

## FRANCHISE DISCLOSURE DOCUMENT



**Management Recruiters®**  
**Sales Consultants®**

Management Recruiters International, Inc.  
A Delaware Corporation  
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The franchisee will operate a Management Recruiters (or Sales Consultants if you purchase an existing Sales Consultants business) staffing and recruiting business, offering both permanent placement and contract staffing services.

The total initial investment necessary to start a recruiting business is \$65,000 paid to the franchisor along with additional startup costs ranging from \$73,730 to \$98,880 as outlined in Item 7.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding franchise agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Franchise Disclosure Document in a format that is more convenient to you. This Franchise Disclosure Document is available electronically via DocuSign or in paper form.

The terms of the franchise agreement will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise, which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library or other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

The effective date of this disclosure document is ~~September 12~~[March 26](#), 2014.

## STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in **Exhibit A** for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN PHILADELPHIA, PENNSYLVANIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH US IN PHILADELPHIA, PENNSYLVANIA THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT PENNSYLVANIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: ~~September 12~~~~March 26~~, 2014. See the next page for state effective dates.

## STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state or be exempt from registration: California, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin. MRI does not offer its franchises in Hawaii.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having registration and disclosure laws, with the following effective dates:

California	<a href="#"><u>September 12, 2014</u></a>
Illinois	<a href="#"><u>September 12, 2014</u></a>
Indiana	<a href="#"><u>September 12, 2014</u></a>
Maryland	<a href="#"><u>September 12, 2014</u></a>
Michigan	<a href="#"><u>September 12, 2014</u></a>
Minnesota	
New York	<a href="#"><u>September 12, 2014</u></a>
North Dakota	<a href="#"><u>September 12, 2014</u></a>
Rhode Island	<a href="#"><u>September 12, 2014</u></a>
South Dakota	<a href="#"><u>September 12, 2014</u></a>
Virginia	
Washington	<a href="#"><u>September 12, 2014</u></a>
Wisconsin	<a href="#"><u>September 12, 2014</u></a>

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of [September 12](#)~~March 26~~, 2014.

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- K. 1 List of Franchisees
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**Item 1**  
**THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

**The Franchisor**

To simplify the language in this disclosure document, "MRI" and "we" means Management Recruiters International, Inc., the franchisor. "You" means the person who buys the franchise and includes any corporation, partnership, or limited liability company to which the individual chooses to assign the franchise. MRI is a Delaware corporation incorporated on January 5, 1972. We conduct business under our corporate name and in the names of our principal divisions and subsidiaries, Management Recruiters, Sales Consultants, OfficeMates 5, and MRI Contract Staffing, Inc. Our corporate headquarters is located at ~~1801~~ [1818](#) Market Street, 13<sup>th</sup> Floor, Philadelphia, Pennsylvania 19103.

MRI offers franchises to operate a Management Recruiters or a Sales Consultants personnel placement business in permanent or temporary placement services. Management Recruiters offices offer general permanent placement services, with emphasis on administrative, technical, managerial, professional, and sales personnel. Sales Consultants offices engage in the permanent placement of sales, sales management, and marketing personnel.

Access Point, LLC is a wholly owned subsidiary of MRI created in 2008. This company was established to run any alliance programs that we develop from time to time for our franchisees.

MRI has offered Management Recruiters and Sales Consultants franchises since its incorporation. We no longer offer Sales Consultants franchises to new buyers, only to purchasers of existing Sales Consultants businesses.

MRI has also franchised OfficeMates 5 offices since its incorporation, primarily as adjuncts to Management Recruiters offices. OfficeMates 5 offices specialize in the permanent placement of secretarial, clerical, and office support personnel.

In 1993, MRI began offering its franchisees the opportunity to offer interim personnel services under the name InterExec, in the same areas of personnel as Management Recruiters and Sales Consultants. The name was later changed to MRI Contract Staffing, Inc., ("MRI Contract Staffing"), which licenses MRI's franchisees to conduct interim placement and contract staffing along with their franchised businesses.

MRI previously operated a number of company-owned Management Recruiters and Sales Consultants offices. MRI sold its corporate owned offices that were in operation on September 30, 2002. These offices became franchised offices effective October 1, 2002.

Our agents for service of process are listed in Exhibit A when required by applicable state law.

**Our Parent and Affiliates**

MRI is a wholly owned subsidiary of CDI Corporation ("CDI"). CDI Corp., a company listed on the New York Stock Exchange, owns CDI. CDI's principal office is at 1717 Arch Street, 35th Floor, Philadelphia, PA 19103. CDI Corporation's financial statements and guarantee are included as Exhibit B.

In April 1999, MRI acquired MRIWW Franchise Services, Ltd, a UK company, which was originally named "Humana International Group". Humana International Group operated an

international staffing and recruiting franchise network. Its name was changed to “MRI Worldwide Ltd” in July 2000 and to MRIWW Franchise Services Ltd in April 2006. MRIWorldwide Franchise Services offered franchises for the operation of permanent placement offices outside the United States and North America. MRIWW has franchises in Australia, Austria, Belgium, Brazil, Chile, China, Colombia, Costa Rica, Denmark, Dominican Republic, Ecuador, Finland, France, Germany, Hong Kong, India, Ireland, Israel, Japan, Kenya, Kuwait, Malaysia, Mexico, the Netherlands, Panama, Peru, Philippines, Portugal, Romania, Russia, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Arab Emirates, and the United Kingdom.

In April 2006, MRI and MRIWW Franchise Services, Ltd granted a Master Franchise License to MRI Worldwide Network Ltd (“MRIWW Network”). MRIWW Network became the master franchisee for international offices outside of the United States and Japan. In January 2009, MRI terminated the MRIWW Network Master Franchise Agreement and took over management and operation of the international offices.

MRI Contract Staffing, Inc. is a wholly owned subsidiary of MRI that licenses (but does not franchise) the operation of interim and temporary personnel placement services. During its licensing and operations, MRI Contract Staffing provides training services without charge to MRI's franchisees. MRI Contract Staffing, Inc. does not operate a permanent placement service business and has never offered franchises. [MRI Contract Staffing may offer pay rolling only services to staffing companies not affiliated with the MRI Network. These companies will not have access to the MRI Contract Staffing proprietary materials, and cannot use the MRI or MRI Contract Staffing names, logos or symbols in their businesses.](#)

Our predecessors began in the personnel placement business in 1957 and began selling Management Recruiters franchises in 1965 and Sales Consultants franchises in 1966.

### **The Franchise Offered**

You will conduct a permanent placement business under either the Management Recruiters or Sales Consultants name (if you purchase an existing Sales Consultants business). Your use of other names is subject to our prior written approval. You also enter into a license with MRI Contract Staffing to engage in the interim placement and contract staffing business. If you buy a Management Recruiters franchise, your clients will be companies and other organizations that hire administrative, technical, managerial, professional and sales personnel. If you buy a Sales Consultants franchise as part of your purchase of an existing business, your clients will be companies and other organizations that hire sales, sales management, and marketing personnel. The personnel placement business is highly developed. Your competition will include both independent operators of similar businesses, some of whom belong to cooperative networks of offices, and franchisees of other personnel placement systems. Because other franchisees and affiliates of MRI may offer services in the same areas that you choose to, they may also be included in your competition.

We offer franchises only to individuals, although you may assign the franchise to a corporation, partnership, or limited liability company. If you do, you will remain personally liable under the franchise agreement.

### **Referral Program**

In March 2014, we implemented an incentive referral program for our franchisees subject to certain qualifications. Participants who refer applicants who execute franchise agreements may

choose among the following options: an all cash payment, a smaller cash payment plus a vacation trip, or a percentage of the new applicant's revenue. The program is open to all franchisees in good standing.

### Industry-Specific Regulations

Some states require a license for the operation of permanent personnel placement services. Other states require only registration, while still others require neither. Some states' laws regulate the permanent placement industry. Most of these laws and regulations relate to companies that charge fees to applicants for employment and have an exemption for employer paid fee businesses. We will notify you whether or not you are required to register your business in your state before you sign the Franchise Agreement.

The Federal civil rights laws, including the Civil Rights Act of 1964 (Title VII), the Age Discrimination in Employment Act (ADEA), and the Americans with Disabilities Act (ADA) prohibit unlawful discrimination in classifying and referring applicants for employment. Many state human rights laws have similar regulations.

The Federal Immigration Reform and Control Act prohibits companies in our industry from knowingly referring an illegal alien for employment in the United States.

The Federal Fair Credit Reporting Act has regulations on reference checking applicants for employment.

## Item 2 BUSINESS EXPERIENCE

The following is the list of directors, principal officers, and other executives who have management responsibility in the operation of our business as to the franchises described in this disclosure document. The principal occupation and business experience of each person during the past five years, including the names and locations of prior employers, is described below.

**Brian Short, Director, and Executive Vice President, Chief Administrative Officer and General Counsel of CDI Corporation**

Mr. Short was appointed a Director of MRI March 2009. He has also serves as Executive Vice President, Chief Administrative Officer and General Counsel of CDI since March 2009. Before joining CDI, Mr. Short was a partner was the Dechert law firm in Philadelphia, PA from 2006 to 2009, and an Associate from 2001 to 2006.

**Stuart Batchelor,  
Managing~~Stuart Batchelor~~  
~~Interim President,~~ Director**

Mr. Batchelor ~~served as~~ the Interim President of MRI ~~from January 2014 through August 2014.~~ ~~He is the~~ ~~and~~ Executive Vice-President and President of Global Staffing Services for CDI where he oversees all recruitment businesses, including MRI. He joined CDI in January 2012 as Senior Vice-President and Regional President of EMEA, with responsibility over CDI's recruitment businesses in Europe, Middle East and Africa. Before joining CDI, Mr. Batchelor was

with Invensys as its Vice-President Direct Sales & Emerging Markets EURA Region from April 2010 through December 2011, and its Vice President Consulting Services & Developing Markets EURA Region, Acting President EURA Region, Acting President of Invensys Process Systems EURA Region and Managing Director, General Manager North West Europe & Africa from September 2007 through December 2011. Mr. Batchelor was a Business Development Manager (UK) for Jacobs Engineering Ltd. from May 2005 through August 2007 and was with Rockwell Automation Ltd. from May 1996 through December 2004. Mr. Batchelor is an Electrical Engineer. ~~He has 2 years of experience in recruitment.~~

~~Todd Oken  
Vice President, Finance~~

~~Todd Oken is the Vice President of Finance for Global Staffing Services, CDI's staffing division that includes MRI. Last year, Mr. Oken was the Vice President of Finance for CDI's Professional Staffing Services division for the United States. From 2010 to 2012, he served as Vice President of Finance for CDI's Engineering Process and Industrial division, and from 2007 to 2009, Mr. Oken was CDI's Vice President of Financial Systems and Processes.~~

John McDonald,  
President

John McDonald was appointed the President of MRI in August 2014. Before joining MRI he served as the Senior Vice President of Sales and Marketing for Interline Brands International from 2011 through 2012, and the President and Chief Operating Officer of Service Brands International, a privately held franchise system of home services brands from 2008 to 2011. From 2007 through 2008, Mr. McDonald developed and oversaw go to market and product strategy for Vision Event Productions until the company was sold. And from 2002 through 2006, he was the Executive Vice President, Business Development and Sales for Kinkos, which was eventually sold to FedEx. Mr. McDonald has 3 years' experience in the line of business associated with the franchise, when he worked for Manpower as Vice President of North American Sales.

Todd Oken,  
Vice President of Finance, GSS

Todd Oken is the Vice President of Finance for Global Staffing Services, CDI's staffing division that includes MRI. Last year, Mr. Oken was the Vice President of Finance for CDI's Professional Staffing Services division for the United States. From 2010 to 2012, he served as Vice President of Finance for

**Nancy Halverson**,  
Vice President, Global  
Operations

[CDI's Engineering Process and Industrial division, and from 2007 to 2009, Mr. Oken was CDI's Vice President of Financial Systems and Processes.](#)

Ms. Halverson was appointed our Vice President of Global Operations in January 2013. She oversees our Learning and Talent Development, Technology Consulting, New Office Development, US and International Operations and Vendor Relations Teams. Ms. Halverson joined MRI in March 2008 as our Vice President of Learning and Development and was appointed our Senior Vice President, Learning and Development in November 2009 and Vice President of Operations in 2011. Before joining MRI, Ms. Halverson spent over nineteen years working for Spherion Corporation. Ms. Halverson was Vice President, Strategic Accounts from May 2007 to March 2008 and Vice President, Talent Management from March 2005 through May 2007. She worked in various roles in the Training Department. In 2001 she supported Spherion's technology training initiatives and in 2003, assumed responsibility for Technology, Accounting and Finance and Legal training curriculum in addition to the clerical & industrial divisions. Her expertise at the desk level includes Administrative, Industrial Sales and Marketing and Human Resources practices.

