

Change Pages

FRANCHISE DISCLOSURE DOCUMENT

DA VI NAILS SALON AND SPA, L.L.C.

A Utah limited liability company
("Da Vi Nails" or "Franchisor")

1559 West 3860 South
West Valley City, UT 84119
Tel. 801-596-1180

Email: customerservice@davinails.com Webpage: davinails.com



A Da Vi Nails franchise is either (1) a nail salon business operated under the name "Da Vi Nails" or (2) a beauty salon business operated under the name "Em Lash Studios", usually in a Walmart center under sub-leasing arrangements through Da Vi Nails Salon and Spa, L.L.C.

The total investment necessary to begin a franchise operation as either a Da Vi Nails or an Em Lash Studio is \$61,150 to \$143,500 depending on size and desirability of the location. Of this amount, \$56,500 to \$120,000 will be paid to the Franchisor or an affiliate. Current franchisees under the Da Vi Nails name will have a right of first refusal on any Em Lash Studio opportunities which become available in their same locations.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying documents carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the Franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental 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 customer service at 1559 West 3860 South, West Valley City, UT 84119, by telephone at 801-596-1180 or fax at 801-596-3033, or by email to vi.cao@davinails.com.

The terms of your Franchise Agreement will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your Franchise Agreement and other documents carefully. Show your Franchise Agreement, other documents and this disclosure document to an advisor, like a lawyer or an accountant.

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

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: December 8, 2023

SPECIAL RISKS TO CONSIDER ABOUT *THIS* FRANCHISE

Certain states require that the following risks be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by non-binding mediation in Utah. It also provides that any litigation must take place in Utah. Out-of-state mediation and/or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate or litigate with us in Utah than in your own state. See state addendums to this document and the franchise agreement.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21) calls into question the franchisor's financial ability to provide services and support to you.
3. **Debt Owed from Parent or Affiliate.** The franchisor's financial statements show that it is owed a substantial amount of money from an affiliated or parent company. If the parent or affiliate cannot pay these debts, the franchisor may not have the financial resources to provide services or support you.
4. **Dependence on Master Lease.** If our master lease agreement with Walmart terminates at your location, you will lose your rights to your location and your franchise agreement will terminate without further liability for the franchisor.
5. **Minimum Monthly Royalty.** You must pay us minimum royalty fees of from \$300 to \$700 each month, even if the franchise has no revenue.
6. **Use of Questionnaires.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision
Certain states may require other risks to be highlighted. Check the "state specific addenda and exhibits to see whether your state requires other risks to be highlighted.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure ⁽²⁾	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ⁽¹⁾	\$50,000 to \$105,000	Cash	At signing of Franchise Agreement	Us
Leased Property ⁽²⁾	\$1,000 to \$7,500 per month	Cash	First of each month or as otherwise agreed in your lease agreement	Us
Lease Property Deposit	\$5,000 to \$7,500	Cash	Time of signing lease	Us
Computer system, software, and merchant account and related equipment ⁽⁵⁾	\$1,000 to \$2,000	As arranged	When invoiced	Independent vendors
Inventory to begin operations ⁽¹⁾	Included in Initial Franchise Fee			
Training ⁽⁷⁾	\$0 to \$3,000	As arranged	If required by Franchisor	Us
Security deposit, utility deposits, business licenses, and other prepaid expenses	Approximately \$500 to \$7,500	As arranged	Time of signing lease, utility hook up, and application for licenses	Service provider; municipality for business license
Travel ⁽⁶⁾	Approximately \$1,000 to \$2,000	As incurred	To attend training	Independent third parties
Advertising Expenses	At your discretion and as we may require Estimated \$0 to \$500	As arranged	When invoiced	Seller of advertising materials
Insurance Premium ⁽⁴⁾	\$650 to \$2,500/year	As required by carrier	When invoiced	Insurance carrier
Additional Funds & Working Capital – Initial Period of 3 months ⁽³⁾	Approximately \$2,000 to \$6,000	As arranged with supplier	As arranged with supplier	Supplier of products
Total	\$61,150 to \$143,500			

- (1) Includes (a) the build-out and furnishing of your salon and (b) initial supplies and inventory, which have a value of approximately \$2,500. You will be expected to replenish those supplies and inventory as they are used and sold by you. For a list of a typical salon's furnishings, equipment and opening inventory, see Attachment F to the Franchise Agreement attached as Exhibit A to this Disclosure Document.
- (2) Except for the Sublease we provide through our Master Sublease with WalMart, we do not provide or assist in obtaining financing. Once made, all fees paid to us are non-refundable. If you are signing the Sublease as a business entity rather than individually, you and the other owners of the entity will be required to

expense.

You may also need to purchase certain other products and services you use in your franchise business such as tenant improvement construction services, carpet installation, handyman services, etc. We do not provide such products or services.

