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STATE OF WASHINGTON
KING COUNTY SUPERIOR COURT

IN RE: FRANCHISE NO POACHING
PROVISION

(MANAGEMENT RECRUITERS
INTERNATIONAL, INC.)

NO. 19-2-01114-9 SEA

MANAGEMENT RECRUITERS
INTERNATIONAL, INC.
ASSURANCE OF
DISCONTINUANCE

The State of Washington ("State"), by and through its attorneys, Robert W. Ferguson, Attorney General, and Rahul Rao, Assistant Attorney General, files this Assurance of Discontinuance ("AOD") pursuant RCW 19.86.100.

I. PARTIES

1.1 In January 2018, the Attorney General initiated an investigation into Management Recruiters International, Inc. ("MRI") relating to its hiring practices.

1.2 MRI is a Delaware corporation with its principal office or place of business in Philadelphia, Pennsylvania. MRI is in the business of offering staffing and recruitment franchises.

1.3 MRI 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.

1 II. INVESTIGATION

2 2.1 MRI has four franchisees in Washington. All of these stores are owned and
3 operated by franchisees. No MRI employee is located in Washington.

4 2.2 Since 2014, MRI has included language in its franchise agreements that restricted
5 a franchisee's ability to solicit or hire workers from MRI and its affiliate, MRI Contract Staffing,
6 Inc. ("no-poach provision"). "Affiliate" as used in the Franchise Agreement refers to other
7 companies under common control with MRI and does not include franchisees. MRI has not
8 restricted a franchisee's ability to solicit or hire workers from other franchisees. Specifically, the
9 standard MRI franchise agreement stated:

10 11.1.2. During the term of this Agreement, FRANCHISEE shall not, directly or
11 indirectly, for itself or on behalf of any other person or entity, entice, recruit,
12 employ, try to employ any of MRI's employees, or MRI's affiliates' employees, or
13 enter into any contract with any of MRI's or any of MRI's affiliates' employees to
14 work for or consult to *any* business that engages in any aspect of a staffing business
15 or any other business in which MRI or any of its subsidiaries or affiliates may then
16 be engaged, without MRI's prior written permission. The permission, if granted,
17 will be contingent upon payment to MRI of a fee equal to Twenty-Five (25%) of
18 that employee's most recent total annual compensation. This is not a penalty, but
19 represents MRI's reasonable costs to recruit, hire and train a replacement employee.
20 If FRANCHISEE violates this provision, MRI may resort to any legal remedy
21 available in law or equity, including damages and/or injunctive relief.

22 11.2.3. For a period of one year after termination of this Agreement for *any* reason,
23 including expiration, on behalf of itself or for any other person or entity,
24 FRANCHISEE shall not, directly or indirectly for itself or on behalf of any other
25 person or entity, entice, recruit, employ, or try to employ any person who is MRI's
26 employee, or MRI's affiliate's employee, or enter into any contract with any person
who is MRI's or any of MRI's affiliates' employees to work for or consult to any
business that engages in any aspect of a staffing business or any other business in
which MRI or any of its subsidiaries or affiliates may then be engaged without
MRI's prior written permission. The permission, if granted, will be contingent upon
payment to MRI of a fee equal to Twenty-Five (25%) of that employee's most
recent total annual compensation. This is not a penalty, but represents MRI's
reasonable costs to recruit, hire and train a replacement employee. If
FRANCHISEE violates this provision, MRI may resort to any legal remedy
available in law or equity, including damages and/or injunctive relief.

24 2.3 The Attorney General asserts that the above restrictions contained in the MRI
25 franchise agreement constitute a contract, combination, or conspiracy in restraint of trade in
26 violation of the Consumer Protection Act, RCW 19.86.030.

1 3.4 Within 30 days of the conclusion of the time periods referenced in this section III,
2 MRI will submit a declaration to the Attorney General's Office signed under penalty of perjury
3 stating that all provisions of this agreement have been satisfied.

4 **IV. ADDITIONAL PROVISIONS**

5 4.1 This AOD is binding on, and applies to MRI, including each of its respective
6 directors, officers, managers, agents acting within the scope of their agency, and employees, as
7 well as their respective successors and assigns, controlled subsidiaries, divisions, groups,
8 affiliates, partnerships, and joint ventures, or other entities through which MRI may now or
9 hereafter act with respect to the conduct alleged in this AOD.

10 4.2 This is a voluntary agreement and it shall not be construed as an admission of
11 law, fact, liability, misconduct, or wrongdoing on the part of MRI. By entering into this AOD,
12 MRI neither agrees nor concedes that the claims, allegations and/or causes of action which have
13 or could have been asserted by the Attorney General have merit and MRI expressly denies any
14 such claims, allegations, and/or causes of action. However, proof of failure to comply with this
15 AOD shall be *prima facie* evidence of a violation of RCW 19.86.030, thereby placing upon the
16 violator the burden of defending against imposition by the Court of injunctions, restitution, costs
17 and reasonable attorney's fees, and civil penalties of up to \$2,000.00 per violation.

18 4.3 MRI will not, nor will it authorize any of its officers, employees, representatives, or
19 agents to state or otherwise contend that the state of Washington or the Attorney General has
20 approved of, or has otherwise sanctioned, the conduct described in Sections 11.1.2 and 11.1.3 of
21 the MRI franchise agreement.

22 4.4 This AOD resolves all issues raised by the State of Washington and the Antitrust
23 Division of the Attorney General's Office under the Consumer Protection Act and any other related
24 statutes pertaining to the acts set forth in Paragraph 2.1 – 2.3 above that may have occurred before
25 the date of entry of this AOD and concludes the investigation thereof. Subject to Paragraph 4.2, the
26 State of Washington and the Antitrust Division of the Attorney General's Office shall not file suit or

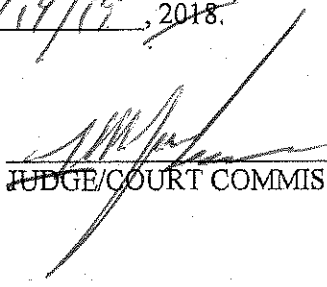
1 take any further investigative or enforcement action with respect to the acts set forth above that
2 occurred before the date of entry of this AOD.

3
4 APPROVED ON this _____ day of 1/14/19, 2018.

5 **HENRY H. JUDSON**

6 JAN 14 2019

7 COURT COMMISSIONER

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9 _____
10 JUDGE/COURT COMMISSIONER

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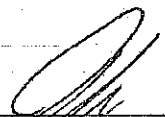
1 Presented by:

2 ROBERT W. FERGUSON
3 Attorney General

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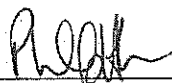
14 Agreed to and approved for entry by:
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16 INTERNATIONAL, INC.

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By: _____

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By: *Nancy K Halverson*
Title: *General Manager*