**Scott Bass**,  
Director of Marketing

Mr. Bass was appointed our Director of Marketing in September 2009. He joined MRI in January 2008 as Marketing Manager. Before he joined MRI, Mr. Bass worked for Macy's, Inc. as a Marketing Manager from October 2004 to January 2008, and as a sales and marketing representative for Rolling Stone magazine from January 2003 to October 2004. From May 2002 to January 2003, Mr. Bass was employed by Stascom Technologies, Inc., a MRINetwork office, as an Account Executive.

[Denise Deans-Graf](#),  
[Vice President](#), ~~Tim Ozier~~  
~~Director of~~ Contract Staffing

[Ms. Deans-Graf was appointed our Vice President of Contract Staffing in April 2014. Before moving to MRI, Ms. Deans Graf was with CDI Corporation, as its Vice President of Global Operations for Staffing Services since 2013. Ms. Deans-Graf was with AMN-Medfinders from 2004 through 2012. She served most recently as its President of the Staffing Division and before that, as the Chief Operating Officer of Staffing. Ms. Deans-Graf previously held leadership positions with Spherion and ADECCO, international staffing companies. Ms. Deans-Graf has been engaged in the line of business associated with the](#)

[franchise for over 10 years.](#)

~~Tim Ozier rejoined MRI in November 2012 as Director of Contract Staffing. Prior to returning to MRI, Mr. Ozier was a National Accounts Director at Adecco from August 2011 through June 2012. He originally joined MRI as a Field Service Manager in February 2007. He was promoted to Contract Staffing Director in June 2008. Mr. Ozier also served as Field Service Manager at Spherion from January 1999 through June 2006. He has over 20 years' experience in the staffing industry.~~

**Roberta Marcantonio**  
Director of Franchise Sales

Ms. Marcantonio joined MRI in February 2013 as our Director of Franchise Sales. Before joining MRI, Ms. Marcantonio was the Director of Franchise Development for HBH Franchise Company (Honey Baked Ham) from February 2011 to February 2013. Before then, she served as a Managing Partner with M & T Concepts, LLC. Ms. Marcantonio was with Spherion Corporation where she served in various positions, most recently as Vice President, Franchise Development.

**Ann Santomas**  
Vice President  
and Senior Counsel

Ms. Santomas has served as Vice President and Senior Counsel ~~for~~ MRI since December 4, 2006. She held the following offices with MRI: Vice President since March 2002, Associate General Counsel since June 2000 through December 2006. Before ~~joining~~ joined MRI in 2000, she served as Corporate Counsel for Jackson Hewitt Inc. and ~~as~~ its Director of Franchise Administration and Compliance.

### Item 3 LITIGATION

Except for the action described below, there is no litigation that must be disclosed in this disclosure document.

## Concluded Pending Actions

***In the Matter of the Arbitration between Andrew S. Miller and Brainworks, Inc. and Management Recruiters International, Inc.*** (American Arbitration Association No.53 114 00365 04). This arbitration was filed by a franchisee corporation and its sole shareholder. The franchisee had over 7 years remaining on the term of the franchise agreement. Mr. Miller sought a reduction in the royalty rate, which was not granted. The franchisee stopped filing reports and paying royalties and MRI suspended services and threatened collection proceedings. This arbitration proceeding was filed in response. The claimants allege that MRI failed to execute an amendment to the franchise agreement, as a result of which the franchisee unilaterally decided to terminate the franchise agreement as of July 21, 2004. The claimants also allege that MRI failed to provide unspecified services, in breach of the obligations of the franchise agreement. Claimants seek a declaration that the franchise agreement has been terminated and that it does not owe any royalty or national advertising fees for the 12 months prior to July 21, 2004. MRI believes that the claims are without merit and has counterclaimed. MRI's counterclaim seeks a declaration that the franchise agreement is still in effect, an award of unpaid fees, interest, attorneys' fees, and costs, and a mandatory injunction requiring claimants to file all reports and to continue to make the payments and file the reports required under the franchise agreement. After a hearing on all the above issues, the arbitrator ruled in MRI's favor on all claims: Mr. Miller owes MRI all past due royalties of \$266,577.81 plus \$56,902.51 in interest and, unless the award is paid in 30 days, Mr. Miller owes an additional amount equal to one third of the award for MRI's legal fees. Finally, the arbitrator ruled that Mr. Miller was legally bound by the Franchise Agreement until its expiration date in September 2011. Mr. Miller has appealed this award In the Court of Common Pleas, Cuyahoga County, Ohio, Andrew S. Miller, et al v. Management Recruiters International, Inc. Case No. 07-CV-633415. The court affirmed the arbitrator's decision. Mr. Miller has appealed the decision of the Court of Common Pleas for Cuyahoga County to the Court of Appeals of Ohio in Cleveland, Ohio App. No. 9114. The decision was affirmed in January 2009. MRI instituted a collection action ***Management Recruiters International, Inc. v. Andrew S. Miller*** DJ163-145-08, Superior Court of New Jersey, Somerset County, Law Division. Defendant, Brainworks, Inc. has filed bankruptcy under Chapter 11. The company was sold in the course of the bankruptcy proceedings collection is proceeding against defendant, Andrew S Miller, [who has recently reached out to MRI to discuss settlement of the judgment. As of the date of this offering circular, MRI is unable to predict whether the matter will be settled.](#)

[Management Recruiters International, Inc. v. Michael Eisenstadt and Michael Greg Search Group, Inc., Docket Number 13-04-01220](#) filed in the Court of Common Pleas County of Philadelphia, Law Division on April 9, 2013.

[This case was filed to collect an unpaid promissory note for \\$36,000 and for damages arising out of the defendant's leaving the MRI Network to work as an independent recruiter while bound by the Franchise Agreement. The matter was resolved by a confessed judgment settlement for \\$45,000 and the case was dismissed.](#)

[Management Recruiters International, Inc. v. Brian and Sarah McMerty, Management Recruiters of Park Central, Inc., RTP Partners, Inc. d/b/a Carlyle and Conlan Executive and Professional Search, Docket Number CV-14-829729](#) filed in the Court of Common Pleas, Cuyahoga County, Ohio filed July 21, 2014.

[This action was taken because the defendants had not filed reports since December 2013, or paid reported royalty fees of \\$17,469 or estimated fees of \\$60,000 accrued since December](#)

2013. As of the date of this offering circular, the parties are discussing settlement and MRI is unable to predict whether the matter can be resolved before trial.

**Management Recruiters International, Inc. v. Management Recruiters of Elgin, Inc., Michael Reeves and Hire Nexus, Inc.** Docket Number CV-14-828679 filed in the Court of Common Pleas, Cuyahoga County, Ohio, filed on July 14, 2014.

The action was filed because defendants have not filed reports since March 2014, failed to pay royalty fees of \$34,905 plus additional estimated unpaid royalty fees. Defendants allege that Management Recruiters International, Inc. failed to provide required services and recruited its account executive to purchase a franchise, causing defendants significant damages. Management Recruiters denies these allegations. As of the date of this offering circular, a counter-claim has been threatened but not yet filed.

#### **Item 4 BANKRUPTCY**

No person previously identified in Items 1 or 2 of this disclosure document has been involved as a debtor in proceedings that are required to be disclosed in this Item.

#### **Item 5 INITIAL FEES**

The initial franchise fee varies by your experience and what services and support you will require.

<b>Experience level</b>	<b>Initial fee</b>	<b>Included products and services</b>	<b>Financing available</b>	<b>First Installment before training</b>
You have no sales or recruiting industry experience	\$65,000 <sup>1</sup>	Complete package of products and services	Yes	\$20,000
You are an honorably discharged Veteran <sup>3</sup>	\$52,000 <sup>1</sup>	Complete package of products and services	Yes	\$20,000
You have more than 5 years of recruiting industry or sales experience	\$45,000 <sup>1</sup>	Complete package of products and services	Yes	\$20,000
You have an	\$15,000	You may	No	\$15,000

established recruitment firm <sup>2</sup>		purchase from our vendors at preferred prices <sup>2</sup>		
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1. The fee includes:

a one-year subscription to a networking technology platform to strengthen sourcing channels.

A one-year subscription to a video interviewing platform or a one-year subscription to another sourcing tool;

registration fees for the First Global Conference and for one training event;

access to the Resource, our Intranet, and access to the Learning Management System, an on-line platform that provides access to the complete MRI training library;

an Interoffice Referral Program for sharing jobs and candidates among MRINetwork members;

a notebook computer with a docking station and external monitor, one all in one copier/printer/scanner/fax;

a 6-hour support contract for notebook computer for the first year;

a one-person, one-year usage agreement for a staffing and recruiting software, (currently PCRecruiter). You may purchase a second one-year user-license for \$100 per user/month. Longer term agreements area also available at more favorable pricing;

a one-year preformatted website package containing the MRI service marks, logos, designs and branding elements;

a one-year subscription to one or more job boards selected by MRI;

If you were referred to training via our New Office Development training program for one student; the fee increases by \$1,000 for each additional student.

<sup>2</sup> If you have an existing staffing and recruiting business, we will provide access to our Interoffice Referral Program for sharing jobs and candidates among MRINetwork members and to Resource, our Intranet, and access to the Learning Management System, an on-line platform that provides access to the complete MRI training library. You may purchase other items at our preferred prices. You may attend all meetings and events at fees charged to other MRINetwork members.

During our last fiscal year, the initial franchise fee for new buyers ranged from zero to \$76,000.

**<sup>3</sup> Initial Franchise Fee for “VetFran” Veterans Program**

We are a member of the International Franchise Association (“IFA”) and participate in the IFA’s VetFran Program, which provides incentives for veterans who purchase franchises. The initial franchise fee is reduced for veterans of U.S. Armed Forces who otherwise meet the requirements of the Program. To qualify for this discount, the Veteran(s) must own at least a 51% interest in the franchise. “Veteran” means a recipient of an honorable discharge as

evidenced by the U.S. Department of Defense. It is the Veteran's responsibility to provide us with the required documentation in order to obtain the VetFran incentive.

**Item 6  
OTHER FEES**

<b>Type of Fee Column 1</b>	<b>Amount Column 2</b>	<b>Date Due Column 3</b>	<b>Remarks Column 4</b>
Royalty for buyers without an established recruitment firm <sup>1,2</sup>	<p>The royalty fee is Nine Percent (9%) of Net Cash-In. If you are in full compliance with the Franchise Agreement and achieve certain Net Cash-In targets, the royalty fee will be reduced via a quarterly refund. The Net Cash-In targets, royalty rates and refunds are:</p> <p>\$500,001 to \$1,000,000 7% via a 2% refund</p> <p>\$1,000,001 to \$2,000,000 5% via a 4% refund</p> <p>\$ \$2,000,001 3% via a 6% refund</p> <p>There is a minimum royalty obligation beginning in your 3rd full year of operation of \$12,000 adjusted for changes in the CPI.</p>	Payable on the 10 <sup>th</sup> of the following month.	Net Cash-In means all revenue from the franchised business, less refunds and fees paid to other personnel placement firms and sales tax.
Royalty fees for buyers with established business.	<p>The royalty fee is 7% on the first \$1,000,000 of Net Cash- In</p> <p>5% on Net Cash in from \$1,000,001 to \$2,000,000; and</p> <p>3% on Net Cash In that exceeds</p>	Payable on the 10 <sup>th</sup> of the following month.	Same as above.

Type of Fee Column 1	Amount Column 2	Date Due Column 3	Remarks Column 4
	\$2,000,000.		
Marketing and Public Relations Fee <sup>1,2</sup>	0.5% of Net Cash-In	Same as Royalty Fee	Same as above.
Training Fee <sup>3</sup>	Varies	Prior to provision of services	
Transfer fee <sup>4</sup>	Varies from 1% to 5% of sales price	Upon receipt of payment(s) from buyer	We don't charge a fee for transfer to corporations, partnerships or companies formed by you for the convenience of ownership.
Website Transfer Fee <sup>5</sup>	\$675	On or Before Sale	MRI
Audit	Cost of Audit	Upon Demand	Payable only if the audit reveals understatement of 5% or more.
Interest	Lesser of 18% per year or maximum legal rate	Upon Demand	Payable on overdue amounts, beginning with first day of following month.
Option to Exit After 5 years	Formula <sup>5</sup>	Before the termination date	Payable only if you exercise early termination option.

Notes:

All fees are imposed and collected by and payable to MRI only.

1. The Net Cash-In targets are applied annually and not over the term of the Franchise Agreement. For purposes of the royalty refund only, the following are not considered Net Cash-In: a) Net Cash paid to you under the MRI Contract Staffing program or any other staffing program or b) Net Cash-In received during any period in which you are in default of the Franchise Agreement. The refund is paid annually in the first quarter of the subsequent calendar year. The Net Cash-In targets will be adjusted annually to reflect changes in the Consumer Price Index (CPI-U) for November of the current year compared to the Consumer Price Index for November 2009.

The minimum royalty obligation is updated annually to reflect changes in the Consumer Price

Index compared to the Consumer Price Index for November 2009. The amount of the minimum calculated royalty fee will be rounded down to the nearest \$100. The amount of any shortfall in payment for a calendar year will be due by the end of the first quarter of the subsequent calendar year. For those franchisees whose minimum royalty year is 2014, the minimum royalty adjusted by the CPI-U is \$12,900.

