation, any necessary re-inspection);

(7) To at all times operate your Namaste Nail SanctuaryTM® Franchise under the direct, on-site supervision of at least one person who has successfully completed our management training program pursuant to Section VIII.A of this Agreement; to at all times maintain a competent, conscientious, trained staff and to take any and all steps necessary to ensure that your employees preserve good customer relations and comply with any dress code we may prescribe;

(8) To only install and offer at the Namaste Nail Sanctuary™® Franchise such equipment and machines (such as vending machines or other devices) as we have expressly approved in the Manuals or otherwise in writing; and

(9) To keep the Namaste Nail Sanctuary™® Franchise open and in operation for the days and hours that we may from time to time prescribe.

G. Computer Systems. You agree to use the Computer System (if any) that we specify from time to time for use in the operation of the Namaste Nail Sanctuary™® Franchise. You acknowledge that we may modify the specifications and the components of any such Computer System from time to time. As part of the Computer System, we may require you to obtain specified computer hardware and/or software, including, without limitation, a license to use Software Programs developed by us or others. Changes to the Computer System specifications may require you to incur costs to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System during the term of this Agreement. You acknowledge that we cannot estimate the future costs of the Computer System (or additions or modifications thereto) and that the cost to you of obtaining the Computer System (including software licenses) or additions or modification thereto may not be fully amortizable over the remaining term of this Agreement. Nonetheless, you agree to incur such costs. Within sixty (60) days after you receive notice from us, you agree to obtain the components of the Computer System that we require. You further acknowledge and agree that we have the right to charge a reasonable systems fee for any software or systems modifications and enhancements specifically made for us that are licensed to you and other maintenance and support services that we or our Affiliate may furnish to you.

H. Customer Complaints. You agree to process and handle all consumer complaints connected with or relating to the Namaste Nail Sanctuary™® Franchise, and to promptly notify us of all safety or health violations or allegations of such violations, claims exceeding One Thousand Dollars (\$1,000), and any other material claims against or losses suffered by you. You also agree to maintain, and to promptly notify us of, any communications with governmental authorities affecting the Namaste Nail Sanctuary™® Franchise during the term of this Agreement and for one (1) year after the expiration or earlier termination hereof.

I. Internet Website. You agree to install and maintain all hardware and software needed to access the internet at the bit speed we require from time to time. You further agree that you will not establish any website or other listing on the internet except as provided herein.

(1) Without our prior written approval, which we may give or withhold in our sole discretion, you may not develop, create, generate, own, or otherwise use any computer and/or electronic media (including but not limited to the internet, bulletin boards and news groups) in connection with the Namaste Nail Sanctuary™® Franchise. If we grant our approval for your use of an internet website, you acknowledge that the form, content and appearance of any internet website you use must comply with the System standards and must be approved by us in writing before being used. Accordingly, you agree that you have no authority to, and you will not, establish any website that creates any association with the Marks or the System, or post any advertisements, messages or materials on the internet (including, but not limited to, social media websites such as Facebook and Twitter) that depict or display the Marks or suggest an association with the System, without our express prior written consent. Without limitation of the foregoing, if we require, any internet website created by or for you must contain a hypertext link to our internet website in the form we require, and no other hypertext links to third party internet websites unless previously approved in writing by us. Notwithstanding our approval of a website, we reserve the right to revoke our approval at any time that the website fails to continue to meet our standards, and you agree that upon such revocation, you will immediately discontinue use of the website.

(2) You agree that you have no authority to, and you will not, register any domain name in any class or category that uses or creates any association with the Marks (including any abbreviation, acronym, phonetic variation or visual variation of the Marks) or the System without our express prior written consent. You must obtain our written approval for your domain name prior to use. Your domain name must be registered in our name and licensed to you by us. On termination or expiration of this Agreement, the license of the domain name to you will automatically terminate and you agree to undertake all such actions that we require to disassociate yourself with the domain name.

(3) We may establish an internet website that provides information about the System and the products and services offered by Namaste Nail Sanctuary™® Franchises. If we establish an internet website, we will have sole discretion and control over the website, including timing, design, contents and continuation. We may include at the website interior pages containing information about our franchisees' Namaste Nail Sanctuary™® Franchises, and we may require you to prepare all or a portion of the page for your Namaste Nail Sanctuary™® Franchise, at your expense, using a template that we provide, with all such information subject to our approval prior to posting. We may use Advertising Fund monies to establish and maintain the website.

(4) We also have the sole right (but no obligation) to develop an Intranet through which we and our franchisees can communicate by e-mail or similar electronic means. If we develop an Intranet, you agree to participate in strict compliance with our standards, protocols and restrictions, including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements. We may, in our sole discretion, charge a reasonable fee for Intranet usage, which you agree to pay in accordance with our invoice.

J. Business Licenses. You agree to secure and maintain, at your sole cost, any and all state, county, and/or local business licenses required for the operation of the Namaste Nail Sanctuary™® Franchise.

K. Prices of Services and Products Sold at Your Namaste Nail Sanctuary™® Franchise. We may from time to time establish maximum, minimum or other pricing requirements for the services and products to be sold at your Namaste Nail Sanctuary™® Franchise to the fullest extent allowed by law. Any failure to comply with this Section will be a material breach of this Agreement.

IX. ADVERTISING

A. Local Advertising. Recognizing the value of advertising and marketing to the goodwill and public image of Namaste Nail Sanctuary™® Franchises, you agree to spend at least an amount equal to \$2,500 per month for advertising and promotion of the Namaste Nail Sanctuary™® Franchise in the Protected Area. In our sole discretion, we may increase the amount you must spend on local marketing in the Protected Area upon not less than thirty (30) days' written notice to you. At our request, you must submit to us a report (including substantiating receipts) detailing your local advertising expenditures during the time period specified in the request. In addition, we have the right to review your books and records from time to time to determine your expenditures for local advertising and promotion. If we determine that you have not spent the requisite amounts, we may require you to pay such unexpended amounts to us to apply to local advertising in the Protected Area.

B. Cooperatives. We have the right to designate any geographic area in which two (2) or more company-owned or franchised Namaste Nail Sanctuary™® Franchises are located as a region for purposes of establishing an advertising cooperative ("Cooperative"). If we do, each Cooperative will be organized and governed as, and will begin operation on a date, we determine. Cooperatives will be organized for the exclusive purpose of administering advertising programs and developing promotional materials for local advertising and will be operated solely as a conduit for the collection and expenditure of advertising

contributions. We reserve the right to require all Cooperatives to be formed as legal entities under applicable state laws. If a Cooperative is established for a geographic area that includes all or part of the Protected Area, you must become a member of the Cooperative, execute all applicable Cooperative documents promptly upon our request, and participate in the Cooperative by contributing the amounts required by the Cooperative's governing documents, which may require contributions of at least two percent (2%) of the Namaste Nail Sanctuary™® Location franchise's Gross Sales. You must submit to the Cooperative and to us all statements and reports that we or the Cooperative may require. Your Cooperative contributions will not be applied toward partial satisfaction of your local advertising requirement under Section IX.A. All or a portion of your contributions to a Cooperative may be used to establish and/or maintain a website(s) focused on promoting the System in and around your market area. Cooperative contributions will be maintained and administered under the Cooperative's governing documents and the Cooperative will be operated solely as a conduit for the collection and expenditure of advertising contributions. The Cooperative governing documents will be available for review by all of the Cooperative members. Cooperative members will be entitled to a report on an annual basis on how the Cooperative's funds are being spent.

C. Advertising Fund. We have established an advertising program fund (the "Advertising Fund" or "Fund"). You agree to make periodic contributions to the Fund of one percent (1%) of the Namaste Nail Sanctuary™® Franchise's Gross Sales. In our sole discretion, we may increase the amount you must contribute to the Fund upon not less than thirty (30) days' written notice to you; provided, however, that you shall not be required to contribute more than two percent (2%) of the Namaste Nail Sanctuary™® Franchise's Gross Sales to the Fund. Your required contributions to the Fund are in addition to amounts you are required to spend for local advertising under Section IX.A, and in addition to any amounts you are required to contribute to any Cooperative. Fund contributions will be due and payable at the same time and in the same manner that royalty fee payments are due and payable.

(1) We will direct all programs financed by the Fund, with sole discretion over the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation thereof. You agree that the Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering national, regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising, promotion and marketing agencies; the cost of developing and maintaining an internet website; developing and maintaining gift card, membership and other customer loyalty programs; and supporting public relations, market research and other advertising, promotion and marketing activities.

(2) The Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Fund and its programs, including, without limitation, conducting market research; preparing advertising, promotion and marketing materials; and collecting and accounting for contributions to the Fund. We may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Namaste Nail Sanctuary™® Franchises to the Fund in that year, and the Fund may borrow from us or others to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Fund will be used to pay advertising costs before other assets of the Fund are expended. We will prepare an annual unaudited statement of monies collected and costs incurred by the Fund and furnish the statement to you upon written request. We have the right to cause the Fund to be incorporated or operated through a separate entity at such time as we deem appropriate, and such successor entity will have all of the rights and duties specified herein. Namaste Nail Sanctuary™® Franchises owned by us and our Affiliates may, but are not required to, contribute to the Fund on the same basis as a franchisee under the terms of a standard franchise agreement for a Namaste Nail Sanctuary™® Franchise.

(3) You acknowledge that the Fund is intended to maximize recognition of the Marks and patronage of Namaste Nail Sanctuary™® Franchises. Although we will endeavor to utilize the Fund to develop advertising and marketing materials and programs that will benefit all Namaste Nail Sanctuary™® Franchises, we undertake no obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by Namaste Nail Sanctuary™® Franchises operating in that geographic area or that any Namaste Nail Sanctuary™® Franchise will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising. We may use a portion of the monies contained in the Fund to establish regional marketing funds and/or to establish and maintain a website for Namaste Nail Sanctuary™® Franchises. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you with respect to collecting amounts due to, or maintaining, directing or administering, the Fund.

(4) We reserve the right, upon thirty (30) days' prior written notice to you, to defer, reduce or suspend contributions to (and, if suspended, deferred or reduced, to reinstate such contributions) and to suspend operations of, the Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Fund. If the Fund is terminated, all unspent monies on the date of termination will be distributed to the contributors to the Fund in proportion to their respective contributions to the Fund during the preceding twelve (12) month period.

(5) We may, in our discretion and business judgment, use the Fund to directly or indirectly place advertising in your local or regional market; however, we also intend to use the Fund to create and prepare marketing materials or advertising programs that will be provided to you so that you may directly place or implement such materials or programs in your local or regional market. Any amounts that you spend to place or implement advertising created by the Fund in your local or regional market will be credited towards your local advertising obligations under Section IX.A. above.

D. Promotional Programs. We may, from time to time in our sole discretion, develop and administer advertising and sales promotion programs designed to promote all Namaste Nail Sanctuary™® Franchises. We will be responsible for the design and administration of such programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies. If we do establish these programs, you agree to participate in them in accordance with the terms and conditions we establish. The standards and specifications we establish for such programs, shall be final and binding upon you.