Revenue from Franchisee Purchases

Based upon our audited financial statements as of December 31, 2022, we had revenues of \$260,597 from the sales of equipment and supplies to franchisees during the period ended December 31, 2021 which represented 1.31% of our total gross revenues for of \$19,957,382. In addition, we had revenues from rents paid to us by franchisees of \$15,258,504 or 76.5% of our total revenues. Essentially all of these rental revenues were offset by rents paid by us to WalMart. The initial cost of the furniture, equipment and inventory for your salon is included in the Initial Franchise Fee. Annual required purchases of supplies from us or our affiliate of not less than \$4,000 is expected to be less than 5% of all purchases by you of products and services, including your lease, in establishing and operating your franchise business. During the year ended December 31, 2021, our affiliate, Em Lash Beauty Supply, LLC, had sales of supplies to franchisees of \$33,878.

Cooperatives

Except for the possible wholesale purchases described above, we do not have any purchasing or distribution cooperatives.

ITEM 12: TERRITORY

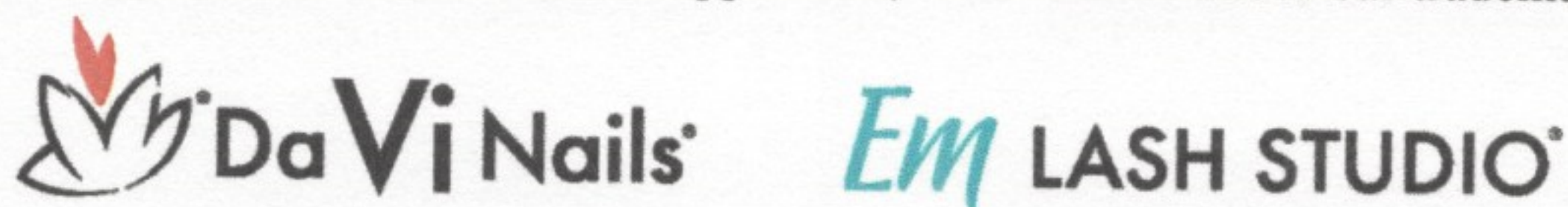
Your Franchise will be to operate one Da Vi Nails Salon and/or one Em Lash Studio at a single Walmart store or other facility, mall or shopping center with a specific address (your "Territory"). No additional or exclusive territory is granted to you outside of your Territory. So long as you remain in compliance with your Franchise Agreement and the Sub-Lease Agreement, we will not allow another Da Vi Nails salon or Em Lash Studio to be operated at your Territory. Except for your Salon, you will have no rights to exclude, control or impose conditions on the location of any present or future Da Vi Nails salon, businesses or distribution channels of any kind, regardless of their proximity to the Territory. We reserve the right to grant other franchises or operate outlets that we own outside of your Territory. We presently do not own any of our own outlets or utilize any other channels of distribution or competitive brands that we control, and presently have no plans to do so. There are no restrictions on your soliciting customers by any legitimate means, whether at your Territory or otherwise, but all services must be provided at your Da Vi Nails salon and/or Em Lash Studio. *Except as described above, 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.*

Your Territory will not be moved or altered unless Walmart or other mall or shopping center owner/manager moves or remodels its facilities. You will not be able to relocate your franchised business. Your rights to the Territory are directly tied to your Sub-Lease agreement, which is tied to our Master Sublease Agreement, and if your Sub-Lease Agreement is terminated your Franchise Agreement will also terminate. Continuation of your rights to your Territory is not dependent upon any sales, market penetration or other production goals.

You may purchase as many franchises from us as you wish, provided that you remain in compliance with your Franchise Agreement and Sub-Lease Agreement and are eligible under our standards applicable to all new franchisees. However, you will not have any options, rights of first refusal or similar rights to acquire additional franchises.

ITEM 13: TRADEMARKS

We grant you the right to operate a nail salon and, if applicable, a lash studio under our trademarks



You may also use our other current or future trademarks to operate your salon or studio. By trademark we mean trade names, trademarks, service marks and logos used to identify your salon or studio. You acknowledge that we own these marks.

In early 2021 we filed the following trademark applications, all of which are for the Principal Register, and the current status of such application:

1. "Da Vi NAILS" Word Mark: Application No. 97/250,798, Trademark approved October 31, 2023 as Reg. No. 7,208,650.
2. Da Vi Nails Logo: Application No. 90/593,479; Trademark approved on February 15, 2022 as Reg. No. 6,645,177.
3. "EM LASH STUDIO" Application No. 90/593,501: Trademark approved on March 1, 2022 as Reg. No. 6,657,406.

We have added the ® symbol to these marks. With respect to our trademarks, there are no (a) currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board or any state trademark administrator or court that are materially adverse to the validity of the registrations; (b) pending infringement, opposition or cancellation proceedings; (c) pending material federal or state court litigation regarding our use or ownership rights in a trademark; or (d) any currently effective agreements that significantly limit our right to use to license the use of the trademarks disclosed herein.

You must follow our rules when you use these marks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use our name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

You must notify us immediately when you learn about an infringement of or challenge to your use of our trademarks. We will take the action we think appropriate and have the right to control any litigation or administrative proceedings involving our trademarks. While we are not required to defend you against a claim against your use of our trademarks, we will reimburse you for your liability arising out of your authorized use of our trademarks and for reasonable costs in connection with defending our trademarks. To receive reimbursement, you must have notified us immediately when you learned about the infringement or challenge.

