

# Regional Chains Driving Growth of For Profit Child Care Sector

Twentieth Annual Status Report on For Profit Child Care

by Roger Neugebauer

As we approached this historic 20th annual status report on for profit child care, we decided that this special occasion required some special efforts:

- First, we decided to reach out aggressively to include new players on the scene to include on our heralded *Exchange Top 40* list.
- Second, we are focusing our attention in this year's report on Regional chains, organizations providing early childhood services in more than 20 locations in two or more states.

## Welcome to new players

We are grateful to all our friends throughout North America who helped us identify new and emerging multi-site organizations. The health of this field is marked by the fact that there is a continual flow of new people into the field opening and growing early childhood businesses. In fact, we were so successful in uncovering new programs, that this year our list has been expanded to be the *Exchange Top 50*, including a separate list of the largest franchise operations.

We welcome all the programs listed for the first time this year. All of the newly listed programs are highlighted in italics on the list. In addition, we, no doubt, have not found all the organizations

that qualify to be on this list and invite you to submit contact information for those that are still missing. We will periodically update this list on the web site throughout the year.

## Regional chains: How they got started

Over the past decade, the fastest growing segment of the for profit sector has been regional chains. While the largest four for profit chains now represent 77% of the centers operated by all the organizations on this year's list, a high percentage of the growth of these large organizations has been accomplished through the acquisition of regional chains. With a few exceptions, much of the growth of the regional chains has been through the opening of new programs, adding to the overall supply of child care.

In nearly all cases, the regional chains started out as single centers, often started by a husband and wife duo. The story of The Sunshine House, whose owners Roseann and Dennis Drew are featured on the cover of this issue, is spelled out in the cover story (page 78) and is quite typical of the histories of other regional chains. Here are examples of how others got their start:

**Jackie and Chuck Leopold, Minnie-land Private Day School, Inc.:** "Our

history began three decades ago during the 1970s just as the child care boom hit the U.S. With women joining the workforce in increasing numbers, the need for child care was in great demand throughout the northern Virginia area. In the early '70s, our founders, Chuck and Jackie Leopold, were the typical American couple; both were in the work force commuting every day, while at the same time raising a family. Trying to find a safe and loving environment for their children while they worked was not too difficult, but finding those qualities combined with an educational program was impossible! It was then that they decided to open an educational child care company of their own. The first Minnieland school was located in the family's home with the school on the top floor and the family's living quarters on the bottom floor. . . . Today, Minnieland has over 80 locations, including child care centers, private elementary and middle schools, and school-age care sites."

**Dewayne Foskey, Children's Friend, Inc.:** "In 1975 Seth Haslam operated a small in-home day care center. He was certain that the child care industry had growth opportunities. One year later, he convinced seven business partners to join him in establishing Children's Friend, Inc. In the first ten years of operation, the company built 18 centers.

One by one the partners began to retire or to pursue other business interests. In 1986, Dewayne Foskey completed the buyout of his partners. Mr. Foskey has continued to expand the business, primarily through acquisition. Though the company provides services for more than 5,000 children, we have been able to maintain the feel of a family owned and operated company; yet, we are able to provide much of the support and oversight that larger companies are able to provide."

**Rhonda Paver, Stepping Stone School:**

"Stepping Stone opened its doors in 1979 with a vision born from the need for Rhonda and Bill Paver to find affordable, high quality child care for their three children. Rhonda visited a small neighborhood center for a tour and was told by the owner they were about to close. A week later, Rhonda re-opened the school, moved her family into the residential side of the building and the first Stepping Stone School was born. Over the next 27 years, Rhonda and Bill purchased existing centers and converted them to Stepping Stone Schools and built others from the ground up."

**Sue Dunkley, New Horizon Academy:**

"In 1971 Sue Dunkley, who at the time was an elementary school teacher, was very disappointed with the way we were teaching young children in our school system. She had always thought that if we could get to the children before they come into a school system that doesn't encourage self-esteem, then we could build them into happy children and focus on their self-esteem. The children would, therefore, be stronger and more capable to endure the poor education system. We have gone from the original \$300 loan from the bank in 1971 to providing one classroom that began with a waiting list to another classroom. Then began the slow and expensive early days of expansion to a second site, a third site, and up to 87 sites nationally."

**Melissa and Frank Turner, Legacy Academy:** "Legacy Academy was and still is the answer Melissa and Frank Turner were looking for when they wondered how they could educate their two young children, provide for their future, and serve their community. After months of searching franchise opportunities, Melissa and Frank chose not to buy into someone else's idea of quality, but to start from the ground up and develop their own school; and in 1997 the first Legacy Academy for Children was opened. At first, Legacy Academy was not designed for the franchise market. Melissa and Frank were just going to own a school or two. But the first school was a huge success and friends and parents with children at the school were wondering how they too might cash in on a good thing. School number two was built in 1998 and a new business plan developed. Legacy Academy for Children became a home-grown franchise opportunity. Legacy Academy is now represented in four states and Melissa and Frank have personally overseen the qualifying, financing, building, and opening of each school."