E. Advertising Standards. You agree that any advertising, promotion and marketing you conduct, whether required by this Agreement or voluntarily undertaken by you, will be completely clear and factual and not misleading and will conform to the highest standards of ethical marketing and the promotion policies that we prescribe from time to time. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted to us for approval at least twenty (20) days before you use them or deliver them to a third party for use in any advertisement. If you do not receive written approval within fifteen (15) days after our receipt of such materials, we will be deemed to have disapproved such materials. You may not use any advertising or promotional materials that we have disapproved. Our approval of any advertising material may be withdrawn in our sole discretion at any time.

F. Grand Opening. During the period beginning no later than ten (10) days prior to the Opening Date and ending ninety (90) days after the Opening Date ("Grand Opening Period"), you must carry out a grand opening promotion for your Namaste Nail Sanctuary™® Franchise in accordance with our standards. You must spend at least Ten Thousand Dollars (\$10,000) on advertising and promoting your Namaste Nail Sanctuary™® Franchise during the Grand Opening Period. We will assist you in organizing

your grand opening promotion, and we must approve all advertising items, methods and media you use in connection with such grand opening promotion.

G. Business Listings. You agree to place and pay the cost of a business listing acceptable to us, which may, at our discretion, be an internet business listing, in such directories and categories as we may specify from time to time in the Manuals or otherwise in writing. This cost is in addition to your required local advertising expenditures.

X. MARKS

A. Your Right to Use the Marks. We grant you the right to use the Marks during the term of this Agreement in accordance with this Agreement and our standards and specifications.

B. Your Agreements Regarding the Marks. You expressly acknowledge that:

(1) As between us and you, we are the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them.

(2) Neither you nor any of your Owners will take any action that would prejudice or interfere with our rights or those of our Affiliates in and to the Marks. Nothing in this Agreement shall give you any right, title, or interest in or to any of the Marks, except the right to use the Marks in accordance with the terms and conditions of this Agreement.

(3) Any and all goodwill arising from your use of the Marks will inure solely and exclusively to our benefit and to the benefit of our Affiliates, and upon expiration or termination of this Agreement, no monetary amount shall be attributable to any goodwill associated with your use of the Marks.

(4) You agree not to contest, or assist others to contest, the validity of, or our or our Affiliates' interest in the Marks.

(5) Any unauthorized use of the Marks will constitute an infringement of our or our Affiliates' rights in the Marks and a material event of default under this Agreement. You agree to provide us with all assignments, affidavits, documents, information and assistance related to the Marks that we or our Affiliates reasonably request, including all such instruments necessary to register, maintain, enforce and fully vest the rights of us or our Affiliates in the Marks.

(6) We have the right to substitute different trade names, trademarks, service marks, logos and commercial symbols for the current Marks to use in identifying the System and the Namaste Nail SanctuaryTM® Franchises operating under the System if the current Marks no longer can be used, or if we, in our sole discretion, determine that substitution of different marks will be beneficial to the System. If we do so, you agree, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute marks.

C. Your Use of the Marks. You further agree that you will:

(1) Operate and advertise the Namaste Nail SanctuaryTM® Franchise only under the name "Namaste Nail SanctuaryTM®," without prefix or suffix, unless otherwise authorized or required by us. You agree not to use the Marks as part of your corporate or other legal name.

(2) Identify yourself as the owner of the Namaste Nail SanctuaryTM® Franchise in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, and display a notice in such content and form and at such conspicuous locations at the

Namaste Nail Sanctuary™® Franchise or on any vehicle used in the operation of the Namaste Nail Sanctuary™® Franchise as we may designate in writing.

(3) Not use the Marks to incur any obligation or indebtedness on our behalf.

(4) Comply with our instructions in filing and maintaining the requisite trade name or fictitious name registrations, and execute any documents deemed necessary by us or our counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.

D. Infringement. You agree to notify us promptly of any apparent infringement of or challenge to your use of any Mark and of any claim by any person of any rights in any Mark. You and your Owners shall not communicate with any person other than us, our Affiliates, our and their counsel, and your counsel in connection with any such apparent infringement, challenge or claim. We will have complete discretion to take any action we deem appropriate in connection with any infringement of, or challenge or claim to, any Mark and the right to control exclusively, or to delegate control of, any settlement, litigation, Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. You agree to execute all such instruments and documents, render such assistance, and do such acts or things as may, in our opinion, reasonably be necessary or advisable to protect and maintain our or our Affiliates' interests in the Marks.

XI. CONFIDENTIALITY AND NONCOMPETITION COVENANTS

A. Manuals. The Manuals are our property and you agree to return them to us at our request and in any event when this Agreement expires or is terminated for any reason. You and your Owners must at all times maintain the Manuals, and the information contained in them, as confidential in compliance with this Article XI. You may make the Manuals available only to those of your Owners and employees who must have access to them in order to operate the Namaste Nail Sanctuary™® Franchise and may not at any time copy, duplicate, record or otherwise reproduce the Manuals, in whole or in part, or make them available to any unauthorized person. You agree to maintain the Manuals in a secure place at the Namaste Nail Sanctuary™® Franchise. We have the right to add to or modify the Manuals from time to time. You agree to comply with the terms of all additions and modifications to the Manuals and to keep your copy of the Manuals current. If there is a dispute about the contents of the Manuals, the terms of the master copy at our offices shall control. The entire contents of the Manuals, and our mandatory specifications, procedures and rules prescribed from time to time, shall constitute provisions of this Agreement as if they were set forth herein.

B. Nondisclosure of Confidential Information. We will disclose to you those parts of our Confidential Information we deem necessary or advisable from time to time for the establishment and operation of the Namaste Nail Sanctuary™® Franchise. You agree that you and your Owners will not acquire any interest in the Confidential Information, other than the right to use the Confidential Information disclosed to you in operating the Namaste Nail Sanctuary™® Franchise during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. You agree to disclose the Confidential Information to your Owners and employees only to the extent reasonably necessary for the operation of the Namaste Nail Sanctuary™® Franchise pursuant to this Agreement. Our Confidential Information is proprietary, includes trade secrets owned by us and our Affiliates, and is disclosed to you solely on the condition that you agree, and you do hereby agree, that you: (i) will not use the Confidential Information in any other business or capacity; (ii) will maintain the confidentiality of the Confidential Information during and after the term of this Agreement; (iii) will not make unauthorized copies of any portion of the Confidential Information; and (iv) will adopt and implement all reasonable procedures that we prescribe from time to time to prevent the unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on disclosure of the Confidential Information to Namaste Nail Sanctuary™® Franchise personnel and others.

These covenants shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon you and each of the Owners.

C. Noncompetition Covenants. You and your Owners specifically acknowledge that, pursuant to this Agreement, you and they will receive access to valuable training and Confidential Information which are beyond your and their present skills and experience, including, without limitation, information regarding operational, sales, promotional and marketing methods and techniques of the System. You and your Owners further acknowledge that such specialized training and Confidential Information provide a competitive advantage, and that gaining access to them is a primary reason for entering into this Agreement. Accordingly, you and your Owners agree as follows:

(1) With respect to you, during the term of this Agreement (or with respect to each of the Owners, for so long as such person satisfies the definition of “Owner” under this Agreement), except as otherwise approved in writing by us, neither you nor any of your Owners shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, legal entity or association:

(a) Directly or indirectly divert, or attempt to divert, any business or customer of Namaste Nail Sanctuary™® Franchises to any competitor, or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Except with respect to Namaste Nail Sanctuary™® Franchises operated under valid agreements with us, own, maintain, operate, engage in, or have any financial or beneficial interest in, advise, assist or make loans to, any business that is the same as or similar to a Namaste Nail Sanctuary™® Franchise (including any business that offers and sells nail care or related services) and which is located within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which we or our Affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks.

(2) With respect to you, for a continuous uninterrupted period commencing upon the expiration, termination, or transfer of all of your interest in, this Agreement (or, with respect to each of the Owners, commencing upon the earlier of (i) the expiration or termination of, or transfer of all of your interest in, this Agreement or (ii) the time such individual or entity ceases to satisfy the definition of “Owner” under this Agreement) and continuing for two (2) years thereafter, except as otherwise approved in writing by us, neither you, nor any of your Owners shall, directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person, legal entity or association:

(a) Directly or indirectly divert, or attempt to divert, any business or customer of Namaste Nail Sanctuary™® Franchises to any competitor, or do or perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Except with respect to Namaste Nail Sanctuary™® Franchises operated under valid agreements with us, own, maintain, operate, engage in, or have any financial or beneficial interest in, advise, assist or make loans to, any business that is the same as or similar to a Namaste Nail Sanctuary™® Franchise (including any business that offers and sells nail care or related services) which is, or is intended to be, located (i) at the Franchise Location, (ii) within the Protected Area, (iii) within a fifty (50)-mile radius of the Franchise Location, or (iv) within a fifty (50)-mile radius of the location of any Namaste Nail Sanctuary™® Franchise then in existence or under construction.

(3) You agree that each of the foregoing covenants contain 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 the goodwill or our other business interests. Each covenant 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 XI.C. is held unreasonable or unenforceable by a court having valid jurisdiction in an unappealed final decision to which we are a party, you and your Owners expressly agree to 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 XI.C.

(a) You and your Owners acknowledge that we will have the right, in our sole discretion, to reduce the scope of any covenant set forth in this Section XI.C. without your or their consent, effective immediately upon notice to you; and you and your Owners agree to promptly comply with any covenant as modified.

(b) You and your Owners expressly agree that the existence of any claims you or they may have against us, whether arising under this Agreement or otherwise, shall not constitute a defense to the enforcement by us of the covenants in this Section XI.C, and that the 2-year non-competition period shall be tolled during any periods of non-compliance and shall be extended for a time period equal to the duration of the non-compliance.

D. Improvements. If you, your employees, or Owners develop any new concept, process or improvement in the operation or promotion of a Namaste Nail Sanctuary™® Franchise (an "Improvement"), you agree to promptly notify us and provide us with all necessary related information, without compensation. Any such Improvement shall become our sole property and we shall be the sole owner of all related patents, patent applications, and other intellectual property rights. You and your Owners hereby assign to us any rights you or they may have or acquire in the Improvements, including the right to modify the Improvement, and waive and/or release all rights of restraint and moral rights therein and thereto. You and your Owners agree to assist us in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your Owners hereby irrevocably designate and appoint us as your and their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such Improvement. In the event that the foregoing provisions of this Section XI.D. are found to be invalid or otherwise unenforceable, you and your Owners hereby grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe your or their rights therein.

E. Injunctive Relief. You and your Owners acknowledge that any failure to comply with the requirements of this Article XI. shall constitute a material event of default under this Agreement and further acknowledge that such a violation would result in irreparable injury to us for which no adequate remedy at law may be available. You and your Owners accordingly consent to the issuance of an injunction prohibiting any conduct by you or them in violation of the terms of this Article XI., without the requirement that we post a bond. You and your Owners agree to pay all court costs and reasonable attorneys' fees and costs that we incur in connection with the enforcement of this Article XI., including all costs and expenses for obtaining specific performance, or an injunction against the violation, of the requirements of this Article, or any part of it.

F. Execution of Covenants by Your Owners and Management. You agree to require and obtain the execution of covenants similar to those set forth in Sections XI.B. and C. from all General Managers, and, at our request, any Assistant Managers or other of your personnel. These covenants must be substantially in the form set forth in Exhibit B; however, we reserve the right, in our sole discretion, to decrease the scope of the noncompetition covenant set forth in Exhibit B or eliminate such noncompetition covenant altogether for any person that is required to execute such agreement.

