

STATE OF WASHINGTON
KING COUNTY SUPERIOR COURT

18-2-55215-0 SEA

IN RE: FRANCHISE NO POACHING
PROVISIONS

Frontier Adjusters, Inc.

NO.

18-2-55215-0 SEA

FRONTIER ADJUSTERS, 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 Frontier Adjusters, Inc. relating to a franchise agreement provision that prohibited franchisees from hiring Frontier Adjusters, Inc.'s employees.

1.2 Frontier Adjusters, Inc. is a Colorado corporation with its principal office or place of business in Phoenix, Arizona. Frontier Adjusters, Inc. is in the business of franchising.

1.3 Frontier Adjusters, Inc. 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 Frontier Adjusters, Inc. has sixteen (16) advertised locations in Washington. All sixteen (16) of these stores are owned and operated by franchisees and none of these are owned and operated by Frontier Adjusters, Inc.

2.2 For years, Frontier Adjusters, Inc. has included language in its franchise agreements that restricted a franchisee's ability to solicit or hire workers from Frontier Adjusters, Inc. ("no-poaching provision"). Specifically, the standard Frontier Adjusters, Inc. franchise agreement stated that "During the term of the Franchise granted under this Agreement, and for a period of two (2) years after the termination, Franchisee shall not directly or indirectly, for itself or through, on behalf of or in connection with any other person, partnership, corporation, limited liability company or entity, hire, solicit for employment or cause others to solicit for employment, any person who is, or on the date the Franchise expires or terminates was, employed by Franchisor and is employed by Franchisor at the time of hire or solicitation. The time period referred to by this Section shall be stayed during any violation or breach of the terms of this Section." A no-poaching provision restricted franchisees from hiring employees from Frontier Adjusters, Inc.'s corporate office.

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

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

1 **III. ASSURANCE OF DISCONTINUANCE**

2 3.1 Subject to paragraph 2.4 above, Frontier Adjusters, Inc. agrees:

3 3.1.1. It will no longer include no-poach provisions in any of its future
4 franchise agreements;

5 3.1.2. It will no longer enforce no-poaching provisions in any of its existing
6 franchise agreements, and will not seek to intervene or defend in any way the legality of any
7 no-poach provision in any litigation in which a franchisee may claim third-party beneficiary
8 status rights to enforce an existing no-poach provision;

9 3.1.3. It will notify all of its franchisees of the entry of this AOD and provide
10 them a copy;

11 3.1.4. It will notify the Attorney General's Office if it learns of any effort by a
12 franchisee to enforce any existing no-poach provision.

13 3.2 Within 60 days of entry of this AOD, Frontier Adjusters, Inc. will have
14 amended all existing franchise agreements with entities in Washington to remove any no-
15 poaching provisions in its existing franchise agreements. If any franchise owner is unwilling
16 to consent to the change to its franchise agreement, prior to the 60-day deadline, Frontier
17 Adjusters, Inc. shall provide the name and address of the resisting franchisee and the name and
18 address of the franchisee's registered agent to the Office of the Attorney General.

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

22 3.4 Within 30 days of the conclusion of the time periods referenced in this section
23 III, Frontier Adjusters, Inc. will submit a declaration to the Attorney General's Office signed
24 under penalty of perjury stating that all provisions of this agreement have been satisfied.

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1 paragraph 4.2, the State of Washington and the Antitrust Division of the Attorney General's
2 Office shall not file suit or take any further investigative or enforcement action with respect to the
3 acts set forth above that occurred before the date of entry of this AOD.

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5 APPROVED ON this _____ day of _____, 2018.

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JUDGE/COURT COMMISSIONER

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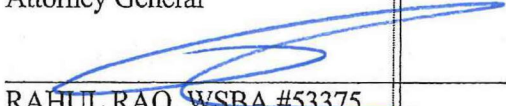
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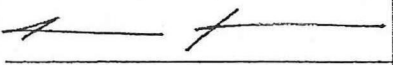
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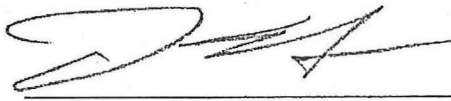
1 Presented by:

2 ROBERT W. FERGUSON
3 Attorney General

4 
5 RAHUL RAO, WSBA #53375
6 Assistant Attorney General
7 Antitrust Division
8 Attorneys for State of Washington
9 Office of the Attorney General
800 Fifth Avenue, Suite 2000
Seattle, WA 98104
206.442.4499
rahulr@atg.wa.gov

10 Agreed to and approved for entry by:
11 Frontier Adjusters, Inc.

12 
13 ANGELO CALFO WSBA #27079
14 Calfo Eakes & Ostrovsky PLLC
15 1301 Second Avenue, Suite 2800
16 Seattle, WA 98101
17 *Attorneys for Frontier Adjusters, Inc.*


Jeffrey R. Harcourt, COO
Frontier Adjusters, Inc.