**Regional chains:  
Where they are headed**

Even though the regional chains have been serving the public from 15 to 35 years, their long involvement has not in any way lessened their commitment and excitement about what they are doing. When we asked CEOs of these companies what their vision was for the future of their organizations, responses were exuberant. Here are just a few examples:

**Nate McClintock, Children's Choice Learning Centers:** "We began our national expansion in 2001 when we partnered with MGM Grand and Station Casinos to open five 20,000 square-foot centers, operating 24/7/365. Since that time we have grown with a focus on

health care, universities, Fortune 1000 corporate offices, and casinos. Our goal and vision is to become a national player, offering the highest quality care, demonstrating love to every child and their family, and being a hero in as many lives as possible. We are privileged to have a Board of Directors and investors who are passionate about quality care and education and are jointly committed with Senior Management in our national expansion."

**Patrick Rainbow, Rainbow Child Development Center:** "Our vision continues to be GROWTH! RCDC plans to grow dramatically over the next few years, through both new construction and acquisition."

**Douglas MacKay, Mini-Skool Early Learning Centers, Inc.:** "Mini-Skool will continue to execute its business plan by searching out the best schools available and building new schools in selective markets. Growth will be strictly determined by opportunities becoming available in the market place."

**Fran and Ty Durekas, Children's Creative Learning Centers:** "We tend to dream big and would like to develop a national platform to serve employers and CCLC would like to play a key role in the NAEYC re-accreditation process. We believe that children deserve quality environments and support the efforts the NAEYC has undertaken. Growing not for growth's sake but to impact more children's lives with great environments helps me sleep good at night — this is a socially responsible business that is extremely rewarding on many levels. And, today, our three young daughters have become the ultimate critics to impress."

**J. Scott Cotter, Childcare Network:** "We plan to continue to expand our business primarily through the acquisition of 10 to 12 locations per year. However, we are also exploring a limited number of greenfield opportunities."

**Harold Lewis, Brightside Academy, Inc.:** "Our vision for the future is to continue to provide quality subsidized care along with a partnership to strengthen our families. We will grow through new construction."

**Bruce Karpas, Crème de la Crème:**

"We plan to grow dramatically."

**Robert Orsi, Sunrise Preschools:** "We plan to grow moderately and steadily to meet the needs of young working families in metro Phoenix."

The coming year promises to be an extremely eventful one for regional chains as well as all other players on the *Exchange Top 50* list. With Eddy Groves of ABC Learning Centres of Australia stating his intention of being the largest child care provider in the United States, speculation is rampant about who will acquire who next. Last year Groves proved he was serious by acquiring the Learning Care Group and Children's Courtyard. Now everyone is waiting to see what will happen next.

The for profit child care sector seems to go through cycles when acquisitions are hot and when they are not. Clearly we are in a hot phase, so look for the *Exchange Top 50* list to look considerably different next January.