XII. BOOKS AND RECORDS

A. Maintenance of Books and Records. You must maintain during the term of this Agreement, in accordance with generally accepted accounting principles and in the form and manner we prescribe from time to time in the Manuals, full, complete and accurate books, records and accounts of the Namaste Nail SanctuaryTM® Franchise, including, but not limited to, sales slips, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers. You agree to preserve such books and records for at least five (5) years from the date of preparation.

B. Reporting. In addition to other reports required by this Agreement, you agree to submit to us, in the form we prescribe from time to time and at your expense:

(1) At our request, a monthly income statement (which may be unaudited), signed by your treasurer, chief financial officer or comparable officer attesting that it is true, complete and correct.

(2) Not later than April 15th after the end of each calendar year during the term of this Agreement, your complete annual financial statement (which may be unaudited), including a balance sheet, profit and loss statement, and statement of cash flows, prepared in accordance with generally accepted accounting principles by an independent certified public accountant satisfactory to us and showing the results of your operations during such calendar year.

(3) Not later than five (5) days after filing, copies of your federal income tax returns (including any extension requests) and within five (5) days after the end of each calendar quarter, copies of your state sales tax returns. If the Namaste Nail SanctuaryTM® Franchise is in a state which does not impose a sales tax, you agree to submit a copy of your state income tax return (including any extension requests) not later than five (5) days after filing.

(4) At the times reasonably required by us, such other forms, reports, records, information and data as we may reasonably designate.

C. Audits. We or our designees will have the right at all reasonable times to review, audit, examine and copy your books and records relating to the Namaste Nail SanctuaryTM® Franchise. If any required payments to us are delinquent, or if an examination or audit should reveal that any payments have been understated in any report to us, then you must pay to us upon demand the amount overdue or understated with interest determined in accordance with Section V.F. If an examination or audit discloses an understatement in any report of two percent (2%) or more, you must, in addition, reimburse us for all costs and expenses connected with the audit (including, without limitation, legal and accounting fees and costs). These remedies shall be in addition to any other remedies we may have at law or in equity.

D. No Waiver. Our receipt or acceptance of any of the statements furnished or amounts paid to us (or the cashing of any check or processing of any electronic fund transfer) will not preclude us from questioning the correctness thereof at any time, and, in the event that any errors are discovered in such statements or payments, you must immediately correct the error and make the appropriate payment to us.

E. Authorization to Release Information. You hereby authorize (and agree to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with whom you do business to disclose to us any financial information in their possession relating to you or the Namaste Nail SanctuaryTM® Franchise which we may request. You further authorize us to disclose to prospective franchisees or other third parties' data from your reports if we determine, in our sole discretion, that such disclosure is necessary or advisable.

XIII. INSURANCE

A. Insurance Coverage Requirements. Not later than sixty (60) days before the Opening Date, you must procure, at your expense, an insurance policy or policies protecting you, us, our Affiliates, successors and assigns, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors and employees of each of them against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring at or in connection with the operation of the Namaste Nail Sanctuary^{TM®} Franchise. You must maintain these policies in full force and effect at all times during the term of this Agreement. All required insurance policies must be purchased from our designated insurance provider, must include a one-year tail following the termination, expiration or transfer of this Agreement, must name us as a co- insured, and shall otherwise be reasonably acceptable to us and must include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by us from time to time in writing), the following:

(1) Comprehensive general liability insurance written on an occurrence form, including coverage for beauticians professional liability, broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in an amount not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate, \$2,000,000 products/completed operations aggregate, \$1,000,000 personal and advertising injury, \$50,000 damage to premises rented to you, and \$5,000 medical expense (any one person). The general liability coverage shall include a waiver of subrogation endorsement in favor of us and shall not limit or exclude contractual liability. There should be no limitation or exclusion for sexual abuse or molestation coverage;

(2) Employment related practices liability insurance, including third party coverage, in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate. Such insurance must include a deductible of less than \$10,000 unless we approve a higher deductible in writing. Prior acts retroactive date must be no later than the Effective Date of this Agreement;

(3) Commercial automobile insurance written on a combined single limit basis for bodily injury and property damage with a limit not less than \$1,000,000 per accident. Such insurance shall include coverage for owned, hired, and non-owned automobiles and shall include additional insured and waiver of subrogation endorsements in favor of us;

(4) Commercial umbrella or excess liability following form insurance in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate;

(5) Property insurance coverage to include coverage for replacement costs of all franchisee- owned contents and tenant improvements at each location, and business interruption insurance for a period adequate to re-establish normal business operations, not to be less than six months. All property related coverage shall be written on special causes of loss forms with deductibles not to be greater than \$10,000 per occurrence;

(6) Workers' compensation (Coverage A) with statutory limits complying with the laws of the applicable state, and ~~employer~~employers's liability (Coverage B) with limits not less than \$1,000,000 per accident, \$1,000,000 disease policy limit, and \$1,000,000 disease per employee. Such insurance shall include a waiver of subrogation endorsement in favor of us; and

(7) such other insurance as may be required by us from time to time or by the landlord of the Namaste Nail Sanctuary^{TM®} Franchise business premises at, and by the state or locality in, which the Namaste Nail Sanctuary^{TM®} Franchise business is located. All required insurance coverages may be obtained by separate primary policies, or in combination with umbrella or excess liability policies.

B. Deductibles; Waiver of Subrogation. You may elect to have reasonable deductibles in connection with the coverage required under Sections XIII.A(1) -(7) hereof. Such policies shall also include a waiver of subrogation in favor of us, our Affiliates and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them.

C. Builder's Risk Insurance. In connection with any construction, renovation, refurbishment or remodeling of the Namaste Nail Sanctuary™® Franchise, you must maintain Builder's Risks/Installation insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to us.

D. No Limitation of Other Obligations. Your obligation to obtain and maintain the foregoing policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by us, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Article XVI. of this Agreement.

E. Additional Insured Designation. All insurance policies required under this Agreement, with the exception of workers' compensation, shall name us and our Affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors (including the Area Representative for your territory, if applicable), servants and employees of each of them, as additional insureds, and shall expressly provide that our and their interest shall not be affected by your breach of any policy provisions. All public liability and property damage policies shall contain a provision that we and our Affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees of each of them, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of your negligence or that of your servants, agents or employees.

F. Certificates of Insurance. Upon the execution of this Agreement and thirty (30) days before the expiration of any policy required under this Agreement, you agree to deliver to us certificates of insurance evidencing the existence and continuation of proper coverage with limits not less than those required under this Article XIII. In addition, if we request, you agree to deliver to us a copy of the insurance policy or policies required. All required insurance policies must expressly provide that we are entitled to no less than thirty (30) days' prior written notice in the event of a material alteration to or cancellation of the policies.

G. Remedies. If you fail to procure or maintain the insurance required by this Agreement, we will have the right and authority (but no obligation) to procure such insurance and to charge to you the cost of such insurance, together with a reasonable fee for our expenses, which shall be payable by you upon demand. The foregoing remedies are in addition to any other remedies we may have at law or in equity.

XIV. DEBTS AND TAXES

A. Payment of Taxes and Other Obligations. You agree to promptly pay when due all Taxes levied or assessed and all accounts and other indebtedness of every kind incurred by you in connection with the Namaste Nail Sanctuary™® Franchise. You are solely liable for the payment of all Taxes and agree to indemnify us for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether or not correctly or legally assessed. You will pay to us when due any federal, state or local sales, gross receipts, use, value added, excise or other taxes levied or assessed against us on all fees and other payments paid to us under this Agreement, including any income tax, franchise or other tax levied or assessed against us for the privilege of doing business in your state.

B. Disputed Liability. If there is a bona fide dispute as to your liability for Taxes or other indebtedness, you may contest the validity or the amount of the Tax or indebtedness in accordance with the procedures of the taxing authority or applicable law. However, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor, to occur against the Namaste Nail Sanctuary™® Franchise.

C. Credit Standing. You acknowledge that the failure to make payments or repeated delays in making prompt payments to suppliers will result in a loss of credit rating or standing which will be detrimental to the goodwill associated with the Marks and the System. Except for payments which are disputed by you in good faith, you agree to promptly pay when due all amounts owed by you to us, our Affiliates, and other suppliers, lenders, landlords and other third parties. Any failure to comply with this section shall constitute a material default under this Agreement.

D. Notice of Adverse Orders. You agree to notify us in writing within five (5) days 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 Namaste Nail Sanctuary™® Franchise.

XV. TRANSFER

A. By Us. We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity without your consent, and upon such transfer or assignment, the transferee or assignee shall be solely responsible for all our obligations arising subsequent to the transfer or assignment. Without limitation of the foregoing, we may sell our assets to a third party; may offer our securities privately or publicly; may merge with or, acquire other corporations, or may be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring.

B. By You and Your Owners. You acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted you rights under this Agreement in reliance on your business skill, financial capacity and personal character and that of your Owners. Accordingly, neither you nor any of your Owners, nor any of your or their permitted successors or assigns, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise dispose of or encumber any direct or indirect interest in this Agreement, in the Namaste Nail Sanctuary™® Franchise, or in you without our prior written consent. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material breach of this Agreement. If you wish to transfer all or part of your interest in the Namaste Nail Sanctuary™® Franchise or this Agreement, or if you or an Owner wishes to transfer any ownership interest in you, the transferor shall apply to us for our consent. We will not unreasonably withhold our consent but may require any or all of the following as conditions of our consent:

(1) All accrued monetary obligations of you and your Affiliates to us and our Affiliates arising under this Agreement or any other agreement, shall have been satisfied in a timely manner, and you shall have satisfied all trade accounts and other debts of whatever nature or kind in a timely manner;

(2) You and your Affiliates shall not be in default of this Agreement or any other agreement with us or our Affiliates, and you and they shall have substantially and timely complied with all the terms and conditions of such agreements during their respective terms;

(3) The transferor and its owners, if applicable, shall have executed a general release, in a form satisfactory to us, of any and all claims, against us and our Affiliates, our and their respective

officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and any other agreement with us or our Affiliates, and under federal, state or local laws, rules, and regulations or orders;

(4) The proposed transferee must demonstrate to our satisfaction that it meets our then-current qualifications, and, at the transferee's expense, its Principal Owner, General Manager, Assistant Managers and any other personnel we require shall complete any training programs then in effect for Namaste Nail Sanctuary™® Franchises upon such terms and conditions as we may reasonably require;

(5) The transferee shall, at its expense and within the time period we reasonably require, renovate, modernize and otherwise upgrade the Namaste Nail Sanctuary™® Franchise to conform to our then-current System image, standards and specifications, provided that this subsection XV.B(5) will be applicable only if you have not renovated, updated and upgraded the Namaste Nail Sanctuary™® Franchise pursuant to subsection VIII.D of this Agreement;

(6) The transferee shall enter into a written agreement, in a form satisfactory to us, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all of your obligations, covenants and agreements under this Agreement;

(7) The transferee shall execute our then-current form of franchise agreement for a term ending on the expiration date of this Agreement (including any renewal terms provided by this Agreement). The new franchise agreement shall supersede this Agreement in all respects and its terms may differ from the terms of this Agreement (except that the fees imposed on the transferee will not be greater than the fees that we then impose on similarly situated transferees), provided that the transferee shall not be required to pay an initial franchise fee. If the transferee is a corporation, partnership, limited liability company or other entity, those of the transferee's owners whom we require shall execute such guaranty and assumption documents as we may require;

(8) The transferor shall remain liable for all of its obligations to us under this Agreement incurred prior to the effective date of the transfer, shall obtain a one-year tail on each of its insurance policies to cover any liabilities that may have been incurred prior to the effective date of the transfer, and shall execute any and all instruments reasonably requested by us to evidence such liability;

(9) You must pay us a transfer fee in an amount equal to Twenty-Five Percent (25%) of our then-current initial franchise fee, provided that the transfer fee shall not exceed \$10,000. Furthermore, if you are an individual transferring your rights and obligations under this Agreement to an entity owned by you pursuant to, and in accordance with, Section XV.C. of this Agreement, the transfer fee shall be an amount equal to the out-of-pocket costs and expenses incurred by us in connection with such transfer (including, without limitation, legal and accounting fees and costs);

(10) If the transfer relates to the grant of a security interest in any of your assets, we may require the secured party to agree 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 no obligation) to be substituted as obligor to the secured party and to cure any default.

