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

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

Order Number S-03-233-04-CO01

CONSENT ORDER

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Nanny's, Inc., Kenneth L. Stephens, Nanette M.
Stephens, their agents and employees,

Respondents.

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INTRODUCTION

Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100, the Securities Division of the Department of Financial Institutions (Securities Division) and Respondents, Nanny's, Inc., Kenneth L. Stephens and Nanette M. Stephens do hereby enter into this CONSENT ORDER in settlement of the matters alleged herein. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law stated below.

FINDINGS OF FACT

I.

Nanny's, Inc. is a Washington corporation having a principal business address of 820 33rd Avenue East, Seattle, Washington 98112. Nanny's, Inc. is owned and operated by Kenneth L. Stephens and Nanette M. Stephens, who reside and operate a home-based child care business at the same address. The Stephens have operated the business, known as Nanny's Day Care, since 1990 at that location. Nanny's, Inc. was incorporated in Washington on December 23, 2003 and has operated the business since January 1, 2004.

CONSENT ORDER

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Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760**

Nanny's, Inc. et al

1 II.

2 Beginning in early 2001, the Stephens have entered into three written agreements in which they
3 agreed to assist others in establishing and operating their own home-based child care businesses. In these
4 agreements, which are substantially the same, the Stephens agreed, among other things, to refer to the other
5 parties' prospective clients who could not be admitted to Nanny's Day Care. Such referrals were to be
6 promptly made in person or by telephone, followed by a letter of referral enclosing a marketing letter from
7 "Nanny's Too Daycare." This obligation to refer was to continue until the other parties were able to
8 maintain full enrollment from their own client base. In addition, the Stephens also agreed to serve as
9 consultants on matters relating to the operation of their new day care business. The Stephens were obligated
10 to provide copies of all forms used by them in their daycare business and to mutually share creativity,
11 marketing ideas and techniques, and project/lesson plans. The Stephens have licensed the name "Nanny's
12 Day Care" and limit others who sign written agreements with them use of the names "Nanny's Day Care"
13 and "Nanny's" to their child care businesses.

14 In return for the above, other parties to the written agreements agreed, for a period of five years, to
15 pay to the Stephens a sum equal to twenty percent of the gross revenue of the other parties' day care
16 businesses. For the three years thereafter, the other parties' agreed to pay ten percent of the gross revenue
17 received. Prior to entering into the agreements, the Stephens provided the other contracting parties with
18 certain information and documents regarding the child care business. They did not provide financial
19 statements or a Uniform Franchise Offering Circular (UFOC).

20 III.

21 Respondents are not currently registered to sell its franchises in the state of Washington and have
22 not previously been so registered. There is no notification of claim of exemption is on file with the state
23 of Washington Securities Division.

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

25 CONSENT ORDER

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26 Nanny's, Inc. et al

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CONCLUSIONS OF LAW

I.

The offer and/or sale of the home-based child care businesses described above constitutes the offer and/or sale of a franchise as defined in RCW 19.100.010(16) and RCW 19.100.010(4).

II.

The offer and/or sale of said franchises was in violation of RCW 19.100.020, the registration requirement provision of the Franchise Investment Protection Act, because no registration for such offer and/or sale is on file with the Administrator of Securities, state of Washington and it appears that the Respondents do not otherwise qualify for an exemption from registration.

III.

The offer and/or sale of said franchises was made in violation of RCW 19.100.080, the disclosure document requirement provision of the Franchise Investment Protection Act, because Respondents failed to provide actual or prospective Washington purchasers with a UFOC containing complete material information about the home-based child care business including, but not limited to, a financial statement for the seller.

CONSENT ORDER

Based upon the foregoing:

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

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

6 IT IS FURTHER AGREED that Respondents shall reimburse the Securities Division \$400.00,
7 payable prior to the entry of this CONSENT ORDER, for its costs of investigation of this matter.

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

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

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13 SIGNED this 18th day of October , 2004.

14 Signed by:

15 Nanny's, Inc.

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17 By /s/ Kenneth L. Stephens


18 Kenneth L. Stephens, in his principal capacity and individually

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20 By /s/ Nanette M. Stephens

21 Nanette M. Stephens, in her principal capacity and individually

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SIGNED and ENTERED this 21st day of October, 2004


Michael E. Stevenson
Securities Administrator

Approved by:

Presented by:


Martin Cordell
Chief of Enforcement


Brad Ferber
Financial Legal Examiner