2. You will pay the royalty and marketing and public relations fees through an electronic funds transfer (EFT) system. You report the amount electronically to our Accounting Department no later than the 10<sup>th</sup> day of the following month. This information is provided to our bank, which initiates an EFT from your account to ours. We would owe you a refund and/or a credit of royalty and advertising fees on days when you paid refunds to clients that were more than the cash you received. When you inform us of the amount, we will apply the credit or transfer the refund to your account by EFT. We may only use the EFT system to transfer from your account amounts you owe us.

3. We offer additional training programs to franchisees that are not in default of the Franchise Agreement at our discretion. We reserve the right to charge a fee to help defray costs such as room rental and outside speaker fees. The prices for these programs will be published in advance and may vary. If you sell the business to a new buyer, the training fee for the new buyer is \$4500 to attend the New Office Development training class.

4. The transfer fee percentage is generally 5% of the total sales price if you sell all or any part of your franchise or franchised business. However, the percentage is reduced to 3% if your buyer has been a manager, account executive, or project coordinator employed by you or another MRI franchisee for a period of at least two years when you enter into the purchase agreement. The percentage is reduced to 1% if you sell to your spouse, parent, or child. A fee of \$675 is imposed to defray the costs of transferring your website to the purchaser.

5. The Franchise Agreement gives you an option to terminate after 5 years. If you do, you will be required to pay a termination fee. The fee is based on your current royalty fee rate. The amount is calculated based on your highest average monthly Net Cash-In during any consecutive 12-month period. During your initial term, the fee would be determined by multiplying this average monthly Net Cash-In by the royalty fee rate and then multiplying it by the lesser of 60 or the number of months remaining before the end of the contracted term. During a renewal term, the formula differs only in that you multiply by the lesser of 36 or the number of months remaining before the end of the renewal term.

Item 7

**ESTIMATED INITIAL INVESTMENT**

<b>TYPE OF EXPENDITURE</b> <b>Column 1</b>	<b>AMOUNT</b> <b>Column 2</b>	<b>METHOD OF PAYMENT</b> <b>Column 3</b>	<b>WHEN DUE</b> <b>Column 4</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b> <b>Column 5</b>
INITIAL FRANCHISE FEE	\$65,000	Note <sup>1,2</sup>	After a deposit of \$20,000; the balance of the fee is payable in 8 equal quarterly installments of \$5,625 beginning on the 10 <sup>th</sup> of the 13 <sup>th</sup> month after the date of the Franchise Agreement. Subsequent payments are	MRI

			due on the 10 <sup>th</sup> of the last month of each subsequent quarter until paid in full. The fee is non-refundable.	
<b><u>TYPE OF EXPENDITURE</u></b> <b><u>Column 1</u></b>	<b><u>AMOUNT</u></b> <b><u>Column 2</u></b>	<b><u>METHOD OF PAYMENT</u></b> <b><u>Column 3</u></b>	<b><u>WHEN DUE</u></b> <b><u>Column 4</u></b>	<b><u>TO WHOM PAYMENT IS TO BE MADE</u></b> <b><u>Column 5</u></b>
TRAVEL AND LIVING EXPENSES WHILE TRAINING	\$3,420 to \$4,800 Note <sup>2</sup>	As Incurred	During Training	Airlines, Hotels & Restaurants
REAL ESTATE AND IMPROVEMENTS	\$0 to \$2,000 Note <sup>3</sup>	Lump Sum	Before Opening	Lessor
CABLING FOR OFFICE	\$0 to \$1,900 Note <sup>4</sup>	Lump Sum	Before Opening	Vendors/Lessor
TELEPHONE SYSTEM	\$500 to \$2,500 Note <sup>4</sup>	Lump Sum	Before Opening	Vendor/Lessor
INTERNET	\$280.00 Note <sup>4</sup>			Vendor/Lessor
OFFICE FURNITURE	\$ 1,000 to \$3,000 to Note <sup>5</sup>	Lump Sum	Before Opening or As Arranged	Vendor/Lessor
LICENSE FEES	\$0 to \$300 Note <sup>6</sup>	Lump Sum	Before Opening	State Regulators
INITIAL OFFICE SUPPLIES	\$200 to \$500	As Arranged	As Arranged	Suppliers
BUSINESS INSURANCE	\$2,100 to \$2,300 <sup>7</sup>	As Arranged	As Arranged	Insurance Companies
LEGAL	\$200 to \$2,500	As Arranged	As Arranged	Lawyer

MISCELLANEOUS	\$250 to \$500	As Arranged	As Arranged	Suppliers
ADDITIONAL FUNDS	Note \$4,200 to \$13,300 <sup>8</sup>			
TOTAL	\$73,730 to \$98,880 + taxes Note <sup>8</sup>			

Notes:

1. The initial fee used for the Table is the \$65,000 fee for buyers with no prior sales or recruiting industry experience. You may be able to finance a portion of the initial franchise fee as described in Item 10. The initial franchise fee includes the cost of training one person in new office development program. This fee increases by \$1,000 for each additional person to attend this program.

2. This is based on the cost of one person attending the New Office Development program. The additional cost for additional persons attending would depend on whether the persons share a hotel room. If you are buying an existing franchisee's business rather than a new franchise directly from us, you must attend the New Office Development training class. The tuition is currently \$4,500 with an additional \$1,000 for each extra student.

3. If you open your business in a commercial space, the real estate expense usually consists of a one-month's lease deposit. We recommend that you lease an office ranging between 1,000 and 1,200 square feet, at an annual rental rate ranging from \$10 to \$35 per square foot. The monthly rent (and one month's deposit) has generally ranged from around \$1,000 to \$2,000, because of the factors discussed in Note 8. Usually, your landlord will include the costs of leasehold improvements and decorating in the rent.

4. Ethernet cabling is the recommended for your telephone and data telecommunication needs and would cost about \$350.00 for each data drop if your office is not already wired. You will face additional setup costs for the wiring of the actual telephone system.

Hard telephones can range between \$150 – \$300 each. The recommended headsets cost \$275 each; call accounting software is \$600 upfront and approximately \$100 a year thereafter. The monthly cost for phone and Internet averages around \$280 for three users, enough to handle a startup office.

Rather than using a traditional phone system, you may opt for voice-over-IP, also known as Internet telephony. With VoIP systems you also have the option of purchasing hard phones or you may prefer to use what are known as softphones. A softphone is a software program for making telephone calls over the Internet, rather than using dedicated hardware. Often a softphone is designed to behave like a traditional telephone, sometimes appearing as an image of a phone, with a display panel and buttons with which the user can interact. Call accounting software is included in our recommended VoIP solutions so additional costs will not be incurred. The monthly cost for a VoIP solution and Internet for three users averages between \$275 – \$390 and is dependent on multiple factors, including taxes, fees, feature selection, and availability in your geographic location.

5. We recommend a 2 or 3-user work station configuration that costs from \$1,000 to \$3,000

including delivery and set-up when you are ready to hire account executives.

6. Some states require that you obtain a license and bond or register in order to operate a personnel placement service. The cost range for this license and bond or registration is between \$150 and \$300. If a license is required, it is only for the state where your business is located.

7. This represents the range of the first year premiums for the business insurance required by the franchise agreement through our recommended insurance broker. The annual premium for a Commercial General Liability policy with \$1,000,000 in coverage, auto liability insurance, and office contents coverage ranges from \$600 to \$800. The annual premium for Errors and Omissions insurance, including Employment Practices Liability coverage is \$1500. If you fill medical positions involving patient care or any financial consultant, advisor or trader, E & O will cost around \$800 and Employment Practices costs can range from \$1500 to \$2000. These expenses do not include the cost of workers' compensation insurance, which varies greatly by state. You may be able to reduce your initial investment by paying your premium in installments, but the insurance company would add a charge for this service.

8. This represents our estimate of working capital for a 1 to 3 month period. On the income side, we assume that the office has no cash receipts during the period because no one can predict when or whether any particular office will first receive cash receipts. On the expense side, we assume the following monthly expenses:

Rent	\$0 to \$1800
Administrative Assistant	\$0 to \$1500
Insurance	\$2100 to \$2300
Office expenses	\$100 to \$200
Telecommunications	\$1500
Accounting and legal	\$0 to \$2500
Salary for one Account Executive/Project Coordinator	\$0 to 3,000
Miscellaneous	\$ 500
<b>TOTAL</b>	<b>\$4,200 to \$13,300</b>

The \$1,800 monthly rent expenses is based on our recommendation of offices ranging from 1,000 to 1,200 square feet in area, at annual rental rates between \$9 and \$25 per square foot. If you choose a building with higher rental rates, you should consider reducing the square footage to arrive at a monthly square foot expense in the area of \$1,800 per month. In some large cities, rents may be more than \$25, resulting in a higher rent expense.

The size, location, and furnishings of an office are a matter of personal choice. If you choose to have a larger, more expensive, or more elaborately furnished and equipped office than we recommend, your expenses obviously may be higher. Some of the other expenses may vary, depending on your decisions.

The payroll load will vary from state to state, primarily because of differences in unemployment compensation and worker's compensation premiums. We do not include any cost for health insurance because the choice of what to offer, whom to cover, and what to charge employees varies substantially, as do premiums.

The working capital shown does not include either your personal living expenses or debt service

of any business loan or fees payable under the franchise agreement. The lower end of the range assumes you will start your business at home and not incur rental and payroll expenses until you arrange for office space.

We considered our experience as a franchisor for over 40 years and our recent experience with our new franchisees to compile the estimates in this Item.

Some states impose sales and use taxes on goods and services. If your office will be in one of these states, you may have an added expense for taxes.

## **Item 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

Your only obligations to suppliers approved by us or under our specifications are described in this Item.

Neither we nor our affiliates receive any revenue as a result of required purchases or leases, other than our initial franchise fee.

Main Sequence Technologies, Inc. (Main Sequence) is our current supplier of support for PCRecruiter software. At the current time, Main Sequence does not charge for support, other than as part of its ASP charges, but it has reserved the right to charge for it in the future.

We require that printed and electronic materials bearing our trademarks and copyrighted materials be printed according to our specifications as to appearance, in order to promote the uniform presentation of our brands. We have approved a preferred printer but you will not need to use the approved printer, provided that your printer complies with our specifications.

The costs of these required purchases and leases are estimated to be less than 1% of your costs in establishing your business and less than 5% of your costs of operating your business.

Currently there are no other items for which we or our affiliates are the only approved suppliers.

We may earn revenue from your participation in the alliance programs described in Exhibit L. Most of the revenue we earn is used to offset our program administration costs.

Like most convention sponsors, we negotiate for free room nights at convention and meeting hotels. We use them to defray a part of the cost of staff attendance at the meetings. Typically, we receive one free room night for every 50 purchased by us and the other attendees. In addition, vendors have paid a sponsorship or other fee to participate in our conventions and meetings. The fees in 2013 ranged from \$500 for a standard sponsorship and a la carte advertising opportunities to \$19,000 for a Gold Level sponsorship. We use a portion of these vendor funds to reduce meeting costs for our franchisees. Some vendors provided contributions in kind, such as sponsorship of a cocktail party at a meeting or a sporting event at our annual incentive convention. Our total revenues in 2013 were \$57,972,000. Our revenues from vendors in 2013 were \$48,000. We may receive revenue from other vendors in the future unrelated to the meetings.

We negotiate purchase arrangements with suppliers, including prices, for the benefit of our franchisees. For example, we have negotiated prices and other terms for voice over IP telephone service, data sources, web developers, on-line job boards, hardware, software, and technical support.

## **Item 9 FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items in this disclosure document.**

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Section 4 of Franchise Agreement	Items 7 and 11
b. Pre-opening purchases/leases	Section 4 of Franchise Agreement	Items 7, 8, and 10
c. Site development and other pre-opening requirements	Section 4 of Franchise Agreement	Items 7, 8, and 11
d. Initial and ongoing training	Section 4 of Franchise Agreement	Item 7 and 11
e. Opening	Section 4 of Franchise Agreement	Item 11
f. Fees	Sections 2, 5, 6, 9 and 12 of Franchise Agreement	Items 5, 6, and 17
g. Compliance with standards and policies/Operating Manual	Section 4 of Franchise Agreement	Items 11 and 14
h. Trademarks and proprietary information	Sections 1, 8, 13, and 15 of Franchise Agreement	Item 13 and 14
i. Restrictions on products/services offered	Sections 1 and 4 of Franchise Agreement	Item 16
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quotas	Section 5 of Franchise Agreement	Item 12
l. Ongoing product/service purchases	None	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 4 and 12 of Franchise Agreement	None
n. Insurance	Section 7 of Franchise Agreement	Item 7
o. Advertising	Sections 2 and 4 of Franchise Agreement	Items 6 and 11
p. Indemnification	Section 14 of Franchise Agreement	None

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
q. Owner's participation/ management/staffing	Section 4 of Franchise Agreement	Item 15
r. Records/reports	Sections 2, 4 and 6 of Franchise Agreement	Item 6
s. Inspections/audits	Sections 4 and 6 of Franchise Agreement	Items 6 and 11
t. Transfer	Sections 9, 10, and 26 of Franchise Agreement	Item 17
u. Renewal	Sections 12 and 28 of Franchise Agreement	Item 17
v. Post-termination obligations	Section 13 of Franchise Agreement	Item 11, 17
w. Non-competition covenants	Section 11 of Franchise Agreement	Item, 11, 17
x. Dispute resolution	Sections 16 and 22 of Franchise Agreement and Arbitration Agreement for fee disputes	Item 17

**Item 10  
FINANCING**

All applicants must pass a background and credit history review to purchase an MRI Franchise. All financing is via a Promissory Note. Financing varies by category.