C. Transfer for Convenience of Ownership. If the proposed transfer is to a corporation or other entity formed solely for the convenience of ownership, our consent may be conditioned upon any of the requirements in Section XV.B., except that Sections XV.B.(3), (4), (5), and (7) shall not apply and the fee provided for in Section XV.B.(9) shall be limited to our reasonable out-of-pocket costs and expense (including legal and accounting fees and costs). In any transfer for the convenience of ownership, you must be the owner of all the voting stock or ownership interests in the new entity, or, if you are more than one

individual, each individual shall have the same proportionate ownership interest in the new entity as he or she had in you before the transfer.

D. Right of First Refusal. If you or an Owner wishes to transfer any interest in this Agreement, the Namaste Nail Sanctuary^{TM®} Franchise, or you pursuant to any bona fide offer received from a third party to purchase such interest, then the proposed seller shall promptly notify us in writing of the offer, and shall provide such information and documentation relating to the offer as we may require. We will have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all required documentation describing the terms of the offer, to send written notice to the seller that we intend to purchase the seller's interest on the terms and conditions offered by the third party. If we elect to purchase the seller's interest, closing shall occur on or before sixty (60) days from the later of the date of our notice to seller of our election to purchase and the date we receive all necessary permits and approvals, or any other date agreed by the parties in writing. If the third party offer provides for payment of consideration other than cash, we may elect to purchase seller's interest for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent, then that amount shall be determined by two (2) appraisers. Each party shall select one (1) appraiser and the average of the appraisers' determinations shall be binding. Each party shall bear its own legal and other costs and shall share the appraisal fees equally. If we exercise our right of first refusal, we will have the right to set off all appraisal fees and other amounts due from you to us or any of our Affiliates. A material change in the terms of any offer before closing shall constitute a new offer subject to the same right of first refusal as an initial offer. Our failure to exercise the option afforded by this Section XV.D. shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section XV.B. Failure to comply with this Section XV.D. shall constitute a material event of default under this Agreement.

E. Death or Permanent Disability. You agree to promptly notify us of any death or claim of permanent disability subject to this Section XV.E. Any transfer upon death or permanent disability shall be subject to the following conditions, as well as to the conditions described in Section XV.B. for any inter vivos transfer.

(1) Upon your death (if you are a natural person) or the death of any Owner who is a natural person (the "Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by us within six (6) months after the date of death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by us. If the distributee is not approved by us, then the distributee shall transfer such interest to a third party approved by us within six (6) months after the death of the Deceased.

(2) Upon your permanent disability (if you are a natural person) or the permanent disability of any Owner who is a natural person, we may, in our sole discretion, require that person's interest to be transferred to a third party in accordance with the conditions described in this Article XV. within six (6) months after notice to you. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by us, upon examination of the person, or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section XV.E. We will pay the costs of any examination required by this Section XV.E.(2).

F. Securities Offerings. Interests in you shall not be offered to the public by private or public offering without our prior written consent, which we will not unreasonably withhold. As a condition of our consent, we may, in our sole discretion, require that immediately after such offering your Owners retain a

Controlling Interest in you. You agree to give us written notice at least thirty (30) days before the commencement of any offering covered by this Section XV.F. and to submit all offering materials to us for review before they are filed with any governmental agency or distributed for use. Our review of the offering materials shall be limited solely to the subject of the relationship between you and us. No offering shall imply that we are participating in an underwriting, issuance or offering of securities. We may require the offering materials to contain a written statement prescribed by us concerning the relationship between you and us. You, your Owners and the other participants in the offering must fully indemnify us, our Affiliates, our and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in connection with the offering. For each proposed offering, you must reimburse us for our reasonable costs and expenses (including, without limitation, legal and accounting fees and costs) associated with reviewing the offering materials.

G. No Waiver. Our consent to the transfer of any interest described in this Article XV. shall not constitute a waiver of any claims which we may have against the transferring party, nor shall it be deemed a waiver of our right to demand the transferee's exact compliance with any of the terms of this Agreement.

XVI. INDEMNIFICATION

You agree to indemnify, defend and hold harmless us, our Affiliates, and our and their respective shareholders, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, and liabilities directly or indirectly arising out of the operation of the Namaste Nail SanctuaryTM® Franchise or your breach of this Agreement, without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint or concurrent, or active or passive) or strict liability of us or any other party or parties in connection therewith. Notwithstanding the foregoing, this indemnity shall not apply to any liability arising from our gross negligence or willful misconduct, except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to you, your Owners, officers, directors, employees, independent contractors or Affiliates. For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential, exemplary or other) and costs reasonably incurred in the defense of or in response to any allegation or claim against any of the Indemnified Parties, including, without limitation, accountants', mediators', administrative, arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of an administrative action or request, litigation, arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you. The terms of this Article XVI. shall survive the termination, expiration or transfer of this Agreement or any interest herein.

XVII. INDEPENDENT CONTRACTOR

You agree that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm's-length business relationship, and we owe you no duties except as expressly provided in this Agreement. You are an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. During the term of this Agreement, you agree to hold yourself out to the public as an independent contractor conducting the operations of the Namaste Nail SanctuaryTM® Franchise pursuant to the rights granted by us. Nothing in this Agreement

authorizes you or any of your Owners to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of you or any of your Owners or any claim or judgment arising therefrom.

XVIII. TERMINATION

A. Automatic Termination. You will be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to you, if you become insolvent or make a general assignment for the benefit of creditors; or if you file a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admit in writing your inability to pay your debts when due; or if you are adjudicated as bankrupt or insolvent in proceedings filed against you under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; or if 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; or if proceedings for a composition with creditors under any state or federal law are instituted by or against you; or if a final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if you are dissolved; or if execution is levied against your business or property; or if judicial, non-judicial or administrative proceedings to foreclose any lien or mortgage against the Namaste Nail Sanctuary™® Franchise premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of your Namaste Nail Sanctuary™® Franchise shall be sold after levy thereupon by any sheriff, marshal or constable or is otherwise sold by means of a foreclosure sale or a public or private auction or sale conducted in accordance with applicable law.

B. Termination on Notice; No Cure. You will be deemed to be in material default and 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 notice to you, upon the occurrence of any of the following events:

(1) If you operate the Namaste Nail Sanctuary™® Franchise or sell any products or services authorized by us at any location other than the Franchise Location without our prior written consent;

(2) If you fail to construct (or to identify an approved site for) your Namaste Nail Sanctuary™® Franchise in accordance with Article III;

(3) If you fail to open the Namaste Nail Sanctuary™® Franchise for business within the period specified in Section III.E.;

(4) If you at any time cease to operate or otherwise abandon the Namaste Nail Sanctuary™® Franchise, or lose the right to occupy the Franchise Location, or otherwise forfeit the right to do or transact business in the jurisdiction where the Namaste Nail Sanctuary™® Franchise is located; provided, that this provision shall not apply upon the occurrence of an event of Force Majeure, if you apply within thirty (30) days after such event for our approval to relocate or reconstruct the Namaste Nail Sanctuary™® Franchise and you diligently pursue such reconstruction or relocation. Our approval will not be unreasonably withheld but may be conditioned upon the payment of an agreed minimum fee to us during the period in which the Namaste Nail Sanctuary™® Franchise is not in operation;

(5) If a threat or danger to public health or safety results from the construction or operation of the Namaste Nail Sanctuary™® Franchise;

(6) If you or any of your Owners is convicted of, or has entered a plea of guilty or nolo contendere to, a felony, a crime involving moral turpitude, or any other crime or offense, including an administrative action, that we believe is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or our interests therein. Our rights herein shall apply to actions arising both before and after the Effective Date of this Agreement;

(7) If you or any of your Owners transfer or attempt to transfer any rights or obligations under this Agreement or any interest in you or the Namaste Nail SanctuaryTM® Franchise contrary to the terms of this Agreement, or if a transfer upon death or permanent disability is not made in accordance with Section XV.E.;

(8) If, contrary to the terms of Section XI.B., you or any of your Owners disclose or divulge any Confidential Information;

(9) If you knowingly maintain false books or records, or submit any false reports to us;

(10) If you breach in any material respect any of the covenants, or have falsely made any of the representations or warranties, set forth in Article VII., or if you make any material misstatement or omission in an application for this franchise or in any other information provided to us;

(11) If you fail to comply with our quality assurance program (including any applicable cure periods provided under such program);

(12) If you or any of your Owners repeatedly commit an event of default under this Agreement, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by you after notice by us;

(13) If your assets, property or interests are 'blocked' or otherwise restricted under any law, ordinance or regulation relating to terrorist activities or if you are otherwise in violation of any such law, ordinance or regulation; or

(14) If you or any of your Affiliates are in default of any other franchise agreement or other agreements with us and fail to cure such default within the applicable cure period, if any.

C. Termination on Notice; Opportunity to Cure. Except as provided in Sections XVIII.A. and XXVII.B. of this Agreement, upon any default which is capable of being cured, we may terminate this Agreement by giving you written notice of termination stating the nature of the default and the time period within which the default must be cured. You may avoid termination by immediately initiating a remedy to cure such default and curing it to our satisfaction within the time period set forth below or any longer period that applicable law may require ("cure period"). If the default is not cured within the cure period, this Agreement shall terminate without further notice to you effective immediately upon the expiration of the cure period. Defaults which are susceptible of cure hereunder may include, but are not limited to, the following:

(1) If you fail to procure and maintain the insurance policies required by Section XIII. and fail to cure such default within seven (7) days following notice from us;

(2) If you misuse or make any unauthorized use of the Marks or otherwise materially impair the goodwill associated therewith or our rights therein and fail to cure such default within twenty-four (24) hours following notice from us;

(3) If you fail to obtain the execution of the confidentiality and related covenants as required under Section XI.F. of this Agreement within ten (10) days after we request and fail to cure such default within thirty (30) days following notice from us;

(4) If you or any of your Affiliates fail, refuse, or neglect to promptly pay any monies owed to us or any of our Affiliates when due, or fail to submit the financial or other information we require under this Agreement, and do not cure such default within five (5) days following notice from us;

(5) If you or any of your Owners fail to comply with the restrictions against competition set forth in Section XI.C. of this Agreement and fail to cure such default within ten (10) days following notice from us;

(6) If you fail to maintain or observe any of the standards, specifications or procedures prescribed by us in this Agreement or otherwise in writing, and fail to cure such default within thirty (30) days following notice from us;

(7) If you fail to secure all required state, county or local license(s) by the date the Namaste Nail Sanctuary™® Franchise is otherwise ready (and/or required) to open for business and fail to cure such default within ten (10) days following notice from us; or

(8) If you fail to comply with any other requirement imposed by this Agreement, or fail to carry out the terms of this Agreement in good faith and fail to cure such default within thirty (30) days following notice from us.

