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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: DA-VI NAILS INTERNATIONAL, L.L.C.
DAVID TRUONG
VI TRUONG CAO
5805 South State Street
Salt Lake City, UT 84107

DESIST AND REFRAIN ORDER
(For violations of section 31110 of the Corporations Code)

The California Corporations Commissioner finds that:

1. Da-Vi Nails International, L.L.C. (“Da-Vi”) was organized in 2005, and is run by David Truong and his wife, Vi Truong Cao. The Da-Vi website states that the company was “established” in 1995. Da-Vi is headquartered at 5805 South State Street, Salt Lake City, UT 84107. Da-Vi sells nail salon franchises throughout the United States and claims to have over 300 locations.
2. During 2008 and prior, Da-Vi, David Truong and Vi Truong Cao offered and sold franchise opportunities in California through direct sales and/or their website: www.davinails.com. There are 12 franchises listed as currently operating in California.
3. If a business agreement is defined as a “franchise” under the California Franchise Investment Law, California Corporations Code section 31000 et seq. (“FIL”), it is subject to the registration requirements of section 31110 of that law unless it is excepted or exempt from registration. Section 31153 of the FIL states that the burden of proving an exemption or an exception from a definition is upon the person claiming it.

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1 4. Da-Vi, David Truong and Vi Truong Cao have not been registered to offer or sell
2 franchises under the FIL and are not excepted or exempted under that law.

3 5. Da-Vi, in its license agreement with each franchisee, states that the agreement
4 grants to the franchisee the “right to operate a nail salon business”. In addition, the agreement also
5 grants the franchisee the right to sell Da-Vi merchandise.

6 6. Da Vi’s license agreement requires the franchisee to “abide by and maintain the
7 operational quality and standards set forth in the Manual”. The Manual is a detailed, fifty-four (54)
8 page document that sets the requirements and standards for the Da-Vi marketing plan and system.
9 The Manual prescribes in substantial part the plan under which the franchisee must engage in the
10 business. For example, the Manual states that the franchisee is required to open at 6:30AM on its
11 first day of business, and threatens that the franchisee will be fined ten thousand dollars (\$10,000) by
12 Da-Vi if the business opens any later.

13 7. Da-Vi franchisees are required to use the “Da-Vi Nails” name in their signs and
14 promotional materials identifying their business. In addition, the license agreement prohibits the use
15 of any other signage without the express written approval of Da-Vi.

16 8. Da-Vi franchisees are required to pay a fee for the right to enter a Da-Vi Nails
17 business. Da-Vi charges a large fee as a “Turnkey Purchase Price”, ostensibly for “locating,
18 constructing, and installing equipment and furnishings on a particular site” among other items.

19 9. There are other fees charged by Da-Vi. For example, Da-Vi charges “license
20 fees” on a monthly basis. These are specifically identified and priced in the license agreements with
21 franchisees. Annual increases and late fees are also listed in the license agreements. Additionally,
22 Da-Vi requires its franchisees to sublease locations from it, with rent paid to Da-Vi. Da-Vi also
23 requires that franchisees purchase a minimum of \$2,500 of products from the franchisor. Under the
24 license agreement, failure to purchase at least this amount is ground for unilateral termination of the
25 agreement by Da-Vi.

26 Based upon the foregoing findings, the California Corporations Commissioner is of the
27 opinion that Da-Vi, David Truong and Vi Truong Cao have offered and sold franchises in California
28 that were subject to registration under the Franchise Investment Law without the offers and/or sales

1 first being registered, in violation of Corporations Code section 31110. Pursuant to section 31402 of
2 the Corporations Code, Da-Vi Nails International, L.L.C., David Truong and Vi Truong Cao are
3 hereby ordered to desist and refrain from the further offer or sale of Da-Vi Nails International, L.L.C.
4 franchises unless and until the offers have been duly registered under the Franchise Investment Law
5 or are exempt.

6 This Order is necessary, in the public interest, for the protection of prospective franchisees
7 and currently registered franchisors, and consistent with the purposes, policies and provisions of the
8 Franchise Investment Law.

9 Dated: February 25, 2009
10 Los Angeles, California

11 PRESTON DuFAUCHARD
12 California Corporations Commissioner

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14 By _____
15 Alan S. Weinger
16 Lead Corporations Counsel

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