<b>Franchisee Type</b>	<b>Fee</b>	<b>Deposit</b>	<b>Amount financed</b>	<b>Payment terms</b>
No prior staffing industry or sales experience	\$65,000	\$20,000	\$45,000	8 equal quarterly installments of \$5675 beginning the 13th month after the date of the Franchise Agreement
Veteran	\$52,000	\$20,000	\$32,000	8 equal quarterly installments of \$4000 beginning the 13th month after the date of the Franchise Agreement
Recruiting Industry/Sales Experience	\$45,000	\$20,000	\$25,000	8 equal quarterly installments of \$3125 beginning the 13th

				month after the date of the Franchise Agreement.
Conversion of existing business	\$15,000	NA	NA	

All financing is via a promissory note like the one found in Exhibit G. You may prepay the note without penalty. We don't charge interest if payments are made as agreed. Overdue amounts will bear interest at a 12% annual interest rate or the highest lawful rate, if that rate is lower. If you default, we may accelerate all outstanding obligations and terminate the Franchise Agreement, unless you cure the default within 30 days after we have given you notice. The note will provide for you to waive the defenses of presentment, demand, protest, and notices of protest, dishonor and nonpayment. You will also agree to pay all of our costs of collection, including reasonable attorneys' fees. We may extend the time for payment without releasing you from your obligation to pay the note. If you assign the franchise agreement to a corporation, partnership, or company, both you and the corporation, partnership, or company must sign the note. All owners must personally guarantee your obligations under the Promissory Note.

MRI is registered on the Small Business Administration's franchise registry as a franchise who meets the SBA's lending guidelines. Please see [www.franchiseregistry.com](http://www.franchiseregistry.com). If you use an SBA loan to finance your business you must do so through a limited liability company or corporation and sign the SBA Addenda attached as Exhibit I.

We do not have any past or present practice or intent to transfer, assign, discount, or sell any note, contract, or other instrument executed by any franchisee to a third party. We reserve the right to do so. The promissory note, by referring to "assigns," explicitly provides that we may assign the note to a third party. If we assign the note, we will remain primarily obligated to provide the financed goods or services. You may lose all your defenses against us under the note because of the sale or assignment.

#### Item 11

#### **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

**Except as listed below, we are not required to provide you with any assistance.**

#### **Pre-Opening Obligations**

Before you open your business, if you are a new, inexperienced franchisee buying a start-up franchise from us, we will, directly or through Franchise Services:

1. Advise you about securing suitable office space. You will lease your office from an independent third party.
2. Assist you in the design the layout of your office.
3. Advise you about the selection of furniture, office equipment for your office, and high-speed Internet connection, which is essential to the Hosted IT and Communication services You will be provided this information before or during our instruction program.

4. Provide you with a template to order operating forms and materials on line.
5. Lend you our training program materials and manuals.
6. Provide you with computer hardware, consisting of, one suitable notebook computer with a port replicator, keyboard, mouse and external monitor, and one multi-purpose/function printer. You receive a six hour maintenance and support contract over your first 12 months. Additional maintenance costs beyond are your responsibility with Open Systems, or our then current vendor.
7. Provide you with a one person, one-user agreement for one year for the ASP version of PCRecruiter software as well as necessary third party software. You are responsible for paying for the license after the first year at the rates the vendor provides to MRI franchisees.
8. Provide you with website package containing the MRI service marks, logos, designs and branding elements.
9. Provide you with a one-year subscription for one or more job boards selected by MRI.
10. a one-year subscription to a networking technology platform to strengthen sourcing channels.
11. a one-year subscription to a video interviewing platform or a subscription to another job board that we select.
12. Waive the registration fees for the First Global Conference and for one training event.

In addition, you will have access to the MRI Resource, our Intranet, and access to the Learning Management System ("LMS"), an on-line platform that provides access to the complete MRI training library.

If you are buying a franchise business from an existing franchisee or if you are experienced in our business, you will not receive most of the services and support items listed above because those should be in place at the business you are purchasing or converting to an MRI Franchise. As an MRINetwork member, you may purchase hardware, software and subscriptions at prices provided to all MRINetwork members.

### **Obligations after Opening**

Included as part of your royalty fee, we offer the following to all franchisees that are not in default of the franchise agreement:

1. Enable you to participate in our electronic InterOffice Referral (IOR) System, IORConnect. This feature permits you to search other participating franchisees' databases for IOR partnerships and candidate fulfillment.
2. Give you access to discounts that we have negotiated with key vendors, e.g. job boards, and to any alliance programs that we negotiate from time to time. As of the date of this disclosure document, franchisees in good standing may participate in

programs we have negotiated with a major stock brokerage and with a private equity company. See Exhibit L for those participation agreements.

3. Continue to advise you through meetings, seminars, courses, and communication through a variety of modalities. Our international event is the Global Conference currently offered in the fall of each year. For new franchisees, the registration fee for one Global Conference is included in the initial franchise fee. You must pay the registration fee for any subsequent Global Conferences or training session. We also offer Regional Meetings each year in various locations. You are responsible for registration fees, travel, and room and board in connection with any national, regional meeting or other training event.

We may suspend your access to services, e.g., job boards, Contract Staffing, alliance programs, the Resource.com, and other resources without notice if you are in default of the Franchise Agreement.

### **New Office Development Training**

Before you open your office, you must attend our initial six-week instruction program known as the New Office Development (NOD) training program. This course is designed as a blended adult learning program, consisting of web based e-learning, conference training, coaching and traditional classroom training and is conducted at least four times a year. You may be advised to complete Week 6 at a later date, after you've opened your office, since it is mostly comprised of advanced office operations and advanced aspects of our methodology. This information may not apply until later and will depend on your circumstances and industry experience. Portions of the 6 week program may be waived with mutual consent for owners with prior experience in the staffing and recruiting industry. Modifications to the program will be provided in writing prior to the start of the NOD program.

The program consists of up to four weeks of distance learning from your home base. These weeks are structured as highly interactive e-learning supplemented with instructor led conference calls as well as instructor directed activity immediately before the classroom portion of the training. These four weeks focus on industry, recruiting, marketing and placement methodology along with systems training on our database platform. You will begin making calls to clients and prospects during this period.

Additionally, operational focused content such as business set up issues, research and selection of office specialization, population of initial database, selecting space, equipment and services and consultations with attorneys, accountants and lenders occur before you begin the NOD training.

The two week classroom portion of the training is conducted in our corporate training center in Philadelphia, Pennsylvania or at such other location we select, where you will review and implement the Recruiting, Marketing and Placement Methodology, as well as review and implement the technology provided. During this two-week session, you will continue to build your business as you solicit job orders from clients and seek candidates to fill those job orders. The second, and more advanced, week of live classroom training may be recommended to be taken at a later date. You will be noticed in advance of our recommendation.

The complete training will generally include the following:

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<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On the Job Training</b>	<b>Location</b>
Business Operations (Legal, Reporting, Website Development, Technology, External Vendor training, Hiring, Site Selection Support, Finance, etc.)	30 (Approximately 6 virtual)	0	Philadelphia and Franchisee's Home City
Contract Staffing - Candidate Development	2 (Approximately 1 virtual)	1	Philadelphia and Franchisee's home city
Contract Staffing - Client Development	2 (Approximately 1 virtual)	2	Philadelphia and Franchisee's home city
Recruiting Industry and Discipline, Industry & Geographical Research & Database Development	12 (Approx 3 online)	8	Philadelphia and Franchisee's Home City
Permanent Recruiting - Candidate Development	34 (Approximately 10 virtual)	18	Philadelphia and Franchisee's Home City
Permanent Recruiting - Client Development	34 (Approximately 10 virtual)	16	Philadelphia and Franchisee's Home City
Technology Training	13 (Approximately 8 virtual)	7	Philadelphia and Franchisee's Home City
<b>Totals</b>	<b>127 (Approx 44 virtual)</b>	<b>51</b>	

Note: All topics are covered during each New Office Development program, but times may vary based on the number of attendees and their backgrounds, learning styles, amount of questions and a variety of other factors.

Training will be relevant to both permanent placement and contract staffing. The NOD program is provided generally by members of the Learning and Talent Development Team. The team is comprised of facilitators/trainers as well as field support management that will work with you both individually and in group settings. Most instructors have a minimum of ten years of successful industry experience in both recruiting and marketing. Several members have more than 20 years' experience. Members of our corporate support staff will provide you with information about a variety of topics such as Marketing, Legal, Finance, etc. Additionally, representatives from our current vendor partners will speak with you about your related technology agreements. A sample schedule for a typical training period is listed below. In some instances, weeks 1 – 4 can occur several weeks before live classroom, depending on your contract date.

	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>Week One - Virtual</b>	Industry Overview module <ul style="list-style-type: none"> <li>Who is MRI - the recruiting industry, relationship between CDI, MRI and MRINetwork</li> <li>Review the Leadership team and support offered by corporate</li> <li>MRINetwork.com/ The Resource - Familiarization</li> </ul>	<b>MRINetwork Way module</b> <ul style="list-style-type: none"> <li>Defines a DIG</li> <li>Placement process – Permanent (24 Steps) &amp; Contract Staffing (21 Steps)</li> <li>Planning &amp; Balanced Wk.</li> <li>Metrics Standards</li> <li>Common Mistakes</li> <li>Telephone Skills</li> </ul>	Recruiting Intro./Plan Part 1: <ul style="list-style-type: none"> <li>Passive vs. Active Candidates</li> <li>What’s in your Database? (using a Needs Analysis Profile)</li> <li>Expanding your Sourcing Horizons (Candidate Resource Worksheet)</li> </ul>	Recruiting Plan Part 2: <ul style="list-style-type: none"> <li>Create a Job Matrix (keywords/descriptors)</li> <li>You – Name Gathering (via 1 HR phone time)</li> <li>Role Play challenges with Gatekeepers</li> </ul>	Recruiting Connect Part 1: <ul style="list-style-type: none"> <li>Opening Dialog Script (Introduce, Insight, Inspire, Invest)</li> <li>Feature-Achievement-Benefits (FAB)</li> <li>Listening to Your Own Voicemail</li> <li>Direct &amp; Indirect Recruiting Approaches</li> </ul>
<b>Week Two- Virtual</b>	Recruiting Connect Part 2: <ul style="list-style-type: none"> <li>Five-Point Candidate Data Sheet</li> <li>Fill Your Database (Phone time 1-2 hrs)</li> <li>PACERS Role Play – address resistance</li> <li>Practice asking for Referrals</li> </ul>	Recruiting Assess Part 1: <ul style="list-style-type: none"> <li>Examine Resumes</li> <li>Determine Red Flags</li> <li>Role Play - using the CLAMPS model</li> <li>Early &amp; Often Pre-Closes</li> </ul>	Recruiting Assess Part 2: <ul style="list-style-type: none"> <li>Candidate Data Sheet (CDS) form</li> <li>Phone Time – 2 hrs</li> <li>Gaining Investment/ Commitment from candidates</li> </ul>	Recruiting Align Section <ul style="list-style-type: none"> <li>MAPPING Calls</li> <li>Candidate Comparison Matrix</li> <li>Reference Checking (&lt; 1 hr Phone Time)</li> </ul>	Marketing Intro & Plan <ul style="list-style-type: none"> <li>The Impact Player Approach (Activity)</li> <li>Identify potential clients.</li> <li>Create/Develop a Target List of Companies</li> <li>Identify Client Motivators</li> <li>Implement/Refine a Call Plan</li> </ul>
<b>Week Three - Virtual</b>	Marketing Connect Part 1: <ul style="list-style-type: none"> <li>Create FAB Statement</li> <li>Create Open Dialogue Script</li> <li>Name Gathering calls</li> <li>Complete Organizational Chart worksheet</li> <li>Create email template for Impact Player</li> </ul>	Marketing Connect Part 2: <ul style="list-style-type: none"> <li>Create Your Own Responses to Resistance</li> <li>Create/Refine a Voicemail Script</li> <li>Send email to Impact Players</li> </ul>	Marketing Assess Part 1: <ul style="list-style-type: none"> <li>Review 5-Pt Company &amp; Needs Analysis Profiles</li> <li>Marketing Power Hour -5 Point Company Profile</li> <li>Marketing Power Hour -Needs Analysis Profile</li> </ul>	Marketing Assess Part 2: <ul style="list-style-type: none"> <li>Evaluate the Project using the SURE Model to classify Search Assignment, Job Order or Can’t Help</li> <li>Marketing Power Hour</li> </ul>	Marketing Align Part 1: <ul style="list-style-type: none"> <li>Review Capabilities Statement &amp; Elevator Presentation (role play)</li> <li>Marketing Power Hour</li> </ul>

	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>Week 4 - Virtual</b>	<p>Marketing Align Part 2:</p> <ul style="list-style-type: none"> <li>• Quid Pro Quo – How to manage a negotiation</li> <li>• Align Candidates Capabilities with Client Goals...</li> <li>• Using the Candidate Comparison Matrix Marketing Power Hour</li> </ul>	<p>Placement Prep:</p> <ul style="list-style-type: none"> <li>• Preparing Client and Candidate for the Interview</li> <li>• Candidate Prep</li> <li>- Behavior Based Interview</li> <li>- Closing the Interview</li> <li>• Pre-Closing</li> </ul>	<p>Placement Debrief:</p> <ul style="list-style-type: none"> <li>• The Real Deal Debrief – Candidate and Client (Role Play)</li> <li>• Debrief Client and Candidate after Interview</li> <li>• Addressing Red Flags</li> </ul>	<p>Placement Close and Support:</p> <ul style="list-style-type: none"> <li>• Review Closing Techniques</li> <li>• Candidate Support -Resignation Process</li> <li>- Manage the Counteroffer</li> <li>- During Transition</li> <li>- Following Up</li> </ul>	<p>Virtual Training is completed – <b>CELEBRATE!</b></p>
<b>Week 5 – PHL</b>	<p>Recruiting Focus:</p> <ul style="list-style-type: none"> <li>• Review the MRINetwork Way Methodology</li> <li>• Debrief Placement module - Prep</li> <li>• Candidate Name Gathering</li> <li>• Debrief Name Gathering; plus Candidate Qualifying/Role Play</li> <li>• Metrics Review</li> </ul>	<p>Recruit/Market Focus:</p> <ul style="list-style-type: none"> <li>• Debrief Placement module – Debrief</li> <li>• Phone Time - Candidate Development &amp; Marketing – Client Name Gathering</li> <li>• Impact Player Approach</li> </ul>	<p>Market Focus:</p> <ul style="list-style-type: none"> <li>• Debrief Placement module- Close</li> <li>• Phone Time – Candidate Dev. &amp; Name Gathering</li> <li>• Respond to Client Resistance</li> <li>• Client Qualifying w/ SURE Model</li> <li>• Reference Cking</li> <li>• Legal Overview</li> </ul>	<p>Market/Placement Focus:</p> <ul style="list-style-type: none"> <li>• Debrief Placement module – Support</li> <li>• Contract Staff Overview</li> <li>• Search Options &amp; Capabilities (align your approach)</li> <li>• Phone Time – Client Dev.</li> <li>• Metrics Review</li> </ul>	<p>Placement Focus:</p> <ul style="list-style-type: none"> <li>• Interview Prep &amp; Debrief</li> <li>• Closing – Early/Often</li> <li>- Counteroffer</li> <li>• Phone Time – Client Dev. Marketing</li> <li>• Touch Plan – online module (homework)</li> </ul>
<b>Week 6 - PHL</b>	<p>Corporate Support &amp; Day in a Life Model:</p> <ul style="list-style-type: none"> <li>• Debrief – Touch Plan</li> <li>• Balanced Day/Week – manage your time</li> <li>• C. Support - Marketing Team</li> <li>• Recruiting/Planning activities (phone time – we monitor calls &amp; provide desk side support)</li> </ul>	<p>Corporate Support &amp; Day in a Life Model:</p> <ul style="list-style-type: none"> <li>• Balanced Day/Week – manage your time</li> <li>• C. Support – Finance Team</li> <li>• Recruiting/Planning activities (phone time - we monitor calls &amp; provide desk side support )</li> </ul>	<p>Field &amp; Corporate Support Focus on Operations:</p> <ul style="list-style-type: none"> <li>- PT Web+</li> <li>- Business Plan Objectives</li> <li>- Hot Sheet/Time Mgmt Objectives</li> <li>- FDM &amp; RC Role</li> <li>- Inter-Office Referrals</li> <li>• Client Dev. Calls</li> </ul>	<p>Day in a Life Model</p> <ul style="list-style-type: none"> <li>• Phone time – using Balanced Day/Week (we monitor the calls &amp; provide desk side support )</li> <li>• Graduation Lunch</li> </ul>	<p>Today's Goals</p> <ul style="list-style-type: none"> <li>• “Parking Lot” questions – resolved</li> <li>• All objectives met</li> <li>• Discuss concerns</li> <li>• Plan for Next Wk</li> <li>• Register for STAR &amp; New Owner Exchange</li> <li>• Evaluation</li> <li>• Depart for Airport</li> </ul>

## **Additional Services**

Included as part of your royalty fee, we may offer the following to all franchisees that are not in default of the franchise agreement:

Beyond NOD, we provide access to training resources in the form of courses and modules as described in Exhibit J. These courses are offered via self-directed modules, online webinars and/or classroom training and are accessed through MRINetwork's Learning Management System (Training LMS). The course catalog consists of several learning opportunities ranging from foundation to leadership, including technology.

Enrollment, registration and participation in all virtual MRINetwork developed programs (on demand or instructor led) have no charge associated with them, unless the session leverages third party materials, which occurs in less than 20% of our offerings. In those instances where we must pass on actual cost for materials and/or licensing for external content, participants are informed of charge clearly on our Learning Management System.

For face-to-face training opportunities of MRINetwork developed programs, the cost associated with participation is minimal and is applied to cover lunch expenses for the participant, as well as the travel and expenses associated with the cost of having the facilitator onsite at the training location. Again, participants are informed of charge clearly and in advance, on our Learning Management System.

Additional learning opportunities are included and available through MRINetwork's The Resource and include best practice information, content, tools, presentations, hand-outs, materials, videos, recordings and other resources. The media for our training materials may change as technology changes.

Corporate sponsored workshops, meetings and events, such as Regional, Global, CSAM (an Network skill certification designation achieved via study and testing) and Pacesetter (a rewards program and not a part of the Training Learning Management System) have registration fees associated with them, plus the participant's travel and expenses. The registration fee is calculated to offset the meals and/or entertainment included during the event, as well as the travel and expenses associated with guest speakers in attendance of the workshop, meeting or event.

At our discretion, we may provide new and existing franchisees with assistance and advice to support the development of your business through its entire life cycle. This support may consist of one-on-one meetings conducted before, during or after a company sponsored event or meeting; telephone conference calls or face-to-face visits to your office. We are unable to deliver any face-to-face support to a home-based office. All members of our field services staff and the emerging office team have substantial experience as account executives and are trained to provide you with advice and training.

## **Computer System**

### **Hardware**

We will provide to purchasers of new franchises, computer equipment consisting of: one Microsoft Windows-based notebook computer, docking station, external monitor, keyboard, mouse, and printer. Open Systems, Inc, or our current vendor, will provide an Intel-based PC

notebook computer from a “first tier” manufacturer such as HP or Dell. The notebook will be shipped to you to begin using on your first day of New Office Development Training.

The notebook's principal function is to access the web interfaces for your daily operations software, including your recruiting software, our Learning Management System, word-processing, office automation, MRI's reporting and metrics system, PTWeb+, and electronic IOR system; as well as communication with offices, other clients and us.

We will also provide you with a six hour support and maintenance contract with Open Systems for the hardware and third party software for the first year. When you call in with a problem, the Open Systems technician will determine whether the problem relates to the hardware, PCRecruiter, or the third party software. Problems involving PCRecruiter will be forwarded by Open Systems to Main Sequence for resolution. After the six hours of support, you may arrange for hardware support directly with Open Systems, Inc.

## **Software**

We have provided Main Sequence Technology's PCRecruiter software to our franchisees since January 2003 but are currently reviewing other providers. This software training is integrated into our core methodology NOD training program and will allow you and your staff to match your employer-clients' needs with your candidates' qualifications. It will help you and your account executives in planning your activities. It will also provide reports that will help you to manage your business. PCRecruiter will enable you to use third party databases of potential candidates and clients and to participate in MRI's Inter-Office Referral (IOR) Program, IORConnect.

We provide you with the web-based ASP license for PCRecruiter where your data resides on servers owned by Main Sequence. This relieves you of the costs of database software licenses and maintenance and allows you to access your data from anywhere that you have Internet access – in your office, at home, or while traveling.

The initial contract term for PCRecruiter is a three year term. MRI will pay Main Sequence Technologies for the first year of the term for a one-person user agreement. This includes software support and three telephone training sessions of one and one-half hours each for your office and 1GB of storage per user per month. If you require storage needs in excess of this, please refer to Exhibit M for a description of additional charges. After the first year, Main Sequence will charge you the fees provided in Exhibit M.

PCRecruiter web-based ASP version is loaded onto Main Sequence's servers and is usable immediately. The upgrades are included in your user agreement. Revisions to PCRecruiter or to third party software may result in your being required to purchase revisions or other third party software and to upgrade your hardware. Main Sequence and the vendors of the hardware and third party software will determine their charges. There is no contractual limitation on the frequency or cost of this obligation.

The computer provided runs on Windows. They will utilize other Microsoft products, such as Microsoft Office, which includes the Word, Excel, PowerPoint, Outlook, and OneNote. It is important to remember that at some time you may wish to replace your software or your hardware as a result of technological advances and innovations. Should you choose to replace PCRecruiter and/or the computer that we provide to you with other software or hardware, you will be free to do so, at your own expense. Please be aware that not all operating systems or applicant tracking systems interface with our platforms seamlessly and may cause compatibility issues, and/or additional costs to interface properly. For example, we cannot support Apple

Macintosh operating systems at this time. Our web applications have been designed to work on Microsoft Internet Explorer which is not available on the Macintosh OS.

Through a vendor of our choice, we will also provide you with a one-year subscription to proactively access, research and select companies and candidates to create your own database for the Discipline, Industry and Geography ("DIG") you have selected. You will be able to import any portion of the data you have researched and selected directly into PCRecruiter to populate your database to support your practice area/ focus, using your Internet connection. You will be required to enter into a contract with this vendor for the one year period. Database research usage after the expiration of the one year period is at your expense.

There are no contractual limitations on our right to access the information and data on your system. However, PCRecruiter has been designed to provide you security controls over access to information and data resident on Main Sequence's servers. During the length of your New Office Development training, however, MRI maintains the right to the password of one user account to access your PCRecruiter database to review your progress and provide coaching. This user will be removed following the completion of your training.

### **Office Data and Voice Communications Infrastructure**

As a new business owner in the process of setting up your new office space, you understand that there is additional infrastructure that you must put in place to network your office computers, and set up a phone system. This hardware is identified, selected, and purchased at your own expense.

For your computer networking needs, which allows your computer(s) to access the Internet, you will need to identify and subscribe to a local Internet Service Provider. We recommend a broadband cable provider, such as Comcast Business, Time Warner, or Verizon Fios, capable of providing a minimum of 10 mbps downstream. If moving into a new office space, you will need to consider having a wiring closet partitioned for the entry point for your Internet line, and will need to have a local data wiring company run CAT-5e or better Ethernet cabling to each of your workstations. We recommend hard-wiring to the workstations over Wi-Fi for a better quality service. You may also need to identify and purchase Router and/or Switching equipment.

You will be responsible for identifying your options for your telephony needs based on your local market, and selecting and implementing your choice at your own expense. Your options include identifying a local exchange carrier that can provide telephone service over hard-wired copper lines, T1's, or PRI's and a hardware-based phone system, a VoIP telephony system that utilizes your Internet, or a mobile phone configuration. MRI's current recommendation is to contact our then-current preferred vendor for VoIP service, purchasing hardware phone equipment from them directly. The service is inexpensive, easy to set up, and full-featured including call time tracking from your desktop phone or your mobile phone, find-me-follow-me, call transferring, and auto-attendant.

### **Marketing and Public Relations**

We provide marketing, advertising, public relations services, materials, training and meetings and events support to you, which are supported by payments to our Marketing and Public Relations Fund (the "Fund"), that we administer.

Marketing and Public Relations may be through print or online advertising, including the MRINetwork public facing website, [www.MRINetwork.com](http://www.MRINetwork.com). We conduct industry research

through our office network to enable effective decision making. Relevant information is disseminated to the media in the form of press releases, articles, and other local, regional and national public relations.

We also provide customizable print, electronic and video tools and templates for your use, with supporting training resources and consultative services. These tools, templates and training resources will be available for download from the company intranet.

We produce marketing and public relations materials through both our in-house marketing and public relations department and outside vendors. We direct all marketing programs. Our District Representative Council (the "Council") elected by the franchisees, provides us with advice on our marketing and public relations programs, although we retain the sole discretion over concepts, materials, and placement. See Exhibit N for contact information.

The Fund is used exclusively to meet costs of maintaining, administering, directing, conducting, and preparing marketing, public relations, and/or promotional programs and materials, supporting technology and any other activities which we believe will enhance the image of the MRINetwork and provide the tools, resources and support enabling a franchise office to drive and execute their own unique marketing plans. This includes the costs of preparing and conducting media advertising campaigns, ongoing management and maintenance of the MRINetwork.com public facing website, tools to produce the marketing tools and resources, marketing surveys, employ advertising and/or public relations agencies and Internet designers to assist us and marketing consultation services. We have also used the Fund to support legislative efforts on issues of concern to our offices' businesses.

We use the Fund to defray some of our expenses, such as our reasonable costs and overhead related to the direction and implementation of the Fund and marketing and public relations programs. This includes costs of personnel for creating, implementing and communications of the advertising, promotional and marketing programs. You will contribute 0.5% of your Net Cash-In to the Fund. All of our new franchisees contribute to the Fund at this rate.

During 2013, Marketing and Public Relations fund expenditures were as follows:

Creative 5%; Technology 4%; Video 6%; Print 2%; Public Relations 8%; Meetings & Events 17%; In-house Marketing Department Overhead 14%; Online Advertising 18%; MRINetwork.com Job Board 20%; Other 10%.

We are not obligated to spend any amount on advertising in the area where your office is located. Not all offices contribute the Marketing and Public Relations Fund. A few long tenured offices have been permitted to conduct their own marketing and send proof to us.

You may develop advertising materials for your own use, at your own cost. We must approve the advertising materials in advance and in writing. The Fund is not used to sell additional franchises.

## **Manuals**

A copy of the Table of Contents of our primary training program, TRACS and a catalog listing of additional courses that supplement our New Office Development Program and other training courses are attached as Exhibit J. These materials are updated from time to time as needed.

## Site Selection

You will select your office location subject to our approval. In advising you, we consider the quality of the office building, the proposed rental rate, the improvements that the lessor will make and pay for, and other concessions.

You are required to establish an office and commence business under the Franchise Agreement within 180 days from the date of the Franchise Agreement.

### Item 12 TERRITORY

Franchisees who purchase a franchise receive a single site non-exclusive location within a defined non-exclusive geographic area in which you are free to establish or relocate your office. MRI can sell additional franchises in this geographic area. You will not receive an exclusive territory and will have no area of protection. You may not relocate your office outside of the approved geographic territory without our prior written approval. MRI previously granted exclusive territories but no longer does. Existing franchisees with exclusive territories are under no obligation to permit another franchisee to relocate in the exclusive territory. The business is conducted largely via long distance and Internet so there is limited if any impact on your business from nearby franchisees. Because recruiters work specific industries, you may in fact find that your closest competitor in the MRI Network is located in a different part of the United States. With MRI's prior written approval, owners of single site locations are permitted to relocate anywhere in the United States to an area that is owned by MRI.

The office location is subject to our reasonable approval, which will be based on the size of the office and the nature, location and quality of the building in which you want to locate. You may relocate your office as you choose, subject to our reasonable approval, which will be based on the same considerations.

Our standard franchise agreement does not grant any options, rights of first refusal, or similar rights to acquire additional franchises. In the past, we have granted some purchasers rights of first refusal to acquire additional franchises. The purchaser must give us notice within a limited time of the intent to exercise the option, meet the terms of any offer we receive, enter into a separate franchise agreement, and cure any default of the current franchise agreement, among other conditions.

Our subsidiary, MRI Contract Staffing, operates and licenses businesses that provide temporary personnel placement services under the MRI Contract Staffing service mark. It previously licensed the use of the InterExec service mark, which was phased out in 2005. These offices may offer "temp-to-perm" or "temp-to-hire" services where a candidate would start as an MRI Contract Staffing employee and then become a permanent employee of the client and the MRI Contract Staffing recruiter would receive the equivalent of a permanent placement fee.


### Item 13 TRADEMARKS

MRI will license you to use the following mark, which is registered on the Principal Register of the USPTO:

Mark	Registration No.	Registration Date
MRI	2,014,763	November 12, 1996

	2,014,764	November 12, 1996
	2,817,676	February 24, 2004

We have applied for registration of the following marks, on the Principal Register of the USPTO, which we will also license you to use:

Mark	Serial No.	Filing Date
MRINetwork	76626830	January 4, 2005
Building the Heart of Business	76628285	January 19, 2005
	78668183	July 12, 2005
Accelerated Recruitment	78697278	August 22, 2005

If you purchase a Management Recruiters franchise, MRI will license to use the following principal marks, which are registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Mark	Registration No.	Registration Date
Management Recruiters	906,376	January 19, 1971 Renewed May 8, 2001
MR	1,313,807	January 8, 1985 Renewed February 10, 2005
MR Design	2,454,761	May 29, 2001

If you purchase a Sales Consultants franchise, MRI will license you to use the following principal marks, which are registered on the Principal Register of the USPTO:

Mark	Registration No.	Registration Date
Sales Consultants	1,432,166	March 10, 1987
SC	1,296,785	September 18, 1984 Renewed February 10, 2005 <a href="#">and August 23, 2014</a>

If you purchase the right to use the OfficeMates 5 service mark from a current franchisee as part of your purchase of that franchisee's Management Recruiters franchise, MRI will also license you to use the following mark, which is registered on the Principal Register of the USPTO:

Mark	Registration No.	Registration Date
OfficeMates 5	1,009,040	April 15, 1975 Renewed February 10, 2005

All appropriate affidavits [and renewals](#) have been filed.

There are no currently effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, nor is there any pending interference, opposition or cancellation proceeding, nor any pending material litigation involving our service marks which may be relevant to their use in any state.

The above registrations are owned by MRI, as described in Item 1.

There are no other agreements currently in effect that significantly limit our right to use or to license the use of our service marks in any manner material to the franchise.

When you use MRI's marks, you must follow MRI's rules regarding their use, which may be set forth in our operations manuals. Before the franchise agreement is prepared, you and we will agree on your trade name. It will use the principal service mark with a geographic or other reference, like "Management Recruiters of Cleveland".

You and we may also agree on a "private brand" trade name that does not use any of our marks. You must also follow MRI's rules in using any private brand trade name. You may use the approved private brand name as part of your corporate name. You may only use the names and service marks approved by us. You may not use our service marks in the sale of an unauthorized service or in a manner we have not authorized in advance. Any private brand must be formatted into our logos, designs and our then-current branding elements; it may not be used by itself.

You must notify us promptly if you learn about an infringement of our service marks or a challenge to your use of our marks. We will take the action it thinks appropriate and will control any administrative proceedings or litigation involving any of the Marks licensed in this Agreement. We must defend you at our expense against a claim against your use of our marks and will pay the cost of any settlement or judgment, if you are using them according to the Franchise Agreement. You must help us in any litigation over the marks, including becoming a party to the action, if our lawyers think it is necessary. If you do, we will reimburse you for your expenses in defending our marks, other than the salary costs of your employees. It is your responsibility to determine whether your private brand trade name infringes on the rights of any other person. We will not make that determination. You will be required to defend and indemnify us against any claim relating to your private brand trade name.

We do not know of any infringing uses of the MRI proprietary Marks that could materially affect your use of our service marks.

**Item 14**  
**PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

We have no patents or pending patent applications that are material to the franchise. Under the Federal Copyright Act (the "Act"), a copyright arises upon creation of the work and continues for 75 years. The Act does not require registration and our copyrighted materials are not registered. We own the copyrights listed below.

As we stated in Item 11, we will lend you a variety of copyrighted manuals, and DVDs to train you and your account executives in the operation of your business. These materials may include the following:

Description	Copyright Dates
MRILaw Legal Manual	1995-2007
TRACS	2008-2009
Contract Staffing TRACS	2009

All these materials bear copyright notices and are confidential. You may use all of these materials while you are a franchisee. You and your employees may only use them with your franchised business. You must keep them confidential. You may not use them in any other business or provide them or copies of them to any person other than your employees. You must return them to us if your franchise agreement is terminated or expires. We will provide other materials to you, such as our DVDs and Internet based online training programs which may be copyrighted, confidential and proprietary. You will have access to information on our databases and in printed form, which may be confidential and proprietary.

Our right to use or license these copyrighted items is not materially limited by any agreement or known infringing use.

We have the discretion to determine whether to protect the copyrights, including whether to file litigation. Should you learn of any copyright infringement, we encourage you to tell us.

**Item 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL  
OPERATION OF THE FRANCHISE BUSINESS**

You must directly supervise the franchised business on its premises. You will be obligated to do so even if you assign your franchise to a corporation

**Item 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

We require you to offer and sell only those services that we approve.

If you purchase a Management Recruiters franchise, you are permitted to recruit and place all types of employees in permanent positions and you must offer these services.

We no longer actively market and sell Sales Consultants franchises. If you purchase a Sales Consultants franchise as part of your purchase of an existing business, your office must recruit

and place only sales, sales management and marketing personnel. We may reduce or waive this restriction if we determine that it is appropriate to do so. You are not permitted to offer other types of personnel related services unless we have granted you a franchise or license for the other type of business or otherwise approved your doing so in writing. As an example, you may not offer outplacement or temporary employment services without entering into an additional agreement with us. As we stated in Item 1, you may enter into an agreement with our subsidiary, MRI Contract Staffing, to offer temporary placement services along with your franchised business.

We may develop additional staffing-related services that you may offer and sell.

**Item 17**  
**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

<b>THE FRANCHISE RELATIONSHIP</b>		
<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the Franchise Term	Section 12	You choose a term between 10 and 20 years. If you are converting an established recruiting firm, you may choose a 5 year term.
b. Renewal or extension of the term	Section 12	Unlimited number of additional 5 year terms, subject to contractual requirements.
c. Requirements for you to renew or extend	Section 12	Notice, compliance with Franchise Agreement, execute new Franchise Agreement that may have materially different terms and conditions than found in your original contract, but the Location or Territory will remain the same if you have met the Performance Standards. The new royalty will not be higher than that offered to new franchisees; execute a general release, a copy of which is attached as Exhibit O, comply with our then current training requirements and upgrade operations to our then

THE FRANCHISE RELATIONSHIP		
Provision	Section in Franchise Agreement	Summary
		current standards and methods. No initial franchise fee required to renew.
d. Termination by you	Section 12	Notice and payment of termination fee after first 5 years of initial term.
e. Termination by us without cause	None	N/A
f. Termination by us with cause	Sections 12 and 28	Breach of Franchise Agreement and other grounds; see Section 12.
g. "Cause" defined - defaults which can be cured	Sections 11 and 12	Breach of Franchise Agreement and other grounds; see Section 12 and Section 2.3.
h. "Cause" defined – non-curable	Section 12	Felony conviction; cessation of business for 30 days; abandonment of the franchised business or the franchise relationship; breach of agreement regarding marks or proprietary materials; understatement of Net Cash-In by 5% or more; conduct harmful to our goodwill; insolvency; a third material breach after 2 prior notices to cure in 12 month period; a material breach of another agreement that is affiliated with the Franchise Agreement, termination of other franchise agreements with us for cause.
i. Your obligations on termination/non-renewal	Sections 9, 11 and 13	Obligations include stopping use of our marks, return of our proprietary information, payment of amounts due, <u>and</u> payment of fees if you remain in the business.

THE FRANCHISE RELATIONSHIP		
Provision	Section in Franchise Agreement	Summary
j. Assignment of contract by us	Section 26	No restriction on right to transfer.
k. "Transfer" by you - definition	Sections 9 and 10	Includes transfer of interest in Franchise Agreement or all or substantially all of the assets of your business.
l. Our approval of transfer by you	Sections 9 and 10	We have the right to approve transfers.
m. Conditions for our approval of transfer	Sections 9 and 10	Includes payment of money owed, non-default, payment of a transfer fee, execution of release, transferee qualifications, <a href="#">and</a> execution of new agreement.
n. Our right of first refusal to acquire your business	Section 9	N/A
o. Our option to purchase your business	None	We can match any offer.
p. Your death or permanent disability	Section 9	May be transferred to surviving spouse or adult children; transferee may have to comply with training requirements and sign a current franchise agreement; no transfer fee will be charged.
q. Non-competition covenants during the term of the franchise	Section 11	Includes prohibition against owning or operating a business that provides similar services, and against hiring our employees.
r. Non-competition covenants after the franchise is terminated or expires	Section 11	May not be associated in any way with any competing business before the original expiry date unless paid the exit fee described in Section 12.9; prohibition against hiring our employees within 12 months after the date of termination, or soliciting

THE FRANCHISE RELATIONSHIP		
Provision	Section in Franchise Agreement	Summary
		<p>other franchisees to leave the MRINetwork to join a different organization or group.</p> <p>After the sale of the business, you cannot have any connection to a similar or competing business for three years; if you do, royalty fees will be assessed for the shorter of three years or the number of months remaining until the original expiry date.</p>
s. Modification of the agreement	Section 23	Must be in writing and signed by both parties.
t. Integration/merger clause	Section 25	Only the terms of the Franchise Agreement are binding but we cannot avoid representations in the franchise disclosure document.
u. Dispute resolution by arbitration or mediation	Section 16	Franchisee must arbitrate; no class, joint or representative actions. MRI may bring action in any forum.
v. Choice of forum	Section 22	Pennsylvania (unless otherwise specified for your state in Exhibit A).
w. Choice of law	Section 22	Pennsylvania (unless otherwise specified for your state in Exhibit A).

Your attention is directed to Exhibit A if your franchise will be in one of the states listed there.

**Item 18  
PUBLIC FIGURES**

We do not use any public figure to promote our franchise.

**Item 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

To: MRINetwork Members

From: Bill Borman

Date: March 5, 2013

Subject: 2013 Operating Ratio Study

The primary factor that determines the success of your office is volume of placements. However, effective control over expenses can significantly increase an office's profitability at any given level of sales volume. To provide you with a guideline for use in analyzing and controlling your expenses, we have compiled the annual Operating Ratio Study from Income Reports submitted by Management Recruiters and Sales Consultants offices.

We have again combined the operating results of Management Recruiters offices with the operating results of Sales Consultants offices. Prior year studies indicate that expenses generally do not vary significantly among offices of similar size and profitability. Combining the MR's with the SC's creates a larger population and makes it statistically possible to have larger size categories.

During 2013 many offices participated in the businesses introduced in late 1993 (Office Mates 5 and MRI Contract Staffing). The receipts from these services are not subject to the royalty obligation and are shown as a separate line item identified as "net cash in - other receipts". Because the expenses related to generating income for these businesses may not be easily separated from other costs of operation they are included with the total costs.

The 2013 Operating Ratio Study results are expressed on an annual basis for the twelve-month period of January 2013 through December 2013. One hundred and fourteen MR and SC offices, which were open the entire 2013 calendar year are included in this study. Offices opened subsequent to January 1, 2013 are not included in the study because their operating results are not representative of the results of more tenured offices. This year, we have grouped the offices into four desk size categories: 1, 2-4, 5-7 and 8 or more desks. The categorization is based on the average number of filled desks during 2013. We are distributing the studies to all offices.

The report format of the Operating Ratio Study conforms very closely to the Form 10R Income and Expense Report, which is our source document. In each category, each line item represents the dollar average of the reported results of all offices in the category, which are also expressed as percentages of the average net cash-in for the category.

As with previous Operating Ratio Studies, we have used the "Quartile Analysis" in the presentations of the operating ratio results. The HIGH QUARTILE column reflects the average operating results of offices whose net profit ranks in the upper 25% of offices in their size category. The MIDDLE RANGE column reflects the average operating results of offices whose net profit ranks in the middle 50% of offices in their size category.

I hope that this study will provide you with some meaningful information to use while evaluating your own operating results and managing your business for increased profitability.

As stated in the Study, the number of placements made will be the primary determining factor in your success. This in turn will be affected by your effort and ability and the effort and ability of persons you hire as account executives. We stress the importance of your personal production on your desk. It is a major part of a smaller office's cash receipts and profitability. This is particularly important in the early years of your operation and will continue to be important for the majority of our offices. While changes in the economy can affect our business, offices that respond flexibly to changing demands can remain profitable even during downturns in the economy.

Variations in expenses do affect profitability. The study shows that the major categories of expenses are account executive compensation, office payroll, rent, and telephone. The guidance provided by the Study can help you prudently control your expenses.

**Management Recruiters International, Inc.**  
**2013 Operating Ratio Study**  
**12 Months Ending December 31, 2013**

**Offices with 1 Desk**

	HIGH QUARTILE		MID RANGE	
	\$	%	\$	%
Net Cash In - Contingency	144,321.10		119,654.27	
Net Cash In - Retained	75,425.60		15,237.50	
Net Cash In - Other Receipts	1,898.55		397.69	
Total Net Cash In	221,645.25		135,289.46	
	<b>** Note (a)</b>		<b>** Note (c)</b>	
<b>OPERATING EXPENSES</b>				
Account Executive Comp.	9.20	0.00%	30,817.33	22.78%
Research Asst; & Project Coordinator Comp.	753.60	0.34%	160.16	0.12%
Internet Researchers	779.80	0.35%	152.04	0.11%
Office Payroll	11,150.96	5.03%	6,701.17	4.95%
Hospitalization & Ins	16,163.36	7.29%	7,121.21	5.26%
Payroll & Other Taxes	6,006.04	2.71%	3,229.43	2.39%
Advertising	1,060.58	0.48%	728.26	0.54%
Dues & Subscriptions	2,480.68	1.12%	647.24	0.48%
Online Subscriptions	2,382.74	1.08%	2,466.50	1.82%
Equip: lease, depr, etc	316.16	0.14%	233.75	0.17%
Office Supplies & Exp	2,419.75	1.09%	1,395.76	1.03%
Technology Support	1,232.63	0.56%	1,080.29	0.80%
Prof Services	2,513.20	1.13%	3,522.49	2.60%
Rent & Utilities	9,578.16	4.32%	12,480.98	9.23%
Telephone	3,737.14	1.69%	4,161.23	3.08%
Travel & Entertainment	2,650.44	1.20%	2,816.42	2.08%
Misc & Repairs	4,070.95	1.84%	4,432.75	3.28%
NET PROFIT BEFORE ROYALTIES	154,339.86	69.63%	53,142.46	39.28%
and				
OWNER / MANAGER COMPENSATION	<b>** Note (b)</b>		<b>** Note (d)</b>	

All (%) are expressed on the basis of total NET CASH IN.

\* Net cash in consists of receipts from Permanent Placements. Other receipts are from services such as Conferview, InterExec, Sales Staffers, and DayStar and are not subject to the royalty obligation.

\*\* % of offices in desk size category that exceeded this: (a) 16.67%, (b) 11.11%, (c) 44.44%, (d) 44.44%

## Management Recruiters International, Inc.

### 2013 Operating Ratio Study

12 Months Ending December 31, 2013

Offices with 2-4 Desks

	HIGH QUARTILE		MID RANGE	
	\$	%	\$	%
Net Cash In - Contingency	480,279.70		368,020.74	
Net Cash In - Retained	26,060.46		23,501.88	
Net Cash In - Other Receipts	274.91		7,205.73	
Total Net Cash In	506,615.08		398,728.35	
	<b>** Note (a)</b>		<b>** Note (c)</b>	
<b>OPERATING EXPENSES</b>				
Account Executive Comp.	103,507.16	20.43%	117,472.65	29.46%
Research Asst; & Project Coordinator Comp.	15,960.75	3.15%	13,433.14	3.37%
Internet Researchers	2,113.15	0.42%	7,077.74	1.78%
Office Payroll	11,171.23	2.21%	14,120.29	3.54%
Hospitalization & Ins	16,267.73	3.21%	20,204.48	5.07%
Payroll & Other Taxes	16,664.46	3.29%	22,335.51	5.60%
Advertising	1,233.86	0.24%	2,138.58	0.54%
Dues & Subscriptions	2,298.97	0.45%	1,671.15	0.42%
Online Subscriptions	6,228.55	1.23%	4,794.35	1.20%
Equip: lease, depr, etc	3,281.07	0.65%	4,301.10	1.08%
Office Supplies & Exp	4,490.81	0.89%	6,938.21	1.74%
Technology Support	1,859.71	0.37%	1,928.84	0.48%
Prof Services	5,658.70	1.12%	4,226.03	1.06%
Rent & Utilities	13,381.35	2.64%	24,784.30	6.22%
Telephone	7,376.27	1.46%	7,650.54	1.92%
Travel & Entertainment	8,115.19	1.60%	5,763.65	1.45%
Misc & Repairs	2,807.75	0.55%	9,983.31	2.50%
NET PROFIT BEFORE ROYALTIES	284,198.37	56.10%	129,904.46	32.58%
and				
OWNER / MANAGER COMPENSATION	<b>** Note (b)</b>		<b>** Note (d)</b>	

All (%) are expressed on the basis of total NET CASH IN.

\* Net cash in consists of receipts from Permanent Placements. Other receipts are from services such as Conferview, InterExec, Sales Staffers, and DayStar and are not subject to the royalty obligation.

\*\* % of offices in desk size category that exceeded this: (a) 24.49%, (b) 10.20%, (c) 40.82%, (d) 48.98%

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**Management Recruiters International, Inc.  
2013 Operating Ratio Study**

**12 Months Ending December 31, 2013**

**Offices with 5-7 Desks**

	HIGH QUARTILE		MID RANGE	
	\$	%	\$	%
Net Cash In - Contingency	1,361,047.90		768,342.19	
Net Cash In - Retained	308,242.40		57,601.44	
Net Cash In - Other Receipts	5,900.96		21,359.43	
Total Net Cash In	1,675,191.26		847,303.07	
	<b>** Note (a)</b>		<b>** Note (c)</b>	
<b>OPERATING EXPENSES</b>				
Account Executive Comp.	593,856.04	35.45%	335,976.79	39.65%
Research Asst; & Project Coordinator Comp.	41,782.75	2.49%	22,605.16	2.67%
Internet Researchers	22,121.40	1.32%	18,602.85	2.20%
Office Payroll	64,808.74	3.87%	33,026.18	3.90%
Hospitalization & Ins	25,328.77	1.51%	39,212.33	4.63%
Payroll & Other Taxes	57,266.20	3.42%	35,875.74	4.23%
Advertising	9,180.48	0.55%	4,686.24	0.55%
Dues & Subscriptions	5,919.99	0.35%	4,022.12	0.47%
Online Subscriptions	3,138.86	0.19%	8,645.83	1.02%
Equip: lease, depr, etc	-2,891.20	(0.17)%	1,924.43	0.23%
Office Supplies & Exp	18,957.08	1.13%	10,210.81	1.21%
Technology Support	2,608.25	0.16%	4,313.22	0.51%
Prof Services	11,521.33	0.69%	16,913.41	2.00%
Rent & Utilities	33,456.43	2.00%	32,103.21	3.79%
Telephone	13,197.07	0.79%	11,420.16	1.35%
Travel & Entertainment	22,184.49	1.32%	19,992.13	2.36%
Misc & Repairs	10,773.86	0.64%	10,186.52	1.20%
NET PROFIT BEFORE ROYALTIES	741,980.72	44.29%	237,585.92	28.04%
and				
OWNER / MANAGER COMPENSATION	<b>** Note (b)</b>		<b>** Note (d)</b>	

**All (%) are expressed on the basis of total NET CASH IN.**

\* Net cash in consists of receipts from Permanent Placements. Other receipts are from services such as Conferview, InterExec, Sales Staffers, and DayStar and are not subject to the royalty obligation.

\*\* % of offices in desk size category that exceeded this: (a) 15.79%, (b) 15.79%, (c) 36.84%, (d) 52.63%

**Management Recruiters International, Inc.**  
**2013 Operating Ratio Study**  
**12 Months Ending December 31, 2013**

**Offices with 8/Up Desks**

	HIGH QUARTILE		MID RANGE	
	\$	%	\$	%
Net Cash In - Contingency	3,730,416.63		1,526,202.57	
Net Cash In - Retained	66,734.03		228,250.13	
Net Cash In - Other Receipts	34,521.87		81,437.73	
Total Net Cash In	3,831,672.53		1,835,890.43	
	<b>** Note (a)</b>		<b>** Note (c)</b>	
<b>OPERATING EXPENSES</b>				
Account Executive Comp.	1,935,229.86	50.51%	733,970.68	39.98%
Research Asst; & Project Coordinator Comp.	139,731.22	3.65%	79,347.98	4.32%
Internet Researchers	16,857.26	0.44%	28,965.69	1.58%
Office Payroll	118,240.83	3.09%	93,908.07	5.12%
Hospitalization & Ins	140,333.89	3.66%	77,091.81	4.20%
Payroll & Other Taxes	144,109.79	3.76%	85,216.25	4.64%
Advertising	15,234.19	0.40%	6,385.45	0.35%
Dues & Subscriptions	5,683.07	0.15%	10,602.93	0.58%
Online Subscriptions	61,951.73	1.62%	28,340.03	1.54%
Equip: lease, depr, etc	29,148.56	0.76%	16,685.95	0.91%
Office Supplies & Exp	51,554.70	1.35%	22,932.17	1.25%
Technology Support	18,995.86	0.50%	14,905.32	0.81%
Prof Services	32,202.44	0.84%	22,338.49	1.22%
Rent & Utilities	150,208.12	3.92%	88,028.08	4.79%
Telephone	33,515.94	0.87%	20,712.37	1.13%
Travel & Entertainment	43,540.43	1.14%	45,862.56	2.50%
Misc & Repairs	28,416.16	0.74%	7,601.48	0.41%
NET PROFIT BEFORE ROYALTIES	866,718.47	22.62%	452,995.13	24.67%
and				
OWNER / MANAGER COMPENSATION	<b>** Note (b)</b>		<b>** Note (d)</b>	

All (%) are expressed on the basis of total NET CASH IN.

\* Net cash in consists of receipts from Permanent Placements. Other receipts are from services such as Conferview, InterExec, Sales Staffers, and DayStar and are not subject to the royalty obligation.