D. Our Right to Provide Interim Management. If we have given you notice that you are in default, then we may (but are not obligated to) assume interim management of the Namaste Nail Sanctuary™® Franchise during the pendency of any cure period or in lieu of immediately terminating this Agreement. If we elect to assume interim management of the Namaste Nail Sanctuary™® Franchise (i) our election will not relieve you of your obligations under this Agreement; (ii) we will not be liable for any debts, losses, costs or expenses incurred in the operation of the Namaste Nail Sanctuary™® Franchise during any such interim management period; (iii) we will have the right to charge a reasonable fee for our management services; and (iv) you agree to, and hereby do, indemnify and hold us harmless against any and all claims, demands, judgments, fines, losses, liabilities, costs, amounts paid in settlement and reasonable expenses (including, but not limited to attorneys' fees) incurred in connection with our interim management of the Namaste Nail Sanctuary™® Franchise, other than those arising solely from our gross negligence or willful misconduct.

XIX. POST-TERMINATION

A. Your Obligations Upon Termination. Upon the termination or expiration of this Agreement for any reason, all rights granted to you will terminate, and you must:

(1) Immediately cease to operate the Namaste Nail Sanctuary™® Franchise under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as one of our present or former franchisees.

(2) Immediately and permanently cease to use, in any manner whatsoever, the Marks and any Confidential Information associated with the System. Without limitation of the foregoing, you

must cease to use all signs, advertising materials, displays, stationery, forms and any other items which display the Marks.

(3) Take such action as may be necessary to cancel any assumed name, fictitious name or equivalent registration which contains the mark "Namaste Nail SanctuaryTM®" or any other Mark, and furnish us with satisfactory evidence of compliance within five (5) days after termination or expiration of this Agreement.

(4) Not use any reproduction, counterfeit, copy or colorable imitation of the Marks which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Marks, nor shall you use any designation of origin or description or representation which falsely suggests or represents an association or connection with us constituting unfair competition.

(5) Promptly pay all sums owing to us and our Affiliates, and all damages, costs and expenses, including reasonable attorneys' fees and costs, incurred by us as a result of any default by you or in connection with obtaining injunctive or other relief for the enforcement of any provisions of this Article XIX., which obligation shall give rise to and remain a lien in favor of us against any and all of your assets, until such obligations are paid in full.

(6) Promptly deliver to us all Manuals, Software Programs, Confidential Information, and other materials related to the operation of the Namaste Nail SanctuaryTM® Franchise in your possession or control, and all copies thereof, all of which are acknowledged to be our property, and retain no copy or record of any of the foregoing, except your copy of this Agreement and of any correspondence between you and us and any other documents which you reasonably need for compliance with any provision of law.

(7) Comply with the restrictions against the disclosure of Confidential Information and against competition contained in Article XI. of this Agreement and cause any other person required to execute similar covenants pursuant to Article XI. to also comply with such covenants.

(8) Promptly furnish to us an itemized list of all advertising and sales promotion materials bearing the Marks, whether located at the Namaste Nail SanctuaryTM® Franchise or at any other location under your control. We will have the right to inspect these materials and the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at your cost. Materials we do not purchase cannot be used by you or any other person for any purpose unless authorized in writing by us.

(9) At our option, assign to us all rights to the telephone numbers of the Namaste Nail SanctuaryTM® Franchise and any related business listings and execute all forms and documents required by us to transfer such service and numbers to us. You agree to use different telephone numbers at or in connection with any subsequent business conducted by you.

(10) If we do not elect to exercise our option to acquire the lease or sublease for the Franchise Location (as described below), you agree to make such modifications or alterations to the premises as are necessary to distinguish the appearance of the Franchise Location from that of the Namaste Nail SanctuaryTM® Franchises, and, if you fail or refuse to do so, we shall have the right to enter upon the premises, without being guilty of trespass or any other crime or tort, to make or cause such changes to be made, at your expense.

B. Our Post-Term Purchase Options. Upon the termination or expiration of this Agreement, we shall have the following options:

(1) The option, exercisable by giving written notice to you within sixty (60) days from the date of such termination or expiration, as applicable, to acquire the Franchise Location and the assets of the Namaste Nail Sanctuary™® Franchise from you (subject to any rights of approval retained by the owner of the leasehold). The date on which we notify you whether or not we are exercising our option is referred to as the “Notification Date.” We will have the unrestricted right to assign this option and we or our assignee will be entitled to all customary warranties and representations in connection with the asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise; and a general release.

(2) The option, exercisable at the time and in the manner set forth in subsection (1) above, to assume your leasehold interest in the Franchise Location or, if you own the Franchise Location, to enter into a lease agreement with you. If we exercise our option, you agree to assign your leasehold interest to us at no cost to us other than our assumption of the obligation to make post-assignment rental payments to the landlord under the lease; or if you own the Franchise Location, to lease the Franchise Location to us at a reasonable commercial rent and upon terms comparable to rental terms for similar leased property in the marketplace where the Namaste Nail Sanctuary™® Franchise is located.

(3) If we exercise our option under subsection (1) to purchase the assets of the Namaste Nail Sanctuary™® Franchise from you, the purchase price for the assets will be their fair market value, determined in a manner consistent with reasonable depreciation of the Namaste Nail Sanctuary™® Franchise’s leasehold improvements, equipment, fixtures, furnishings, signs, materials and supplies. The age and condition of the improvements, equipment, fixtures, furnishings, decor, and signs of the Namaste Nail Sanctuary™® Franchise, will also be considered in determining the fair market value. We may exclude from the assets we elect to purchase cash or its equivalent and any leasehold improvements, equipment, fixtures, furnishings, signs, materials and supplies that are not necessary or appropriate (in function or quality) to the Namaste Nail Sanctuary™® Franchise’s operation or that we have not approved as meeting the standards for Namaste Nail Sanctuary™® Franchises, and the purchase price will reflect such exclusions.

(4) If we and you are unable to agree on the fair market value of the Namaste Nail Sanctuary™® Franchise’s assets, or the fair rental value of the Franchise Location, such fair market value (or fair rental value) will be determined by three (3) independent appraisers who collectively will conduct one (1) appraisal. We will appoint one appraiser, you will appoint one appraiser, and those appraisers will appoint the third appraiser. You and we agree to select our respective appraisers within fifteen (15) days after the Notification Date, and we and you agree that we will instruct the two appraisers so chosen to appoint the third appraiser within fifteen (15) days after the date on which the last of our appointed appraisers is appointed. You and we will each bear the cost of our own appraiser and share equally the fees and expenses of the third appraiser. We and you agree that we will instruct the three (3) appraisers to complete their appraisal within thirty (30) days after the third appraiser’s appointment.

(5) The purchase price will be paid at the closing of the purchase, which will take place not later than ninety (90) days after the determination of the purchase price. We will have the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts you or your Owners owe to us. At the closing, you agree to deliver instruments transferring to us: (i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances, with all sales and other transfer taxes paid by you; (ii) all licenses and permits of the Namaste Nail Sanctuary™® Franchise which may be assigned or transferred; and (iii) a leasehold interest in (or unencumbered title to) the Franchise Location and improvements. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be accomplished through an escrow. As a condition of our purchase of the Namaste Nail Sanctuary™® Franchise, you and your Owners further agree

to execute general releases, in form satisfactory to us, of any and all claims against us and our subsidiaries, shareholders, officers, directors, employees, agents, successors and assigns.

(6) We may assign our options under this Section XIX.B. to any person or entity without your consent.

XX. MISCELLANEOUS

A. Notices. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by facsimile or electronic 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:

Notices to us:

Namaste Nail Sanctuary, LLC
Attention: Todd Welker, President and CEO
6320 Canoga Avenue, Suite 1430
Woodland Hills, CA 91367
Telephone: (818) 657-7220
Email: todd@namastenailsanctuary.com

Notices to you and
your Owners:

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service, on the next Business Day, or, in the case of or registered or certified mail, three (3) Business Days after the date and time of mailing, or, in the case of facsimile or electronic mail, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail).

B. No Waiver. No delay, waiver, omission or forbearance on our part to exercise any right, option, duty or power arising out of any breach or default by you or your Owners under this Agreement shall constitute a waiver by us to enforce any such right, option, duty or power against you or your Owners, or as to a subsequent breach or default by you or your Owners.

C. Approval or Consent. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us, and such approval or consent shall be obtained in writing. No waiver, approval, consent, advice or suggestion given to you, and no neglect, delay or denial of any request therefor, shall constitute a warranty or guaranty by us, nor do we assume any liability or obligation to you or any third party as a result thereof.

D. Force Majeure. Upon the occurrence of an event of Force Majeure, the party affected thereby shall give prompt notice thereof to the other party, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected, and a plan for resuming operation under the Agreement, which the party shall promptly undertake and maintain with due diligence. An affected party shall be liable for failure to give timely notice only to the extent of damage actually caused. If an event of Force Majeure shall occur, then, in addition to payments required under Section XVIII.B.(4), you must continue to pay to us any and all amounts that you have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of such event and the Indemnitees shall continue to be indemnified and held harmless by you in accordance with Article XVI. Except as provided in Section XVIII.B.(4) and the immediately preceding sentence,

of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of our rights pursuant to Section XVIII. of this Agreement shall not discharge or release you or any of the Owners from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

X. No Third Party Beneficiary. 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 and personnel and such of your and our respective successors and assigns as may be contemplated (and, as to you, authorized by Section XV.), any rights or remedies under or as a result of this Agreement.

Y. Further Assurances. You and we agree to promptly execute and deliver such further documents and take such further action as may be necessary in order to effectively carry out the intent and purposes of this Agreement.

Z. Agreement Effective Upon Execution by Us. This Agreement shall not become effective until signed by one of our authorized representatives.

AA. Entire Agreement. This Agreement, and the exhibits hereto, which are incorporated herein by reference, constitute the entire, full and complete Agreement between the parties hereto concerning the subject matter hereof, and they supersede any and all prior negotiations, understandings, representations and agreements; **provided, however, that nothing in this or any related agreement is intended to disclaim the representations made in the franchise disclosure document that we furnished to you.** You acknowledge and agree that no other representations by us or any third party have induced you to execute this Agreement.

XXI. FRANCHISEE'S ACKNOWLEDGEMENTS

A. Independent Investigation. Franchisee acknowledges that it has conducted a thorough, independent investigation of the business contemplated by this Agreement and recognizes that the success of this business involves substantial risks and will largely depend upon the ability and efforts of Franchisee. Franchisor expressly disclaims making, and Franchisee acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

B. Consultation With Advisors. Franchisee acknowledges that Franchisee has received, read and understands this Agreement and the related Attachments and agreements and that Franchisor has afforded Franchisee sufficient time and opportunity to consult with advisors selected by Franchisee about the potential benefits and risks of entering into this Agreement.

