

DEPOSIT AGREEMENT

THIS AGREEMENT is made on the ____ day of _____, _____, by and between HAPPY NAILS FRANCHISE, INC., a California corporation (hereinafter "HN") and _____ (hereinafter "Depositor").

In consideration of the mutual promises and covenants contained herein, it is agreed as follows:

1. **Deposit and Refund Eligibility:** Depositor hereby deposits the sum of \$10,000, on account of a franchise fee of \$25,000. The balance of the franchise fee is due upon commencement of construction of the salon at the approved location. The deposit is refundable according to the following terms and conditions:
 - a. \$1,000.00 is non-refundable;
 - b. All remaining sums shall be non-refundable upon signing the lease agreement for the salon at the approved location.
2. **Location of Salon:** The location for the salon for which this deposit is accepted shall be within the following area: _____. All sites submitted to HN by Depositor shall be within such area.
3. **Termination:**
 - (a) **By Depositor:** Depositor may terminate this Agreement any time prior to the execution of the lease agreement for the location approved by HN for a HAPPY NAILS AND SPA (or HAPPY NAILS EXPRESS) salon. In the event of such termination, Depositor shall be entitled to a refund of the money to the extent such monies are refundable pursuant to Section 1 above. After execution of the lease agreement for the location and HN's site approval of a location for a HAPPY NAILS AND SPA (or HAPPY NAILS EXPRESS) salon, Depositor may not terminate this agreement.
 - (b) **BY HN:** Until site approval by HN of the location for the salon, HN may terminate this agreement for any reason whatsoever, provided that HN shall refund to Depositor all monies deposited with HN. After such site approval, HAPPY NAIL may terminate this agreement for the following reasons only:
 - (i) Failure of Depositor to complete satisfactorily the HN training course;
 - (ii) Disapproval by HN of Depositor's financial condition based on the statements, balance sheets, letters or other forms; or
 - (iii) If Depositor is presently a HAPPY NAILS AND SPA (or HAPPY NAILS EXPRESS) franchisee and is in default under any agreements covering any existing units operated by him.

In the event HN terminates this agreement after such site approval, HN shall be entitled to retain all monies deposited to the extent such monies are non-refundable pursuant to Section 1 above.
4. **No Assignment by Depositor:** Depositor shall not assign this Agreement or his interest therein.

5. Entire Agreement: This instrument sets forth the entire agreement and understanding of the parties and any agreement, representation or understanding, express or implied, heretofore made by either party or their representative, or existing between the parties is hereby waived and canceled.

THE HN GROUP MANAGEMENT CO.:

By:

Henry Huynh
As its President

DEPOSITOR:

