

STATE OF WASHINGTON  
KING COUNTY SUPERIOR COURT

IN RE: FRANCHISE NO POACHING  
PROVISIONS

*Sports Clips, Inc.*

NO.

*18-2-55212-5 SEA*

SPORTS CLIPS, 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 Sport Clips, Inc. relating to its hiring practices.

1.2 Sport Clips, Inc. ("SCI") is a Texas corporation with its principal office or place of business in Georgetown, Texas. SCI is in the business of owning and franchising hair salons.

1.3 The term "SCI" 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 There are approximately 40 Sport Clips stores in the state of Washington. All of  
3 these stores are owned and operated by franchisees and none are owned and operated by SCI.

4 2.2 In the past, SCI has included language in its franchise agreements that restricted  
5 a franchisee’s ability to solicit or hire workers from another Sport Clips store (“no-poaching  
6 provision”). Specifically, the standard Sport Clips franchise agreement in Article XIV stated that  
7 a franchisee could not:

8 Employ or seek to employ any person who is at that time employed by the  
9 Franchisor or by any other Sport Clips franchisee or Area Developer of the  
10 Franchisor, or otherwise directly or indirectly induce such person to leave his or  
11 her employment, whether that person is employed directly or through a Professional  
Employer Organization (PEO), commonly referred to as ‘employee leasing’.

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

15 2.4 SCI expressly denies the conduct described above constitutes a contract,  
16 combination, or conspiracy in restraint of trade in violation of the Consumer Protection Act,  
17 RCW 19.86.030, or any other law, and expressly denies that it has engaged in conduct that  
18 constitutes a contract, combination, or conspiracy in restraint of trade, or violates any other law  
19 or regulation. SCI enters into this AOD to avoid protracted and expensive litigation, and  
20 because it has already removed the no-poaching provision from its standard franchise  
21 agreement. Pursuant to RCW 19.86.100, neither this AOD nor its terms shall be construed as  
22 an admission of law, fact, liability, misconduct, or wrongdoing on the part of SCI.

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1 upon renewal or transfer, the renewing franchisee or new franchise owner must sign a new  
2 Franchise Agreement. At this time, SCI will tender to the franchisee its current franchise  
3 agreement on a nationwide basis that has a no-poaching provision.

4 3.4 Within 30 days of the conclusion of the time periods referenced in this section  
5 III, SCI will submit a declaration to the Attorney General's Office signed under penalty of  
6 perjury stating that all provisions of this agreement have been satisfied.

#### 7 IV. ADDITIONAL PROVISIONS

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

13 4.2 This is a voluntary agreement and it shall not be construed as an admission of  
14 law, fact, liability, misconduct, or wrongdoing on the part of SCI. By entering into this AOD,  
15 SCI does not agree or concede that the claims, allegations and/or causes of action, which have  
16 or could have been asserted by the Attorney General, have merit and SCI expressly denies any  
17 such claims, allegations, and/or causes of action. However, proof of failure to comply with this  
18 AOD shall be *prima facie* evidence of a violation of RCW 19.86.030, thereby placing upon the  
19 violator the burden of defending against imposition by the Court of injunctions, restitution,  
20 costs and reasonable attorney's fees, and civil penalties of up to \$2,000.00 per violation.

21 4.3 SCI will not, nor will it authorize any of its officers, employees, representatives, or  
22 agents to state or otherwise contend that the State of Washington or the Attorney General has  
23 approved of, or has otherwise sanctioned, the conduct described in Paragraph 2.2 with respect to  
24 the No-Poaching Provision in SCI's franchise agreement.

25 4.4 This AOD resolves all issues raised by the State of Washington and the Antitrust  
26 Division of the Attorney General's Office under the Consumer Protection Act and any other

1 related statutes pertaining to the acts set forth in paragraph 2.1 – 2.3 above that may have occurred  
2 before the date of entry of this AOD and concludes the investigation thereof. Subject to  
3 paragraph 4.2, the State of Washington and the Antitrust Division of the Attorney General's  
4 Office shall not file suit or take any further investigative or enforcement action with respect to the  
5 acts set forth above that occurred before the date of entry of this AOD.

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APPROVED ON this \_\_\_\_ day of \_\_\_\_\_, 2018.

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JUDGE/COURT COMMISSIONER

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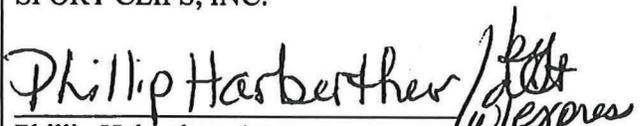
ROBERT W. FERGUSON  
Attorney General



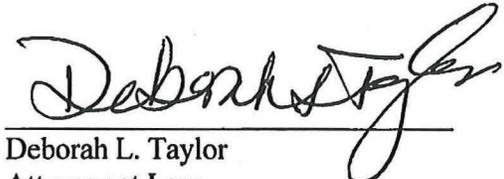
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Agreed to and approved for entry by:

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