C. Development of the System. Franchisee acknowledges and agrees that some aspects of Franchisor's franchise program and the System are currently under development and that Franchisor expects that there will be some significant variations in the System in different markets which may exist for an initial or transitional period, or on a permanent basis. Franchisee acknowledges and agrees that no variations from the System or Manuals are permitted without Franchisor's prior written consent and that over time during the term of this Agreement Franchisor and its affiliates will continue to develop and refine various aspects of the System and that as new products, operating procedures, trade dress and other refinements are introduced, Franchisor may, in its sole discretion, cease to allow some or all variations from the System and Manuals and may require local, regional or national uniformity among Namaste Nail Sanctuary^{TM®}

CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

RECITALS

4. You shall surrender any material containing some or all of the Confidential Information to Franchisee or us, upon request, or upon termination of your employment by or association with Franchisee.

5. You 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 System.

6. You acknowledge that all Manuals are loaned by us to Franchisee for limited purposes only and remain our property. You agree that no Manuals may be reproduced, in whole or in part, without our written consent.

Covenants Not to Compete

In order to protect the goodwill of the System, and in consideration for the disclosure of the Confidential Information to you, you agree that, during the term of your association with or employment by Franchisee, and for a period of two (2) years following the earlier of (i) the termination thereof, or (ii) the termination, expiration or transfer of Franchisee's interest in the Franchise Agreement, you will not, without our prior written consent or as permitted under other valid Franchise Agreements for Namaste Nail Sanctuary™® Franchises between Franchisee and us:

1. Directly or indirectly divert, or attempt to divert any business opportunity or customer of Namaste Nail Sanctuary™® to any competitor; and

2. Directly or indirectly, for yourself or through, on behalf of, or in conjunction with any other person, persons, partnership, corporation, limited liability company, or other association or entity, own, maintain, operate, engage in or have any financial or beneficial interest in, advise, assist or make loans to, any business which is the same as or similar to a Namaste Nail Sanctuary™® Franchise (including any business that offers nail care or other related services) and which is, or is intended to be, located (i) at the Franchise Location, (ii) within the Protected Area, (iii) within a fifty (50)-mile radius of the Franchise Location, or (iv) within a fifty (50)-mile radius of any Namaste Nail Sanctuary™® Franchise or business then in existence or under construction.

Franchisee's Undertaking

Franchisee agrees to make all commercially reasonable efforts to ensure that you act as required by this Agreement.

Miscellaneous

1. You agree that:

a. Each of the covenants herein contain 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 the goodwill of the System or our other business interests.

b. 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 Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which we are a party, you agree to 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 Agreement.

c. In the event of a breach of this Agreement, we and the Franchisee would be irreparably injured and without an adequate remedy at law and, therefore, upon any such breach or attempted breach of any provision hereof, you agree that we and/or the Franchisee shall be entitled, in addition to any

other remedies which we or it may have at law or in equity, 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.

2. You agree to pay all expenses (including court costs and reasonable attorneys' fees and costs) incurred by us and/or the Franchisee in enforcing this Agreement.

3. Any failure by us or Franchisee to object to or take action with respect to any breach of any provision of this Agreement by you shall not operate or be construed as a waiver of or consent to that breach of any subsequent breach by you.

4. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REFERENCE TO CALIFORNIA CONFLICT OF LAW PRINCIPLES. YOU HEREBY IRREVOCABLY SUBMITS YOURSELF TO THE JURISDICTION OF THE STATE AND FEDERAL DISTRICT COURTS LOCATED IN LOS ANGELES COUNTY, CALIFORNIA AND THE STATE, COUNTY OR JUDICIAL DISTRICT IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED. YOU HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. YOU HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON YOU IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY CALIFORNIA OR FEDERAL LAW. YOU FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE THE STATE OR FEDERAL COURTS LOCATED IN LOS ANGELES COUNTY, CALIFORNIA OR THE COUNTY OR JUDICIAL DISTRICT IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, WE OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

5. 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.

6. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by facsimile or electronic mail to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

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

Namaste Nail Sanctuary, LLC
Attention: Todd Welker, President and CEO
6320 Canoga Avenue, Suite 1430
Woodland Hills, CA 91367
Telephone: (818) 657-7220
Email: todd@namastenaillsanctuary.com

EXHIBIT C TO THE FRANCHISE AGREEMENT

**SELECTED TERMS:
DESIGNATED AREA, FRANCHISE LOCATION, PROTECTED
AREA, AND OPENING DATE**

1. DESIGNATED AREA:

The Designated Area in which your Namaste Nail Sanctuary™® Franchise may be located is:

2. FRANCHISE LOCATION.

The Namaste Nail Sanctuary™® Franchise shall be located at the following address:

3. PROTECTED AREA. **[Insert description and attach map]**

The Protected Area shall be:

4. OPENING DATE: The Opening Date of the Namaste Nail Sanctuary™® Franchise is _____, 20____.

Namaste Nail Sanctuary^{TM®} Franchise Location: _____

For information call: _____

Address: _____

Phone #: _____

Fax #: _____

Name of you/Depositor (please print)

By: _____
Signature and Title of Authorized Representative

Date: _____

EXHIBIT F TO THE FRANCHISE AGREEMENT

DISCLOSURE QUESTIONNAIRE

Franchisee Name: _____
Permanent Address (**If an individual**) _____
(Physical address only, no P.O. boxes): _____

State of Organization:
(**If a corporation, LLC or partnership**):

Address of Franchisee's _____
Principal Place of Business: _____

As you know, Namaste Nail Sanctuary, LLC (the “Franchisor”) and you are preparing to enter into a Franchise Agreement for the operation of a Namaste Nail Sanctuary™® franchise (the “Franchise”). The purpose of this Questionnaire is to determine whether any unauthorized statements or representations have been made and to ensure that applicable laws have been complied with. Please review each of the following questions carefully and provide honest responses to each question. Please place your **INITIALS in the appropriate column indicating your response.**

Question	Yes	No
1. Are you a resident or domiciliary of any state other than the state listed above?		
2. Have you received and personally reviewed the Franchisor’s Franchise Disclosure Document (the “Disclosure Document”) provided to you?		
3. Do you understand all of the information contained in the Disclosure Document?		
4. For franchise prospects domiciled in, opening a Namaste Nail Sanctuary™® franchise in, or accepting the franchise offer in Connecticut or Michigan , did you receive the Disclosure Document at least 10 business days before execution of the Franchise Agreement and related agreements or at least 10 business days before making any payment for the franchise, whichever event first occurred? For franchise prospects domiciled in, opening a Namaste Nail Sanctuary™® franchise in, or accepting the franchise offer in Iowa, Maine, or New York , did you receive the Disclosure Document by the earlier of: (a) your first personal meeting with the franchisor (i.e. a representative of Namaste Nail Sanctuary™®) held for the purpose of discussing the sale or possible sale of a Namaste Nail Sanctuary™® franchise, or (b) at least 10 business days before execution of the Franchise Agreement and related agreements or at least 10 business days before making any payment for the franchise, whichever event		

EXHIBIT G TO THE FRANCHISE AGREEMENT

LEASE ADDENDUM TERMS

(a) Landlord acknowledges that Tenant is a franchisee of Namaste Nail Sanctuary, LLC, a California liability company (“we,” “us,” or “our”), and that the Namaste Nail Sanctuary™® Franchise located at the Premises (“Unit”) is operated under the Namaste Nail Sanctuary™® franchise system, pursuant to a franchise agreement (“Franchise Agreement”) between Tenant and us. Landlord consents to Tenant’s use at the Premises of such marks and signs, decor items, color schemes and related components of the Namaste Nail Sanctuary™® system as we may prescribe for the Location franchise. During the term of the Franchise Agreement, the Premises may be used only for the operation of the Location franchise.

(b) Landlord agrees to furnish to us copies of any and all letters and notices sent to Tenant pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Tenant. Without limiting the foregoing, in the event of any default by Tenant, Landlord shall give us written notice of such default. If Tenant has failed to cure such default at the expiration of the applicable cure period, Landlord shall give us further written notice of such failure (“Franchisor Notice”). Following our receipt of the Franchisor Notice, we shall have the right (but not the obligation) to cure Tenant’s default before Landlord shall exercise any of Landlord’s remedies arising as a consequence of Tenant’s default. Any such cure shall be effected within fifteen (15) days following our receipt of the Franchisor Notice. Any cure by us shall not be deemed to be an election to assume the terms, covenants, obligations and conditions of the Lease.

(c) If we cure Tenant’s default, or if we notify Landlord that the Franchise Agreement has been terminated (which termination shall constitute a non-curable default pursuant to the Lease upon Landlord’s receipt of our notice thereof), Landlord agrees, upon our written request, to assign to us any and all rights that Landlord may have under the Lease to remove and evict Tenant from the Premises and shall cooperate with us in order to pursue such action to a conclusion.

(d) If we cure Tenant’s default or notify Landlord of the termination of the Franchise Agreement, we shall have the right and option, upon written notice to Landlord, to do the following:

1. Undertake to perform the terms, covenants, obligations and conditions of the Lease on behalf of the Tenant (notwithstanding any removal or eviction of Tenant) for a period not to exceed six (6) months from the first (1st) date of any cure by us; or

2. At any time within or at the conclusion of such six (6) month period, assume the terms, covenants, obligations and conditions of the Lease for the remainder of the term, together with any applicable renewal options. In such event, Landlord and we shall enter into an agreement to document such assumption. We are not a party to the Lease and shall have no liability under the Lease unless and until said Lease is assigned to, and assumed by, us as herein provided.

(e) If, during the six (6) month period set forth in section (d)(1) above or at any time after the assignment contemplated in section (d)(2), we shall notify Landlord that the franchise for the Location is being granted to another Namaste Nail Sanctuary™® Franchisee, Landlord shall permit the assignment of the Lease to said franchisee without the payment of any fee or other cost requirement, provided that said franchisee meets Landlord’s reasonable financial qualifications. Landlord shall not unreasonably withhold consent to such assignment. Thereafter, we shall be released from any and all further liabilities under the Lease. The parties agree to execute any commercially reasonable documents in furtherance of this section.

(f) Tenant will not assign the Lease or renew or extend the term thereof without the prior written consent of us, nor shall Landlord and Tenant amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing requirements without our prior written consent.

(g) We shall have the right to enter the Premises to make any modification or alteration necessary to protect the Namaste Nail Sanctuary^{TM®} system and marks or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort. Landlord shall not be responsible for any expenses or damages arising from any such action by us. Tenant hereby releases, acquits and discharges us and Landlord, and our and Landlord's respective subsidiaries, Affiliates, successors and assigns and the officers, directors, shareholders, partners, employees, agents and representatives of each of them, from any and all claims, demands, accounts, actions and causes of action, known or unknown, vested or contingent, which any of them may have, ever had, now has, or may hereafter have by reason of any event, transaction or circumstance arising out of or relating to the exercise of our rights pursuant to this Addendum.

