

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

4 IN THE MATTER OF DETERMINING
5 whether there has been a violation of the
6 Franchise Investment Protection Act of
7 Washington by:

Stevens Coffee Company LLC dba Java Girls
tm; Steven McDaniel,

Respondents.

Order Number S-07-560-08-SC01

STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ISSUE AN ORDER TO
CEASE AND DESIST

8 THE STATE OF WASHINGTON TO:

Stevens Coffee Company LLC dba Java Girls tm
Steven McDaniel

9
10 **STATEMENT OF CHARGES**

11 Please take notice that the Securities Administrator of the State of Washington has reason to believe
12 that Respondents, Stevens Coffee Company LLC dba Java Girls tm and Steven McDaniel, have each
13 violated the Franchise Investment Protection Act of Washington, RCW 19.100, and that their violations
14 justify the entry of an order of the Securities Administrator under RCW 19.100.248 to cease and desist from
15 such violations. The Securities Administrator finds as follows:

16 **TENTATIVE FINDINGS OF FACT**

17 Respondents

18 1. Stevens Coffee Company LLC dba Java Girls tm (“Java Girls”) is a Washington limited liability
19 company currently conducting business at 3805 Auburn Way N., Auburn, Washington. Java Girls was
20 established in 2003.

21 2. Steven McDaniel (“McDaniel”) is the owner and President of Java Girls. McDaniel is a
22 resident of Washington.

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DESIST

1 Nature of the Offering

2 3. Java Girls, a business that integrates customer entertainment with specialty coffee services, first
3 opened in the greater Seattle area. Java Girls features gourmet espresso served by baristas dressed in
4 revealing outfits corresponding to different theme days.

5 4. McDaniel is offering for sale a Java Girls “Trademark License Opportunity.” This opportunity
6 is being offered and sold in the United States, Canada and Europe, with only a limited number for sale.
7 Due to the offer and sale of this opportunity, there are currently several Java Girls locations in the
8 United States.

9 5. Purchasers of the “Trademark License Opportunity” pay a \$25,000 fee per territory.
10 Purchasers have the right to open an unlimited number of Java Girls coffee businesses within the
11 designated territory. Purchasers receive training, ongoing managerial support, a marketing package,
12 and assistance with every phase of operation including start-up.

13 6. The Trademark License Agreement grants purchasers of the opportunity the right to use the
14 Java Girls trademarks, service marks, and other intellectual property.

15 7. An annual renewal fee of \$1,200 is required from purchasers. In addition to renewing the
16 agreement, in return for this fee purchasers receive ten hours of consultation and a webpage
17 maintained on the corporate website.

18 8. According to the Java Girls website, there is an “unlimited income potential,” purchasers can
19 “earn more than double the gross income of other similar retail specialty coffee establishments,” and
20 the “average gross income generated for a Java Girls tm Licensee is approx \$300k per year service
21 window/counter and you should net between 30% to 35% of the gross but this will also depend on the
22 skill of the operator.”

1 9. McDaniel offered the “Trademark License Opportunity” to Washington residents via
2 advertisements on the internet. Additionally, McDaniel offered this opportunity on the Java Girls
3 website maintained at <http://www.javagirls.net>.

4 10. From in or about August 2007 to at least January 2008, at least three Washington residents
5 viewed the Java Girls advertisements on the internet and submitted their contact information via the
6 internet, which was forwarded to Respondents. At least one resident received an email from McDaniel
7 in order to further solicit the opportunity and at least one resident was contacted by McDaniel via
8 telephone in order to further solicit the opportunity.

9 11. As of the entry date of this order, Respondents were continuing to advertise the “Trademark
10 License Opportunity” on the Java Girls website.

11 Misrepresentations and Omissions

12 12. Respondents fail to provide a reasonable basis upon which the projections of earnings were
13 made.

14 13. Respondents fail to provide material information regarding the franchises including, but not
15 limited to, any litigation history of the franchisor, the names and contact information of franchisees,
16 the history of franchise operations, and financial statements.

17 Registration Status

18 14. Java Girls is not currently registered to sell franchises in the state of Washington and has not
19 previously been so registered.

20
21 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

1 **CONCLUSIONS OF LAW**

2 15. The offer or sale of the opportunity described above constitutes the offer or sale of a franchise
3 as defined in RCW 19.100.010(16) and RCW 19.100.010(4).

4 16. The offer or sale of said franchises is in violation of RCW 19.100.020 because no registration
5 for such offer or sale is on file with the Securities Administrator.

6 17. The offer or sale of said franchises is in violation of RCW 19.100.170 because Respondents
7 either made untrue statements of material fact or omitted to state a material fact necessary in order to
8 make the statements made, in light of the circumstances under which they were made, not misleading.

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10 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

11 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
12 Administrator intends to order that Respondents, Stevens Coffee Company LLC dba Java Girls tm and
13 Steven McDaniel, and their agents and employees, shall each cease and desist from violations of RCW
14 19.100.020 and RCW 19.100.170.

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16 **AUTHORITY AND PROCEDURE**

17 This Statement of Charges is entered pursuant to the provisions of RCW 19.100.248 and RCW
18 19.100.130 and is subject to the provisions of RCW 34.05. Respondents, Stevens Coffee Company LLC
19 dba Java Girls tm and Steven McDaniel may each make a written request for a hearing as set forth in the
20 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this
21 order.

1 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above
2 Tentative Findings of Fact and Conclusions of Law as final and enter a permanent order to cease and desist
3 as to that Respondent.

4
5 Dated and Entered this 7th day of March, 2008.

6
7 By: *Michael E. Stevenson*

8 MICHAEL E. STEVENSON
9 Securities Administrator

10 Approved by:

11 *Suzanne Sarason*

12 Suzanne Sarason
13 Chief of Compliance and Examinations

Presented by:

14 *Bridgett Fisher*

15 Bridgett Fisher
16 Enforcement Attorney