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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation  
Of the Franchise Investment Protection Act by:

Fancy Town, Won Hwoan Ko, their agents and  
employees,

Respondents.

S-02-391-03-CO01

CONSENT ORDER

Case No. S-02-391

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**INTRODUCTION**

Pursuant to the Franchise Investment Protection Act of Washington, the Securities Division, Department of Financial Institutions, and Respondent, Won Hwoan Ko, do hereby agree to this Consent Order in settlement of the above captioned matter. Respondents neither admit nor deny the Findings of Fact or Conclusions of Law as set forth below.

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**FINDINGS OF FACT**

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**I. Respondents**

1. Won Hwoan Ko (“Ko”) is a Washington resident and was the owner of Fancy Town at all times relevant to the matters herein.

## II. Nature of the Offering

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2. In January 2002, a Washington resident learned of an opportunity to purchase a specialty store located in Edmonds, Washington. This store carried products that appealed to the Korean community, specifically products sold under the name of Barunson. The Washington resident contacted Ko who was the owner of the store. Ko informed the Washington resident that the store was not for sale, but there was an opportunity to open a franchise store with the name of Fancy Town elsewhere in the Seattle area.

3. Ko and the Washington resident discussed this opportunity for a few weeks. Ko presented the Washington resident with a “Franchise Contract”, which the Washington resident signed. Prior to signing the contract, the Washington resident received only oral information. Ko failed to provide the Washington resident with current financial statements for Fancy Town or a Uniform Franchise Offering Circular. All conversations and the Franchise Contract were in Korean.

4. The Franchise Contract states that Ko “passes on to [the Washington resident] the uniquely valuable merchandise and name of store, managerial know-how and everything else related to the sale of goods acquired over years of technical experience, in order that [the Washington resident] may become an outstanding chain store equipped to sell its products with satisfaction.”

5. Prior to opening the store, the Washington resident was required to pay \$30,000 as a “contract deposit”. This amount would be offset by the value of the initial inventory bill. Further, the Washington resident was required to pay \$5,000 in “opening fees”. Neither of these fees would be refunded if the Washington resident terminated the contract. The Washington resident was also required to pay 3% of the monthly gross sales as “royalties.” Finally, the Washington resident was

1 required to purchase at least \$5,000 worth of merchandise from Ko. This amount could be changed  
2 only with the permission of Ko.

### 3 **III. Registration Status**

4 6. Fancy Town and Ko are not currently registered to sell franchises in the state of  
5 Washington.

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8 Based upon the above Findings of Fact, the following Conclusions of Law are made:

### 9 **CONCLUSIONS OF LAW**

#### 10 **I. Franchise**

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12 1. The offer and/or sale of the franchise opportunity described in the Findings of Fact above  
13 constitutes the offer and/or sale of a franchise as defined in RCW 19.100.010(4) and (15) and (16).

#### 14 **II. Violation of RCW 19.100.020**

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16 2. The offer and/or sale of the franchises is in violation of RCW 19.100.020 because no  
17 registration for such offer and/or sale is on file with the Securities Administrator of the State of  
18 Washington.

#### 19 **III. Violation of RCW 19.100.080**

20 3. The offer and/or sale of said franchise is in violation of RCW 19.100.080 because Ko  
21 failed to provide investors with material information regarding the purchase of the Fancy Town  
22 franchise, including but not limited to a Uniform Franchise Offering Circular and current financial  
23 statements.

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3 **CONSENT ORDER**  
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5 Based upon the foregoing:

6 IT IS THEREFORE AGREED AND ORDERED that Fancy Town and Won Hwoan Ko shall cease  
7 and desist from the offer and sale of unregistered franchises in the State of Washington in violation of  
8 RCW 19.100.020.

9 IT IS FURTHER AGREED AND ORDERED that Fancy Town and Won Hwoan Ko shall cease  
10 and desist from the fraudulent offer and sale of franchises in the State of Washington in violation of  
11 RCW 19.100.080.

12 IT IS FURTHER AGREED that Fancy Town and Won Hwoan Ko shall be liable for and shall pay  
13 the Securities Division five thousand dollars (\$5,000) for its costs incurred in its investigation of this  
14 matter. One half of said payment, two thousand five hundred dollars (\$2,500), must be made to the  
15 Division prior to the entry of this Order. The other half of said payment, (\$2,500) will be made within  
16 thirty (30) days of the date this Order was entered. Should Respondents, Fancy Town and Won Hwoan  
17 Ko, fail to make the payments as required by the terms of this Consent Order, the Securities Division  
18 reserves the right to reinstate Summary Order to Cease and Desist number S-02-391-02-TO01.  
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20 IT IS FURTHER AGREED that for any person or entity not a party to this Order, this Order does  
21 not limit or create any private rights or remedies against Fancy Twon and Won Hwoan Ko, limit or create  
22 liability of Fancy Town and Won Hwoan Ko, or limit or create defenses of Fancy Town and Won Hwoan  
23 Ko to any claims.

1 IT IS FURTHER AGREED that Final Order to Cease and Desist number S-02-391-02-TO01 is  
2 hereby vacated.

3 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Order.  
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6 In consideration of the foregoing, Fancy Town and Won Hwoan Ko, each waive the right to a  
7 hearing in this matter and to judicial review of this Order.  
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11 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**  
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14 SIGNED this 15 day of October, 2003.

15 Signed by:

16 Fancy Town  
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18 By /s/ Won Hwoan Ko  
19 Won Hwoan Ko, Owner

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21 Signed by:

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23 /s/ Won Hwoan Ko  
24 Won Hwoan Ko, an individual

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**THIS ORDER ENTERED THIS 21 DAY OF October, 2003 BY:**

*Deborah R Bortner*

DEBORAH R. BORTNER  
Securities Administrator

Approved by:

*Michael E. Stevenson*

Michael E. Stevenson  
Chief of Enforcement

Presented by:

*Susan H Anderson*

Susan H. Anderson  
Financial Legal Examiner