(h) All notices sent pursuant to this Addendum shall be sent in the manner set forth in the Lease, and delivery of such notices shall be effective as of the times provided for in the Lease. For purposes of notice under the Lease, our mailing address shall be _____ Attention: _____ which address may be changed by written notice to Landlord in the manner provided in the Lease.

LANDLORD:

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

EXHIBIT H TO THE FRANCHISE AGREEMENT

ASSIGNMENT OF TELEPHONE NUMBERS

For value received, the undersigned (hereinafter called the "Franchisee") hereby irrevocably assigns, effective upon the date of termination or expiration of the Franchise Agreement, the telephone listings and numbers stated below to NAMASTE NAIL SANCTUARY, LLC (hereinafter called "Franchisor") upon the following terms and conditions:

1. This assignment is made pursuant to the terms of a Franchise Agreement of even date herewith (hereinafter called "Agreement") between Franchisor and Franchisee, which in part pertains to the telephone listing and numbers used by the Franchisee in the operation of the Namaste Nail SanctuaryTM® Location Franchise contemplated by the Agreement.

2. The Franchisee shall retain the limited right to use the telephone listing and numbers solely for the transaction and advertising of the business while the Agreement between Franchisor and the Franchisee shall remain in full force and effect, but upon termination or expiration of the Agreement for any reason whatsoever, the limited right of use of the telephone listing and numbers by the Franchisee shall also terminate.

3. The telephone listing and numbers subject to this assignment are:

and any numbers on the rotary series used by the Franchisee in the operation of the business in the future.

IN WITNESS WHEREOF, the Franchisee has hereunto set his/her hand this _____ day of _____, 20__.

FRANCHISEE:

By: _____
Name: _____
Title: _____

ILLINOIS

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Illinois:

1. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
2. Illinois law governs the franchise agreements.
3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.
4. The Barber, Cosmetology, Esthetics, Hair Braiding, and Nail Technology Act of 1985 can be found in Illinois law at 225 ILCS 410 (West 2014).
5. For info about obtaining a liquor license in Illinois, see:

<https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

<https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

**NAMASTE NAIL SANCTUARY, LLC,
a California limited liability company,**

By: _____

Print Name: _____

Title: _____

FRANCHISEE

By: _____

Title: _____

WISCONSIN

Notwithstanding anything to the contrary set forth in the Franchise Agreement, the following provision will supersede and apply to all franchises offered and sold in the State of Wisconsin:

~~4.~~ The Wisconsin Fair Dealership Law, Chapter 135, Stats. supersedes any provisions of the Franchise Agreement that are inconsistent with that law.

**NAMASTE NAIL SANCTUARY, LLC,
a California limited liability company,**

By: _____

Print Name: _____

Title: _____

FRANCHISEE

By: _____

Title: _____



NAMASTE NAIL SANCTUARY, LLC

OPERATIONS MANUAL

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NAMASTE NAIL SANCTUARY, LLC
(A Development Stage Company)

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Namaste Nail Sanctuary, LLC
Woodland Hills, California

We have audited the accompanying financial statements of Namaste Nail Sanctuary, LLC (a development stage company), which comprise the balance sheet as of December 31, 2017, and the related statements of operations, Member's equity, and cash flows for the period from July 12, 2017 (date of inception) to December 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Namaste Nail Sanctuary, LLC as of December 31, 2017, and the results of its operations and its cash flows for the period from July 12, 2017 (date of inception) to December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

HANNA, CPA
Hanna, CPA
Chino Hills, California
February 28, 2018

13089 Peyton Drive, Suite C-315 Chino Hills, CA 91709
Tel: (909) 222-1947 Fax: (404) 601-9231
www.hanna-cpa.com Email: info@hanna-cpa.com

NAMASTE NAIL SANCTUARY, LLC

BALANCE SHEET

ASSETS	December 31
	2017
Current assets:	
Cash	\$ 68,840
Due from members	502,000
Total current assets	<u>570,840</u>
 Total assets	 <u><u>\$ 570,840</u></u>
 LIABILITIES AND MEMBER'S EQUITY	
Current liabilities:	
Total liabilities	<u>-</u>
Commitments and contingencies	
Member's Equity	
Additional paid-in capital	650,000
Retained earnings	(79,160)
Total Member's equity	<u>570,840</u>
 Total liabilities and Member's equity	 <u><u>\$ 570,840</u></u>

See independent auditor's report and
accompanying notes to financial statements

NAMASTE NAIL SANCTUARY, LLC

STATEMENT OF MEMBER'S EQUITY
For The Year Ended December 31, 2017

	<u>Membership Units</u>		<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total Member's Equity</u>
	<u>Units</u>	<u>Amount</u>			
Issuance of members interest	-	\$ -	\$ 650,000	\$ -	\$ 650,000
Net income (loss)	-	-	-	(79,160)	(79,160)
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,000</u>	<u>\$ (79,160)</u>	<u>\$ 570,840</u>

See independent auditor's report and
accompanying notes to financial statements

NAMASTE NAIL SANCTUARY, LLC
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2017 and
For The Period From July 12, 2017 (date of inception) to December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are generally provided using the straight-line method over the estimated useful lives of the related assets which ranges between 3 to 10 years. At December 31, 2017, the Company did not own any fixed assets.

Income Taxes

Deferred taxes are provided on liability method whereby deferred tax assets are recognized for deductible temporary differences and operating losses and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. The deferred tax liability relates primarily to differences in methods of accounting for long-term contracts for financial reporting and income tax purposes. The deferred tax asset is adjusted for the effects of changes in tax laws and rates on the date of the enactment.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Company's management include, but are not limited to, allowances for doubtful accounts and contracts receivable, the allowance for losses on contracts in process and the percentage of completion on uncompleted contracts. Actual results could materially differ from those estimates.

Fair Value of Financial Assets and Liabilities

We measure and disclose certain financial assets and liabilities at fair value. ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

*See independent auditor's report and
accompanying notes to financial statements*

NAMASTE NAIL SANCTUARY, LLC
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2017 and
For The Period From July 12, 2017 (date of inception) to December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We utilize the active market approach to measure fair value for our financial assets and liabilities. We report separately each class of assets and liabilities measured at fair value on a recurring basis and include assets and liabilities that are disclosed but not recorded at fair value in the fair value hierarchy.

Recent Accounting Pronouncements

The Company's management has evaluated recently issued accounting pronouncements through December 31, 2017 and concluded that they will not have a material effect on the financial statements as of December 31, 2017. However, for purpose of financial reporting the Company has elected early adoption of Accounting Standards Update No. 2014-10, issued June 10, 2014, which removes the definition of a development stage entity from ASC Topic 915 and all distinction between development stage entities and other reporting entities under GAAP. As a result, we no longer report financial results showing inception to date.

NOTE 3 – MEMBERS' EQUITY

During the period ended December 31, 2017, the Company issued 1,000,000 for \$300,000.

NOTE 4 – INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to differences between the basis of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The provision differs from the expense that would result from applying federal statutory rates to income before income taxes primarily due to state income taxes and certain non-deductible expenses.

*See independent auditor's report and
accompanying notes to financial statements*

~~SED-~~
~~R-~~

NAMASTE NAIL SANCTUARY, LLC
(A Development Stage Company)

Financial Statements

For The Years Ended December 31, 2018 and 2017

with

Independent Auditor's Report Thereon



13089 Peyton Drive, Suite C-315 Chino Hills, CA 91709
Tel: (909) 222-1947 Fax: (404) 601-9231
www.hanna-cpa.com

NAMASTE NAIL SANCTUARY, LLC

STATEMENT OF OPERATION

	For The Year Ended December 31, 2018	For The Year Ended December 31, 2017
Revenues:		
Area developer fees	\$ 210,250	\$ -
Total revenues	<u>\$ 210,250</u>	<u>\$ -</u>
Operating expenses:		
Auto and parking	10,266	1,650
Advertising and promotions	50,628	-
Commissions	416,783	-
Payroll expense	309,996	63,000
Consulting	87,605	-
Bank Charges	746	256
Professional fees	100,642	950
Rent	67,393	-
Repairs and maintenance	4,244	-
General and administrative expenses	81,101	13,304
Total operating expenses	<u>1,129,404</u>	<u>79,160</u>
Net Income (loss)	<u>\$ (919,154)</u>	<u>\$ (79,160)</u>

See independent auditor's report and
accompanying notes to financial statements

GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE (“Release”) is signed on _____, by (“Franchisee”) and _____ (“Guarantors”) as a condition of (1) the transfer of the Namaste Nail Sanctuary™® Franchise Agreement dated _____, between Namaste Nail Sanctuary, LLC, a California limited liability company (“we”, “us” or “our”) and Franchisee (“Franchise Agreement”); or (2) the signing of a successor or renewal Franchise Agreement between Franchisee and us.

1. Release by Franchisee and Guarantors. Franchisee (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees, in their corporate and individual capacities) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, the “Releasors”) freely and without any influence forever release (i) us, (ii) our past and present officers, directors, shareholders, managers, members, partners, agents, and employees, in their corporate and individual capacities, and (iii) our parent, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees, in their corporate and individual capacities, (collectively, the “Released Parties”) from any and all claims, debts, demands, liabilities, suits, judgments, and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “Claims”), which any Releasor ever owned or held, now own or hold, or may in the future own or hold, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances and claims arising out of, or relating to, the Franchise Agreement and all other agreements between any Releasor and us or our parent, subsidiaries, or affiliates, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

2. Risk of Changed Facts. Franchisee and Guarantors understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors accept and assume the risk of the facts turning out to be different and agree that the release in Section 1 will nevertheless be effective in all respects and not subject to termination or rescission by virtue of any difference in facts.

3. Covenant Not to Sue. Franchisee and Guarantors (on behalf of all Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 with respect to any Claim released under Section 1.

4. No Prior Assignment and Competency. Franchisee and Guarantors represent and warrant that: (i) Releasors are the sole owners of all Claims and rights released in Section 1 and that Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1; (ii) each Releasor has full and complete power and authority to sign this Release, and that the signing of this Release will not violate the terms of any contract or agreement between them or any court order; and (iii) this Release has been voluntarily and knowingly signed after each of them has had the opportunity to consult with counsel of their own choice.

5. California Release. California Civil Code §1542 provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which, if known by him must have materially affected his settlement with the debtor.

CIVIL CODE §1542 IS WAIVED BY THE PARTIES, EXCEPT AS OTHERWISE PROVIDED IN THIS GENERAL RELEASE.

STATE-SPECIFIC DISCLOSURES INFORMATION APPLICABLE TO VARIOUS STATES

A. Item 2 of the Disclosure Document is amended to include the following persons who act as Area Representatives for Namaste Nail Sanctuary in various states:

William Billot- Area Representative (CA)

Mr. Billot has been an Area Representative with Namaste Nail Sanctuary, LLC since 2018.

Tolan Dyer- Area Representative (VA)

Mr. Dyer has been an Area Representative with Namaste Nail Sanctuary, LLC since 2018. From January 2016 to the present, Mr. Dyer has served as Owner to Orangetheory Fitness located in Virginia Beach, Virginia. From February 2015 to May 2015, Mr. Dyer served as a chef for Motor Yacht Cakewalk. From April 2014 to October 2014, Mr. Dyer was a chef for Motor Yacht Sea Racer. From March 2013 to April 2014, Mr. Dyer was a chef for Motor Yacht Big Eagle.

