

1 STATE OF WASHINGTON
2 DEPARTMENT OF FINANCIAL INSTITUTIONS
3 SECURITIES DIVISION

4 IN THE MATTER OF DETERMINING) Order Number S-09-072-09-CO01
5 Whether there has been a violation of the)
6 Franchise Investment Protection Act of) CONSENT ORDER
7 Washington by:)
8 Da-Vi Nails International, LLC,)
Respondent)

9
10 INTRODUCTION

11 Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100, the
12 Securities Division of the Department of Financial Institutions (Securities Division) and
13 Respondent, Da-Vi Nails International, LLC, do hereby enter into this Consent Order in
14 settlement of the matters alleged herein. After conducting an investigation, the Securities
15 Division makes Findings of Fact and Conclusions of Law which are set forth below. Respondent
16 neither admits nor denies those Findings of Fact and Conclusions of Law.

17 FINDINGS OF FACT

18 RESPONDENT

- 19 1. Da-Vi Nails International, LLC is a Utah limited liability company with a
20 principal place of business in Murray, Utah.
21
22 2. Da-Vi Nails International, LLC enters into what are titled "License Agreements"
23 or "Licensee Sublease Agreements" ("Agreements") to operate nail salon businesses.
24
25

1 NATURE OF THE OFFERING

2 3. From 2006 through 2008, Da-Vi Nails International entered agreements with five
3 Washington residents for operating nail salons to be located in Washington. These sales were
4 largely the result of an Internet-based website at <http://www.davinails.com> and personal contact
5 with Washington residents who were operators of existing nail salons. Da-Vi Nails has entered
6 into "License Agreements" with persons in the cities of Veradale, College Place, Colville,
7 Federal Way, and Chelan, Washington.

8
9 4. The agreements require salon owners to pay to Da-Vi Nails International, LLC a
10 monthly license fee initially in the amount of \$300. Purchasers of salons are obligated to
11 purchase a minimum of \$2,500 in products and merchandise per calendar year, are to use the
12 name "Da-Vi Nails" in their signs and promotional materials unless otherwise allowed in writing
13 by Da-Vi Nails International, LLC, and are required to adhere to the terms of an Operations
14 Manual that dictates the practices, procedures and methods they are required to follow and where
15 they are allowed to operate their businesses..

16 FAILURE TO DELIVER OFFERING CIRCULAR

17 5. Respondent did not provide Washington purchasers with a disclosure document or
18 offering circular as required by RCW 19.100.080 that contained the information about the
19 franchise required by RCW 19.100.040 including, but not necessarily limited to, a financial
20 statement for the seller.
21

22 REGISTRATION STATUS

23 6. Da-Vi Nails International, LLC is not currently registered to sell its franchises in
24 the state of Washington and has not previously been so registered.

25 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CONCLUSIONS OF LAW

1. The offer and/or sale of the nail salon opportunity through purported “License Agreements” as described in the above Tentative Findings of Fact constitutes the offer and/or sale of a franchise as defined in RCW 19.100.010(4) and (16).

2. Da-Vi Nails International, LLC violated RCW 19.100.020, (the registration provision of the Franchise Investment Protection Act), which provides that it is unlawful for any franchisor or subfranchisor to sell or offer to sell any franchise in this state unless the offering has previously been registered or exempted from registration in this state.

3. The offer and/or sale of the above-described franchise was made in violation of RCW 19.100.080, the offering circular delivery requirement provision of the Franchise Investment Protection Act, because Respondent did not provide the Washington purchasers with a disclosure document or offering circular prior the sale of the franchise.

CONSENT ORDER

Based on the forgoing and finding it in the public interest,

IT IS AGREED AND ORDERED that Respondent and its agents and employees each shall cease and desist from the offer and/or sale of unregistered franchises in violation of RCW 19.100.020, the registration section of the Franchise Investment Protection Act of the State of Washington.

IT IS FURTHER AGREED AND ORDERED that Respondent and its agents and employees each shall cease and desist from the offer and/or sale of franchises in violation of RCW 19.100.080, the disclosure document requirement provision of the Franchise Investment Protection Act of the State of Washington.

1 IT IS FURTHER AGREED AND ORDERED that Respondent and its agents and
2 employees each shall inform current Washington franchisees of this Order by providing them
3 copies of this Consent Order. Respondent shall provide to the Securities Division within 60
4 days of the date of entry of this Order proof of receipt or proof of delivery to franchisees.

5 IT IS FURTHER AGREED that Respondent enters into this Consent Order freely and
6 voluntarily and with a full understanding of its terms and significance.

7 IT IS FURTHER AGREED that Respondent shall reimburse the Securities Division
8 \$1,125, payable prior to the entry of this Consent Order, for its costs of investigation of this
9 matter.
10

11 IT IS FURTHER AGREED that in consideration of the foregoing Respondents waive
12 their rights to a hearing in this matter and judicial review of this order.

13 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this
14 Order.

15 Signed by:

16 Da-Vi Nails International, LLC.

17
18 By David Truong

19 Name

20
21 Manager

22 Title

23 This 5th day of March, 2010.
24

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Dated and Entered This 9th day of March, 2010 by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Brad Ferber
Financial Legal Examiner