**The Exchange Top 50**  
**North America's Largest For Profit Child Care Organizations**

Organization	Headquarters	CEO	Centers*	Capacity*
Knowledge Learning Corporation	Portland, OR	Elanna Yalow	2,526	252,524
La Petite Academy, Inc.	Chicago, IL	Gary Graves	643	84,814
Learning Care Group, Inc.	Novi, MI	Bill Davis	520	80,500
Bright Horizons Family Solutions	Watertown, MA	David Lissy	640	66,800
Nobel Learning Communities, Inc.	West Chester, PA	George Bernstein	160	24,000
The Sunshine House	Greenwood, SC	Dennis E. Drew	148	20,613
Childcare Network	Columbus, GA	J. Scott Cotter	142	19,200
Mini-Skool Early Learning Centers, Inc.	Scottsdale, AZ	Douglas MacKay	106	18,500
New Horizon Academy	Plymouth, MN	Susan Dunkley	88	12,640
Minnieland Private Day School	Woodbridge, VA	Jackie Leopold	98	11,604
Brightside Academy, Inc.	Pittsburgh, PA	Harold Lewis	42	6,720
Children's Friend, Inc.	Warner Robins, GA	F. Dewayne Foskey	40	5,814
Sunrise Preschools	Tempe, AZ	Robert Orsi	28	5,607
Rainbow Child Development Center	Lathrup Village, MI	Patrick Fenton	44	4,973
Crème de la Crème	Greenwood Village, CO	Bruce Karpas & Pete Lungo	15	4,500
Children's Choice Learning Centers, Inc.	Richardson, TX	Nate McClintock	21	4,202
Action Day Nurseries, Inc./Primary Plus, Inc.	San Jose, CA	Carole J. Freitas	20	4,180
Youthland Academy	Cincinnati, OH	Mary Hanice Schmitt	17	3,740
Hildebrandt Learning Centers, LLC	Dallas, PA	William J. Grant	32	3,500
Country Home Learning Center	San Antonio, TX	Sharon K. Ford	9	3,010
Children's Creative Learning Centers, Inc.	Sunnyvale, CA	Ty Durekas	19	2,963
<i>Ascendere, Inc.</i>	<i>Lawrenceville, NJ</i>	<i>Harsh Chadha</i>	20	2,826
Rogy's Learning Place	East Peoria, IL	Wendy Pettett, Dawn Meyer, & Rick Rogy	18	2,556
Stepping Stone School	Austin, TX	Rhonda Paver	14	2,426
Creative World Schools*	Tampa, FL	Billie McCabe	19	2,350
Pinecrest Schools	Sherman Oaks, CA	Jeri Dye	12	2,300
<i>Valley Child Care &amp; Learning Centers</i>	<i>Phoenix, AZ</i>	<i>James Emch &amp; Mike Emch</i>	10	2,171
<i>Creative Playrooms, Inc.</i>	<i>Soloni, OH</i>	<i>Joan P. Wenk</i>	7	2,100
Tot-Time Child Development Centers, Inc.	Plymouth Meeting, PA	Donna Fluehr	18	1,985
Child Care Connection	Lincoln, RI	Kevin Fusco	17	1,982
<i>Next Generation Children's Centers</i>	<i>Westford, MA</i>	<i>Walter Kelleher</i>	8	1,950
Kid's Country	Snohomish, WA	Lynnda Langston	11	1,800
<i>The Malvern School</i>	<i>Glenn Mills, PA</i>	<i>Joseph &amp; Kristen Scandone</i>	13	1,776
Bobbie Noonan's Child Care	Frankfort, IL	Judith Nevell	13	1,700
Kiddie Kare Schools, Inc.	Fresno, CA	James L. Fisher, Jr.	12	1,640
<i>Creative Child Care, Inc., d/b/a Little Tyke</i>	<i>Bedford, TX</i>	<i>Gene Little</i>	14	1,553
Sunny Daze, Inc.	Edmond, OK	Mike North	7	1,368
<i>Rainbow Station, Inc.</i>	<i>Glen Allen, VA</i>	<i>Gail W. Johnson</i>	7	1,200
<i>Children's Discovery Center, Inc.</i>	<i>Maumee, OH</i>	<i>Lois Rosenberry</i>	7	1,198
<i>Especially for Children, Inc.</i>	<i>Edina, MN</i>	<i>Priscilla Williams</i>	9	1,139
<i>Gretchen's House, Inc.</i>	<i>Ann Arbor, MI</i>	<i>Gretchen Preston</i>	10	966
<i>Compass Schools</i>	<i>Glen Allen, VA</i>	<i>Lynne Geisz</i>	4	794
<i>Planet Kids</i>	<i>Lake Worth, FL</i>	<i>Manny Sarria</i>	5	706

## Do You Belong in the Exchange Top 50?

Over the past two years, the organizations listed in the Exchange Top 40 have not changed dramatically. However, we are certain that there are plenty of new players out there who have escaped our notice.

We want our list to be as accurate as possible. Therefore, if your for profit organization currently has a total licensed capacity of over 1,000, or if you know of such an organization that is missing from our list, please get in touch with us at [info@ChildCareExchange.com](mailto:info@ChildCareExchange.com).

### National Child Care Franchising Organizations

Organization	Headquarters	CEO	Centers*	Capacity*
Kids R Kids International	Duluth, GA	Patrick D. Vinson	135	33,750
Goddard Systems, Inc. (The Goddard School)	King of Prussia, PA	Philip A. Schumacher	240	32,200
Primrose Schools Franchising Company	Acworth, GA	Jo Kirchner	170	29,750
Tutor Time Franchise, LLC*	Novi, MI	Bill Davis	131	23,500
Kiddie Academy*	Bel Air, MD	Michael J. Miller	76	10,197
<i>Legacy Academy</i>	<i>Sugar Hill, GA</i>	<i>Melissa and Frank Turner</i>	19	3,553
Children's Lighthouse Learning Centers	Fort Worth, TX	George Michael Brown	9	2,372

Data on capacity in chart above and on page 34 is the total licensed capacity for all centers as of January 1, 2007. Data for "Franchising Organizations" include both franchised and company owned centers. Based solely on information supplied by organizations listed.

\*Data for companies with asterisk following organization name are from January 2006.

*Companies in italics are appearing in the list for the first time.*