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**STATE OF WASHINGTON
KING COUNTY SUPERIOR COURT**

IN RE: FRANCHISE NO POACHING
PROVISIONS

(CEC ENTERTAINMENT, INC.)

NO. 19-2-25537-4

CEC ENTERTAINMENT, INC.
ASSURANCE OF
DISCONTINUANCE

The State of Washington, by and through its attorneys, Robert W. Ferguson, Attorney General, and Justin Wade, Assistant Attorney General, files this Assurance of Discontinuance (AOD) under RCW 19.86.100.

I. PARTIES

1.1. In July 2019, the Attorney General initiated an investigation into CEC Entertainment, Inc. ("Franchisor") relating to its hiring practices.

1.2. Franchisor is a Kansas corporation with its principal office or place of business in Irving, Texas. Franchisor is in the business of owning, operating and franchising family dining and entertainment restaurants.

1.3. For the purposes of this AOD, Franchisor includes its directors, officers, managers, agents acting within the scope of their agency, and employees as well as its successor and assigns, controlled subsidiaries, divisions, groups, affiliates, partnerships, and joint ventures.

II. INVESTIGATION

2.1. Franchisor has 10 Franchisor-owned and -operated restaurants in Washington, and one (1) franchisee-owned and -operated restaurant in Washington.

FRANCHISOR
CEC ENTERTAINMENT, INC.
ASSURANCE OF DISCONTINUANCE

ATTORNEY GENERAL OF WASHINGTON
Antitrust Division
800 Fifth Ave, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

1 2.2. Until April 30, 2019, Franchisor included language in its franchise agreements
2 that restricted a franchisee's ability to solicit or hire workers from another of Franchisor's
3 franchisees or from Franchisor (no-poaching provision). Specifically, the standard franchise
4 agreement stated that a franchisee "and Franchisee's Principals shall not, directly or indirectly:
5 Employ or seek to employ any person who is employed by Franchisor or by any other franchisee
6 of Franchisor, or induce such person to leave such employment" or contained functionally
7 equivalent language. A no-poaching provision restricted franchisees from hiring both employees
8 from another of Franchisor's franchisees and from Franchisor's corporate-owned restaurants.
9 However, Franchisor never enforced the no-poaching provisions in any of its existing franchise
10 agreements.

11 2.3. The Attorney General asserts that the foregoing conduct constitutes a contract,
12 combination, or conspiracy in restraint of trade in violation of the Consumer Protection Act,
13 RCW 19.86.030.

14 2.4. Franchisor expressly denies that the conduct described above constitutes a
15 contract, combination, or conspiracy in restraint of trade in violation of the Consumer Protection
16 Act, RCW 19.86.030, or any other law, and expressly denies that it has engaged in conduct that
17 constitutes a contract, combination, or conspiracy in restraint of trade. Franchisor enters into this
18 AOD to avoid protracted and expensive litigation. Pursuant to RCW 19.86.100, neither this AOD
19 nor its terms shall be construed as an admission of law, fact, liability, misconduct, or wrongdoing
20 on the part of Franchisor.

21 III. ASSURANCE OF DISCONTINUANCE

22 3.1. Subject to paragraph 2.4 above, Franchisor agrees:

23 3.1.1 It will not include no-poach provisions in any of its future franchise
24 agreements;

25 3.1.2 It will not enforce no-poaching provisions in any of its existing franchise
26 agreements, and will not seek to intervene or defend in any way the legality of any no-poach

1 provision in any litigation in which a franchisee may claim third-party beneficiary status rights
2 to enforce an existing no-poach provision;

3 3.1.3 It will notify all of its franchisees of the entry of this agreement with the
4 State, and provide them a copy of the AOD upon request;

5 3.1.4 It will notify the Attorney General's Office if it learns of any effort by a
6 franchisee in Washington to enforce any existing no-poach provision.

7 3.2. Within 60 days of entry of this AOD, Franchisor will exercise all reasonable
8 commercial efforts to amend all existing franchise agreements with entities in Washington to
9 remove any no-poaching provisions in its existing franchise agreements. Franchisor is under no
10 obligation to offer any franchisee any monetary or non-monetary consideration to induce them
11 to accept the proposed amendment of the franchise, and it shall be under no obligation to take
12 any coercive action against a franchisee that may refuse or decline to agree to any amendment
13 of its franchise agreement. If any franchise owner is unwilling to consent to the change to its
14 franchise agreement, prior to the 60-day deadline, Franchisor shall provide the name and address
15 of the resisting franchisee and the name and address of the franchisee's registered agent to the
16 Office of the Attorney General.

17 3.3. As they come up for either renewal or renegotiation during the ordinary course
18 of business, Franchisor will amend all of its existing franchise agreements on a nationwide basis
19 to remove any no-poach provision.

20 3.4. Within 90 days of the conclusion of the time periods referenced in this section
21 III, Franchisor will submit a declaration to the Attorney General's Office signed under penalty
22 of perjury stating that all provisions of this agreement have been satisfied.

23 **IV. ADDITIONAL PROVISIONS**

24 4.1. This AOD is binding on, and applies to Franchisor, including each of its
25 respective directors, officers, managers, agents acting within the scope of their agency, and
26 employees, as well as their respective successors and assigns, controlled subsidiaries, divisions,

1 groups, affiliates, partnerships, and joint ventures, or other entities through which Franchisor
2 may now or hereafter act with respect to the conduct alleged in this AOD.

3 4.2. This is a voluntary agreement and it shall not be construed as an admission of
4 law, fact, liability, misconduct, or wrongdoing on the part of Franchisor. By entering into this
5 AOD, Franchisor neither agrees nor concedes that the claims, allegations and/or causes of action
6 which have or could have been asserted by the Attorney General have merit and Franchisor
7 expressly denies any such claims, allegations, and/or causes of action. However, proof of failure
8 to comply with this AOD shall be *prima facie* evidence of a violation of RCW 19.86.030, thereby
9 placing upon the violator the burden of defending against imposition by the Court of injunctions,
10 restitution, costs and reasonable attorney's fees, and appropriate civil penalties under the
11 Consumer Protection Act.

12 4.3. Franchisor will not, nor will it authorize any of its officers, employees,
13 representatives, or agents to state or otherwise contend that the State of Washington or the
14 Attorney General has approved of, or has otherwise sanctioned, the conduct described in
15 Paragraph 2.2 with respect to the No-Poach Provision in Franchisor's franchise agreement.

16 4.4. This AOD resolves all issues raised by the State of Washington and the Antitrust
17 Division of the Attorney General's Office under the Consumer Protection Act and any other
18 related statutes pertaining to the acts set forth in paragraph 2.1 – 2.3 above that may have
19 occurred before the date of entry of this AOD and concludes the investigation thereof. Subject
20 to paragraph 4.2, the State of Washington and the Antitrust Division of the Attorney General's
21 Office shall not file suit or take any further investigative or enforcement action with respect to
22 the acts set forth above that occurred before the date of entry of this AOD.


23 APPROVED ON this ____ day of _____, 2019.

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JUDGE/COURT COMMISSIONER

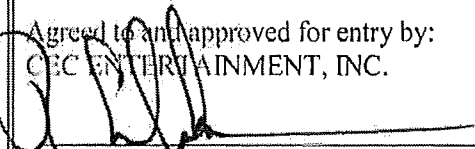
1 Presented by:

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14 Agreed to and approved for entry by:
15 CEC ENTERTAINMENT, INC.

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CEC Entertainment's Authorized
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17 and

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