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DEPARTMENT OF
JUDICIAL ADMINISTRATION

STATE OF WASHINGTON
KING COUNTY SUPERIOR COURT

NO.: 19-2-23502-1SEA

IN RE: FRANCHISE NO
POACHING PROVISIONS

(CURVES NA, INC., AS SUCCESSOR IN
INTEREST TO CURVES
INTERNATIONAL, INC.)

CURVES NA, INC., AS SUCCESSOR IN
INTEREST TO CURVES
INTERNATIONAL, INC.'S ASSURANCE
OF DISCONTINUANCE

The State of Washington (State), by and through its attorneys, Robert W. Ferguson, Attorney General, and Justin Wade, 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 the "In re Franchise No Poaching Provisions Investigation," which included investigation of the hiring practices of franchisors and franchisees in the State of Washington, including Curves NA, Inc.

1.2 Curves NA, Inc. ("Curves") is a Texas corporation with its principal office or place of business in Woodway, TX. Curves is in the business of franchising thirty-minute fitness and weight loss centers under the "Curves®" trademark.

1.3 Curves includes its directors, officers, managers, agents acting within the scope of their agency, and employees as well as its successor and assigns, controlled subsidiaries,

1 divisions, groups, affiliates, partnerships, and joint ventures. Curves does not include
2 independent franchise operators.

3 II. INVESTIGATION

4 2.1 Curves currently has 9 independently owned and operated franchise locations in
5 Washington. No locations are owned or operated by Curves.

6 2.2 Prior to August 22, 2019 Curves included language in its franchise agreements
7 that restricted a franchisee's ability to solicit or hire workers from another franchisee or Curves
8 ("Paragraph 6(O) and 22(B)(2)"). Specifically, the Curves franchise agreement stated in
9 Paragraph 6(O) and Paragraph 22(B)(2):
10

11 **6(O). Interference With Employment Relations of Others.**

12 Franchisee shall not attempt, directly or indirectly, to entice or
13 induce, or attempt to entice or induce any employee of
14 Franchisor or of another franchisee of Franchisor to leave such
15 employment.
16

17 **22(B)** [f]or a period of two (2) years immediately following the later of
18 the expiration, termination or nonrenewal of this Agreement for
19 any reason or the date on which Franchisee actually ceases
20 operation of Franchisee's Club.

21 **(2)** Employ or seek to employ any person who is employed by
22 Franchisor or any other franchisee, or otherwise induce or
23 seek to induce such person to leave his or her employment;

24 Curves has never enforced either provision.

25 2.3 The Attorney General asserts that the foregoing contract language constitutes a
26 contract, combination, or conspiracy in restraint of trade in violation of the Consumer
Protection Act, RCW 19.86.030.

1 3.1.3. Within 30 days after the entry of this AOD, it will make all of its
2 franchisees aware of this agreement with the state of Washington and make a copy of it
3 available if requested;

4 3.1.4. It will notify the Attorney General's Office if it learns of any effort by a
5 Washington Curves franchisee to enforce Paragraph 6(O) and/or 22(B)(2) in any existing
6 franchise agreements.

7 3.2 Within 90 days of entry of this AOD, Curves will endeavor to amend all
8 franchise agreements with Washington Curves franchisees to remove Paragraph 6(O) and
9 22(B)(2) in its existing franchise agreements. However, for the avoidance of doubt, Curves is
10 under no obligation to offer its franchisees any consideration, monetary or otherwise, in order
11 to induce them to sign the proposed amendment, nor will Curves be required to take, or
12 threaten to take, any adverse action against any such franchisees if they refuse to do so. If any
13 Washington franchise owner declines to amend its franchise agreement within 7 days prior to
14 the 90-day deadline, Curves shall provide the name and address of any such franchise owner to
15 the Office of the Attorney General. A decision by a Curves franchisee not to amend its
16 franchise agreement, or not to do so within 90 days of this AOD, shall not mean that Curves
17 has not complied with its obligations under this AOD. This provision shall be deemed satisfied
18 with regard to each Washington Curves franchisee by either the amendment of such
19 franchisee's franchise agreement(s) to remove Paragraph 6(O) and 22(B)(2) or by Curves'
20 providing the name and address of such franchisee to the Office of the Attorney General.

21 3.3 Going forward, Curves will not include Paragraph 6(O) and 22(B)(2) in its
22 franchise agreements for all franchisees nationwide, including for (a) new franchisees signing
23 franchise agreements for the first time, (b) existing franchisees whose franchise agreements
24 have expired and/or are otherwise subject to renewal, rebuild or relocation, and (c) franchisees
25 who are acquiring a Curves business or another franchisee's business (*i.e.*, assignment)
26 assuming they sign an new franchise agreement as part of the transaction.

1 Paragraph 2.2 above with respect to Paragraph 6(O) and 22(B)(2) in Curves' franchise
2 agreement.

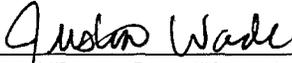
3 4.4 Compliance with this AOD resolves all issues raised by the State of Washington
4 and the Antitrust Division of the Attorney General's Office under the Consumer Protection Act
5 and any other statutes relating to the acts set forth in paragraph 2.2 – 2.4 above. Subject to
6 paragraph 4.2, the State of Washington and the Antitrust Division of the Attorney General's
7 Office shall not file suit or take any further investigative or enforcement action against Curves
8 with respect to the acts set forth above that occurred before the date of entry of this AOD, or
9 against independent Curves franchisees in Washington who agree to the amendment described in
10 paragraph 3.2 above within 90 days of the entry of this AOD with respect to acts that occurred
11 before the date of such amendment.

12 APPROVED ON this _____ day of _____, 2019.

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15 _____
16 JUDGE/COURT COMMISSIONER
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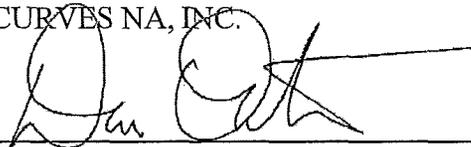
1 Presented by:

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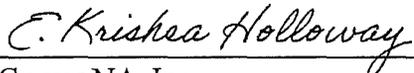
18 Agreed to and approved for entry by:
19 CURVES NA, INC.

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Curves NA, Inc.
By: E. Krishea Holloway
Its: President