Christina Evans- Area Representative (MO)

Ms. Evans has been an Area Representative with Namaste Nail Sanctuary, LLC since 2018. From October 2013 to December 2018, Ms. Evans served as Manager at European Wax Center. From November 2011 to October 2013, Ms. Evans was an Admissions Director for Stevens Institute of Business and Arts.

Mark Evans- Area Representative (MO)

Mr. Evans has been an Area Representative with Namaste Nail Sanctuary, LLC since 2018. From December 2014 to the present, Mr. Evans as served as the President for Event Productions located in Missouri. From March 2013 to the present, Mr. Evans as served as Manager for St. Louis University in St. Louis, Missouri.

Michael Fluegge- Area Representative (FL, GA, NC, SC)

Mr. Fluegge has been an Area Representative with Namaste Nail Sanctuary, LLC since 2018. From 1996 to the present, Mr. Fluegge has been self-employed located in Spartanburg, South Carolina.

Ronald Guthrie- Area Representative (NM, TX)

Mr. Guthrie has been an Area Representative with Namaste Nail Sanctuary, LLC since 2018. From August 2016 to the present, Mr. Guthrie as served as Area Representative for Guthrie Ventures located in Houston, Texas. From November 2014 to the present, Mr. Guthrie as served as Owner of Guthrie Enterprises in Houston, Texas. From October 2009 to September 2017, Mr. Guthrie served as Owner of Guthrie Development, LLC in Houston, Texas. From November 2013 to September 2017, Mr. Guthrie served as Owner of Guthrie Joint Venture, LLC located in Houston, Texas.

George Lohman- Area Representative (LA, OK, NV, NJ-South, NY)

Mr. Lohman has been an Area Representative with Namaste Nail Sanctuary, LLC since 2018. From 2008 to the present, Mr. Lohmann has served as Founder and Volunteer of the Lohmann Foundation located in Midland, Texas. From February 2008 to May 2015, Mr. Lohmann has served as self-employed Corporate Manager located in Midland, Texas.

Stephanie Young- Area Representative (IL, IN, OH, WV)

Ms. Young has been an Area Representative with Namaste Nail Sanctuary, LLC since 2018. Ms. Young has served as Area Representative for Orangetheory located in Columbus, Ohio from November 2014 to the present.

B. There is no litigation or bankruptcy information to report in Item 3 or Item 4 as it relates to any of the Area Representatives referenced above.

Agreement, will supersede the provisions of Article XVIII of the Franchise Agreement to the extent such sections may be inconsistent with this prohibition.

2. Any provision in the Franchise Agreement which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that the provision violates this law.

The following provision will be added to the Franchise Agreement at the end of Section XX.K:

No Limitation on Litigation. Notwithstanding the foregoing provisions of this Section XX.K, any provision in the Franchise Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any contractual provision violates the Indiana Deceptive Franchise Practices Law.

MARYLAND

The following provisions supersede any inconsistent provisions in the disclosure document, and apply to all residents of the State of Maryland, all franchises to be operated in the State of Maryland, and all franchises offered and sold in the State of Maryland.

1. Item 17 is amended to state that any provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law.

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

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

4. Item 17 is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to, nor shall they act as, a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

MINNESOTA

The following provisions supersede any inconsistent provisions in the disclosure document and apply to all franchises offered and sold in the State of Minnesota.

1. ~~2.~~ Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes sections 80C.01 to 80C.22 will be void to the extent that the contractual provision violates this law.

2. ~~3.~~ Minnesota Statute §80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any Franchise Agreement relating to franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect any obligation in the Franchise Agreement relating to exclusive mediation.

3. ~~4.~~The following language will be part of any Franchise Agreement entered in the State of Minnesota:

Pursuant to Minnesota Statutes, Section 80C.21, the provisions contained in this Agreement, will not in any way abrogate or reduce any of your rights as provided for in the Minnesota Statutes, Chapter 80C4.

4. ~~5.~~Item 17 of this disclosure document is amended by the addition of the following language:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld

5. ~~6.~~With respect to franchises governed by Minnesota law, we will comply with Minnesota Statutes, Section 80C.17, Subd. 5, as it applies to the Limitations of Claims.

6. ~~7.~~The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.

7. ~~8.~~Item 13 of this disclosure document is amended by the addition of the following language:

We will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System Standards.

NEW YORK

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

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

The following is added at the end of Item 3:

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

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

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

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

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

The following is added to the end of Item 4:

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

The following is added to the end of Item 5:

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

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of the General Business Law Sections 687.4 and 687.5 be satisfied.

The following language replaces the “Summary” section of Item 17(d), titled “**Termination by Franchisee**”:

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

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

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

LOCATION FRANCHISEES

Franchisees With Opened Outlets as of December 31, 2017-2018

None

	<u>Franchisee</u>	<u>Phone</u>	<u>State</u>	<u>Address</u>
<u>1.</u>	<u>Stephanie Young</u>	<u>614.307.6782</u>	<u>OH</u>	<u>5656 Heathrow Dr., Powell, OH 43065</u>

Franchisees With Signed Franchise Agreements But Outlet Not Yet Opened as of December 31, 2017-2018

None

	<u>Franchisee</u>	<u>State</u>	<u>Phone</u>	<u>Address</u>	<u>Number of Franchises</u>
<u>1</u>	<u>Elaine Little</u>	<u>CA</u>	<u>408-398-6407</u>	<u>2862 Agua Vista Dr.</u>	<u>3</u>
	<u>Tyrone Little</u>			<u>San Jose, CA 95132</u>	
<u>2</u>	<u>Dusty Dial</u>	<u>CA</u>	<u>954-840-5686</u>	<u>635 NE 17th Ave</u>	<u>1</u>
	<u>Staci Dial</u>			<u>Fort Lauderdale, FL 33304</u>	
	<u>Scott Hamilton</u>				
<u>3</u>	<u>Josh Marr</u>	<u>CA</u>	<u>949-307-7227</u>	<u>7041 Whitewood Dr.</u>	<u>1</u>
	<u>Tiffany Marr</u>		<u>310-779-5812</u>	<u>Fontana, CA 92336</u>	
	<u>William Billot</u>				
<u>4</u>	<u>Dusty Dial</u>	<u>CA</u>	<u>954-840-5686</u>	<u>635 NE 17th Ave</u>	<u>3</u>
	<u>Staci Dial</u>			<u>Fort Lauderdale, FL 33304</u>	
	<u>Scott Hamilton</u>				
<u>5</u>	<u>Maureen Harper</u>	<u>CA</u>	<u>714-717-8955</u>	<u>16801 Pembroke Lane</u>	<u>2</u>
	<u>Karniko Burton</u>			<u>Huntington Beach, CA 92645</u>	
<u>6</u>	<u>Dusty Dial</u>	<u>FL</u>	<u>954-840-5686</u>	<u>635 NE 17th Ave</u>	<u>2</u>
	<u>Staci Dial</u>			<u>Fort Lauderdale, FL 33304</u>	
<u>7</u>	<u>Billy Stieberg-Davis</u>	<u>KY</u>	<u>502-817-4975</u>	<u>1845 Shady Lane</u>	<u>1</u>
	<u>Kate Stieberg-Davis</u>			<u>Louisville, KY 40205</u>	
<u>8</u>	<u>Chisti Evans</u>	<u>MO</u>	<u>314-210-0777</u>	<u>4608 Skyridge Meadows Ct.</u>	<u>1</u>
	<u>Kelly Mazzuca</u>			<u>St. Louis, MO 63128</u>	
<u>9</u>	<u>Scott Bevelle</u>	<u>NC</u>	<u>864-616-9625</u>	<u>501 Spaulding Lake Dr.</u>	<u>3</u>
	<u>Austin Singleton</u>			<u>Greenville, SC 29615</u>	
<u>10</u>	<u>Stephanie Young</u>	<u>OH</u>	<u>614.307.6782</u>	<u>5656 Heathrow Dr.</u>	<u>5</u>
<u>11</u>	<u>Hetal Patel</u>	<u>OH</u>	<u>314-610-8042</u>	<u>6480 Park Pointe Ct.</u>	<u>2</u>
	<u>Sachin Patel</u>			<u>Pepper Park, OH 44124</u>	
<u>12</u>	<u>Jeffrey Fuchs</u>	<u>PA</u>	<u>267- 974-6626</u>	<u>153 Mohawk Dr.</u>	<u>1</u>
<u>13</u>	<u>Mici Fluegge</u>	<u>SC</u>	<u>864.415.4191</u>	<u>1955 Old Mill Rd.</u>	<u>1</u>
	<u>Leah Kent</u>			<u>Campobello, SC 29322</u>	

	<u>Franchisee</u>	<u>State</u>	<u>Phone</u>	<u>Address</u>	<u>Number of Franchises</u>
<u>14</u>	<u>Scott Bevelle</u>	<u>SC</u>	<u>864-616-9625</u>	<u>501 Spaulding Lake Dr.</u>	<u>2</u>
	<u>Austin Singleton</u>			<u>Greenville, SC 29615</u>	
<u>15</u>	<u>Susan Train</u>	<u>SC</u>	<u>704-906-7922</u>	<u>22028 Preswick Dr.</u>	<u>2</u>
	<u>Andy Evec</u>			<u>Fort Mill, SC 29707</u>	
<u>16</u>	<u>Taylor Moody</u>	<u>SC</u>	<u>864-921-6977</u>	<u>736 Plume St.</u>	<u>3</u>
	<u>Ashley Moody</u>			<u>Spartanburg, SC 29302</u>	
<u>Total</u>					<u>33</u>

The following lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of Franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement with us during our most recently completed fiscal year or who had not communicated with us within 10 weeks of the issuance date of this Disclosure Document:

None.

RECEIPT

(YOUR COPY – RETAIN FOR YOUR FILES)

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 Namaste Nail Sanctuary, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable law.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

If Namaste Nail Sanctuary, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed in Exhibit C. Namaste Nail Sanctuary, LLC authorizes the respective state agencies identified on Exhibit C to receive service of process for it in the particular state.

The franchisor is Namaste Nail Sanctuary, LLC, located at 6320 Canoga Avenue, Suite 1430, Woodland Hills, CA 91367. Its telephone number is (818) 657-7220.

Namaste Nail Sanctuary, LLC's franchise sellers are Todd Welker and Mike Watorski, 6320 Canoga Avenue, Suite 1430, Woodland Hills, CA 91367, (818) 657-7220.

Date of Issuance: March 19, 2018-22, 2019

I have received a Franchise Disclosure Document dated March 19, 2018-22, 2019. This Disclosure Document included the following Exhibits:

- A. Franchise Agreement with Exhibits
- B. Table of Contents of Confidential Operations Manual
- C. List of State Administrators/Agents for Service of Process
- D. Financial Statements
- E. General Release
- F. State-Specific Disclosures
- G. List of Franchisees
- H. Receipts

Date

Signature of Prospective Franchisee

Print Name: _____

You may return the signed receipt either by signing, dating, and mailing it to us at Namaste Nail Sanctuary, LLC, located at 6320 Canoga Avenue, Suite 1430, Woodland Hills, CA 91367, or emailing a copy of the signed and dated receipt to us at mike@namastenailsanctuary.com.

RECEIPT

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