You must modify or discontinue the use of a trademark if we modify or discontinue it. If this happens, you will be solely responsible for your tangible costs of compliance (for example, changing signs). You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

We do not know of any infringing uses that could materially affect your use of our trademark.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We own no patents and no patents are material to the Franchise. We do own copyrights that are material to the franchise. The copyrights are in Confidential Information and Operations Manual, advertising and promotional materials, and related items used in operating the franchise. "Confidential Information" means any information relating to the methods and techniques, knowledge and experience regarding Da Vi Nails Products or the operation of Da Vi Nails Salons and includes trade secrets. The copyrights are not registered with the U. S. Patent and Trademarks Office or the U. S. Copyrights Office but are protected under federal copyright laws by virtue of our placing the appropriate notice of copyright on the items. No agreements limit our right to use the copyrights and we do not know of any infringing uses that could materially affect your use of the copyrights. We have the same rights and you have the same obligations regarding the copyrights as apply to our trademarks. You will be required to refrain from using the copyrighted items for any other business purpose, to maintain the confidentiality of the copyrighted items and information, to refrain from making copies unless we authorize you to do so, and to protect the copyrighted items from disclosure. The Franchise Agreement contains confidentiality provisions (see Sections 6.11 and 8.3 and Article IX), and certain key persons must also sign a confidentiality agreement attached as Attachment B to the Franchise Agreement.

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

We recommend but do not require that you personally supervise the franchised business. The business must be directly supervised "on-premises" by a manager who has successfully completed our training program. The on-premises manager cannot have an interest or business relationship with any of our business competitors. The manager need not have an ownership interest in a corporate or partnership franchisee. The manager must sign a written agreement which

information provided in this section, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Da Vid Truong, Da Vi Nails Salon and Spa, LLC, 1559 West 3860 South, West Valley City, UT 84119, Telephone 801-596-1180, the Federal Trade Commission, and the appropriate state regulatory agencies

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

*Entire Section 20
replaced*

Table No. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2020 TO 2022

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised (Licensed)	2020	402	393	-9
	2021	393	399	+6
	2022	399	400	+1
Company Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	402	393	-9
	2021	393	399	+6
	2022	399	400	+1

ITEM 21: FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit E – Financial Statements are our audited financial statements for the periods ended December 31 2022 and 2021 and 2020. And Unaudited Financial Statements for the Period Ending November 30, 2023.

ITEM 22: CONTRACTS

Attached to this Disclosure Document are the following contracts:

- Franchise Agreement (Exhibit A)
- Franchise Sublease (Exhibit B)
- General Release (Exhibit G)

ITEM 23: RECEIPTS

The last two pages of this Disclosure Document are identical pages acknowledging receipt of this entire document (including Exhibits). Please sign and return to us one copy; please keep the other copy along with this Disclosure Document.

DaVi Nails Salon and Spa, L.L.C.

FRANCHISE AGREEMENT

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any suggestion. Franchisee may not utilize any such suggestions in the Franchised Business without the prior written consent of Franchisor.

6.18 Compliance with Other Terms. Franchisee shall comply with all other requirements set forth in this Agreement.

6.19 Credit Card Processing. Franchisor has made arrangements with Affordable Merchant Services LLC, a Utah limited liability company ("Affordable") to provide processing and settlement of credit and debit card ("Bank Card") transactions through First Data Merchant Services Corporation and Wells Fargo Bank, N.A. at competitive and favorable rates. Franchisee agrees to use Affordable for its Bank Card processing and settlement services so long as the rates for such services are at or below those charged by another Bank Card processing and settlement provider available to Franchisee. In the event Franchisee desires to utilize another provider, Franchisee agrees to provide Affordable with not less than ten (10) days prior written notice, setting forth the identity of the other provider and the rates to be charged. If Affordable is not able to match such rates during such period or otherwise persuade Franchisee to continue to use Affordable, Franchisee shall no longer be required to use Affordable.

6.20 Use of Questionnaires: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

VII. Franchisor's Marks

7.1 Franchisor's Agreement as to Franchisor's Marks. Franchisor represents with respect to the Franchisor's Marks that:

(a) Franchisor is the owner of all right, title and interest in and to the trademarks, "DaVi Nails", Em Lash Studio and other DaVi Nails and Em Lash Studio Marks (including common law rights) (together, the "Franchisor's Marks") and the right to use them and license others to use them. Franchisor holds federal registration marks from the United States Patent and Trademark Office for all three of it's marks.

(b) Franchisor will take such steps which it deems reasonably necessary or advisable to preserve and protect its interests and rights in the Franchisor's Marks.

(c) Franchisor will permit Franchisee and other franchisees to use the Franchisor's Marks only in accordance with the System and the standards and specifications attendant thereto which underlie the goodwill associated with and symbolized by the Franchisor's Marks.

7.2 Franchisee's Use of the Franchisor's Marks. With respect to Franchisee's licensed