\*\* % of offices in desk size category that exceeded this: (a) 9.09%, (b) 9.09%, (c) 59.09%, (d) 54.55%

**Item 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**Systemwide Outlet Summary  
For Years 2011, 2012, 2013**

<b>Column 1 Outlet Type</b>	<b>Column 2 Year</b>	<b>Column 3 Outlets at the Start of the Year</b>	<b>Column 4 Outlets at the End of the Year</b>	<b>Column 5 Net Change</b>
Franchised	2011	781	730	-51
	2012	730	680	-50
	2013	680	623	-57

We sold all our company-owned offices in 2003. We do not have any present plan to establish company owned offices but we are free to do so at any time in the future.

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2011, 2012, 2013**

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Number of Transfers</b>	<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Number of Transfers</b>
Alabama	2011	0	Connecticut	2011	0
	2012	0		2012	0
	2013	0		2013	0
Alaska	2011	0	Delaware	2011	0
	2012	0		2012	0
	2013	0		2013	0
Arizona	2011	0	D.C.	2011	0
	2012	0		2012	0
	2013	0		2013	0
Arkansas	2011	0	Florida	2011	0
	2012	0		2012	0
	2013	0		2013	0
California	2011	1	Georgia	2011	0
	2012	2		2012	0
	2013	1		2013	0
Colorado	2011	0	Hawaii	2011	0
	2012	0			

Column 1 State	Column 2 Year	Column 3 Number of Transfers
	2012	0
	2013	0
Idaho	2011	0
	2012	0
	2013	0
Illinois	2011	0
	2012	1
	2013	0
Indiana	2011	0
	2012	0
	2013	0
Iowa	2011	0
	2012	0
	2013	0
Kansas	2011	0
	2012	0
	2013	0
Kentucky	2011	0
	2012	0
	2013	0
Louisiana	2011	0
	2012	0
	2013	1
Maine	2011	0
	2012	0
	2013	1
Maryland	2011	0
	2012	1
	2013	0
Massachusetts	2011	0
	2012	0
	2013	0

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Michigan	2011	0
	2012	0
	2013	0
Minnesota	2011	0
	2012	0
	2013	0
Mississippi	2011	0
	2012	0
	2013	0
Missouri	2011	0
	2012	0
	2013	0
Montana	2011	0
	2012	0
	2013	0
Nebraska	2011	0
	2012	0
	2013	0
Nevada	2011	0
	2012	0
	2013	0
New Hampshire	2011	0
	2012	0
	2013	0
New Jersey	2011	0
	2012	0
	2013	0
New Mexico	2011	0
	2012	0
	2013	0
New York	2011	1
	2012	1

Column 1 State	Column 2 Year	Column 3 Number of Transfers
	2013	0
North Carolina	2011	0
	2012	1
	2013	0
North Dakota	2011	0
	2012	0
	2013	0
Ohio	2011	0
	2012	0
	2013	0
Oklahoma	2011	0
	2012	0
	2013	0
Oregon	2011	0
	2012	0
	2013	0
Pennsylvania	2011	0
	2012	0
	2013	0
Rhode Island	2011	0
	2012	0
	2013	0
South Carolina	2011	0
	2012	0
	2013	0
South Dakota	2011	0
	2012	0
	2013	0
Tennessee	2011	0
	2012	0
	2013	0

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Texas	2011	0
	2012	1
	2013	0
Utah	2011	0
	2012	0
	2013	0
Vermont	2011	0
	2012	0
	2013	0
Virginia	2011	0
	2012	0
	2013	0
Washington	2011	0
	2012	0
	2013	0
West Virginia	2011	0
	2012	0
	2013	0
Wisconsin	2011	1
	2012	0
	2013	1
Wyoming	2011	0
	2012	0
	2013	0
Puerto Rico	2011	0
	2012	0
	2013	0
Canada	2011	0
	2012	0
	2013	0

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Number of Transfers</b>
TOTALS	2011	3
	2012	7
	2013	4

Table No. 3

Status of Franchised Outlets  
For years 2011, 2012, 2013

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations for Other Reasons	Column 9 Outlets at End of Year
Alabama	2011	4	0	0	0	0	0	4
	2012	4	0	2	0	0	0	2
	2013	2	0	0	1	0	0	1
Alaska	2011	3	1	0	1	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Arizona	2011	5	0	1	0	0	0	4
	2012	4	1	0	0	0	0	5
	2013	5	0	0	0	0	0	5
Arkansas	2011	4	0	0	0	0	0	4
	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
California	2011	66	0	6	0	0	0	60
	2012	60	3	5	0	0	0	58
	2013	58	0	8	1	0	0	49
Colorado	2011	18	0	2	1	0	0	15
	2012	15	1	1	0	0	0	15
	2013	15	0	1	0	0	0	14
Connecticut	2011	13	0	0	0	0	0	13
	2012	13	0	2	0	0	0	11
	2013	11	1	1	0	0	0	11
Delaware	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations for Other Reasons	Column 9 Outlets at End of Year
D.C.	2011	1	0	0	0	0	0	1
	2012	1	0	1	0	0	0	0
	2013	0	0	0	0	0	0	0
Florida	2011	48	0	4	0	0	0	44
	2012	44	0	4	0	0	0	40
	2013	40	0	4	1	0	0	35
Georgia	2011	33	0	0	0	0	0	33
	2012	33	1	2	0	0	0	32
	2013	32	1	1	1	0	0	31
Hawaii	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Idaho	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Illinois	2011	30	0	4	1	0	0	25
	2012	25	2	5	0	0	0	22
	2013	22	2	2	0	0	0	22
Indiana	2011	23	0	1	0	0	0	22
	2012	22	0	1	0	0	0	21
	2013	21	0	0	0	0	0	21
Iowa	2011	12	0	2	0	0	0	10
	2012	10	0	1	0	0	0	9
	2013	9	0	0	0	0	0	9
Kansas	2011	3	0	0	0	0	0	3
	2012	3	0	1	0	0	0	2
	2013	2	0	0	0	0	0	2

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations for Other Reasons	Column 9 Outlets at End of Year
Kentucky	2011	4	0	0	0	0	0	4
	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Louisiana	2011	8	0	0	0	0	0	8
	2012	8	0	2	0	0	0	6
	2013	6	0	1	0	0	0	5
Maine	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	1	0	0	0	1
Maryland	2011	15	0	0	0	0	0	15
	2012	15	1	1	0	0	0	15
	2013	15	0	0	0	0	0	15
Massachusetts	2011	13	0	2	1	0	0	10
	2012	10	0	0	0	0	0	10
	2013	10	0	0	1	0	0	9
Michigan	2011	41	0	5	1	0	0	35
	2012	35	1	0	1	0	0	35
	2013	35	1	5	0	0	1	30
Minnesota	2011	15	0	1	0	0	0	14
	2012	14	0	2	0	0	1	11
	2013	11	1	1	0	0	0	11
Mississippi	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Missouri	2011	11	0	0	0	0	0	11
	2012	11	0	1	0	0	0	10
	2013	10	1	2	0	0	0	9

Column 1 State	Column 2 Year	Column 3 Outlets at Start	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations for Other Reasons	Column 9 Outlets at End of Year
Montana	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Nebraska	2011	3	1	0	0	0	0	4
	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Nevada	2011	4	0	0	0	0	0	4
	2012	4	0	1	0	0	0	3
	2013	3	0	0	0	0	0	3
New Hampshire	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
New Jersey	2011	39	1	4	2	0	0	34
	2012	34	0	0	1	0	0	33
	2013	33	1	3	1	0	0	30
New Mexico	2011	4	0	0	0	0	0	4
	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
New York	2011	29	1	2	0	0	0	27
	2012	27	2	3	1	0	0	25
	2013	25	0	1	0	0	0	24
North Carolina	2011	62	0	5	1	0	0	56
	2012	56	2	9	1	0	0	48
	2013	48	0	8	0	0	0	40
North Dakota	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Ohio	2011	55	1	1	0	0	0	55
	2012	55	1	4	0	0	0	52
	2013	52	0	2	0	0	2	48

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations for Other Reasons	Column 9 Outlets at End of Year
Oklahoma	2011	7	0	1	0	0	0	6
	2012	6	0	1	0	0	0	5
	2013	5	0	0	0	0	0	5
Oregon	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	0	0	0	0	0	5
Pennsylvania	2011	50	1	2	1	0	0	48
	2012	48	0	7	0	0	0	41
	2013	41	0	1	0	0	4	36
Rhode Island	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	1	1
South Carolina	2011	14	1	1	0	0	0	14
	2012	14	0	0	0	0	0	14
	2013	14	0	1	0	0	0	13
South Dakota	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	1	0	0	0	1
Tennessee	2011	13	0	0	0	0	0	13
	2012	13	0	1	0	0	0	12
	2013	12	0	0	0	0	0	12
Texas	2011	40	0	1	0	0	0	39
	2012	39	0	1	0	0	0	38
	2013	38	0	440	0	0	1	33
Utah	2011	4	0	0	0	0	0	4
	2012	4	1	0	0	0	0	5
	2013	5	0	0	0	0	0	5

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations for Other Reasons	Column 9 Outlets at End of Year
Vermont	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Virginia	2011	20	0	2	1	0	0	17
	2012	17	0	3	0	0	0	14
	2013	14	0	1	0	0	0	13
Washington	2011	14	0	0	0	0	0	14
	2012	14	1	0	0	0	0	15
	2013	15	0	1	0	0	0	14
West Virginia	2011	5	0	0	0	0	0	4
	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Wisconsin	2011	25	0	1	0	0	0	25
	2012	25	0	1	0	0	0	24
	2013	24	0	1	0	0	0	23
Wyoming	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Puerto Rico	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Totals	2011	781	8	49	10	0	0	730
	2012	730	17	62	4	0	1	680
	2013	680	8	51	6	0	8	623

**Table No. 4  
Status of Company Owned Outlets for Years 2011, 2012, 2013.**

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets reacquired from franchisees	Column 6 Outlets Closed	Column 7 Outlets sold to franchisees	Column 8 Outlets at end of year
	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
<b>Total</b>	2013	0	0	0	0	0	0

MRI sold all its company locations in 2002. It has no plans to open any company-owned outlets in 2013.

**Table No. 5  
Projected Openings as of January 2014**

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Open	Column 3 Projected New Franchised Outlets In the Next Fiscal Year	Column 4 Projected Company Owned Outlets In the Current Fiscal Year
Alabama			
Alaska			
Arizona			
Arkansas			
California		2	
Colorado			
Connecticut		1	
Delaware			
D.C.			
Florida		2	
Georgia		2	
Idaho			
Illinois		1	

<b>Column 1</b> <b>State</b>	<b>Column 2</b> <b>Franchise Agreements Signed But Outlet Not Open</b>	<b>Column 3</b> <b>Projected New Franchised Outlets In the Next Fiscal Year</b>	<b>Column 4</b> <b>Projected Company Owned Outlets In the Current Fiscal Year</b>
Indiana		1	
Iowa			
Kansas			
Kentucky			
Louisiana			
Maine			
Maryland			
Massachusetts		1	
Michigan		1	
Minnesota		1	
Mississippi			
Missouri			
Montana			
Nebraska			
Nevada			
New Hampshire		0	
New Jersey		1	
New Mexico			
New York			
North Carolina		1	
North Dakota			
Ohio		1	
Oklahoma			
Oregon			
Pennsylvania		1	
Rhode Island			
South Carolina		2	

<b>Column 1</b> <b>State</b>	<b>Column 2</b> <b>Franchise Agreements Signed But Outlet Not Open</b>	<b>Column 3</b> <b>Projected New Franchised Outlets In the Next Fiscal Year</b>	<b>Column 4</b> <b>Projected Company Owned Outlets In the Current Fiscal Year</b>
Tennessee			
Texas		2	
Utah			
Vermont		0	
Virginia		1	
Washington			
West Virginia			
Wisconsin		1	
Wyoming			
<b>Total</b>		<b>22</b>	

MRI sold all its company locations in 2002. It has no plans to open any company-owned outlets in 2014.

Exhibit K - 1 lists the names of all our current franchisees and the addresses and telephone numbers as of December 31, ~~2013~~2012.

Exhibit K-2 lists the name, city and state and the current business telephone number (or if unknown, the last known home telephone number) of every franchisee who has had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have signed confidentiality clauses with some current or former franchisees. Each confidentiality agreement was entered into as part of a settlement of a dispute between us and the current or former franchisee. In some instances, current or former franchisees sign provisions restricting their ability to speak openly about their experience with MRI. You may wish to speak with current or former owners, but be aware that not all such franchisees will be able to communicate with you.

Exhibit N lists the trademark specific organization that we sponsor and an independent franchisee organization who requested to be included in this document.

**Item 21**  
**FINANCIAL STATEMENTS**

The consolidated financial statements listed below are attached to this Disclosure Document as Exhibit B.

1. The audited consolidated balance sheets as of December 31, 2013 and 2012 and the related consolidated statements of operations, comprehensive income, cash flows and equity for the years ended December 31, 2013, 2012 and 2011 for our parent corporation, CDI Corp., which guarantees our performance under the Franchise Agreement.

**Item 22**  
**CONTRACTS**

Copies of all the agreements regarding our franchise offering are attached as Exhibits C through I. They are: The Franchise Agreement, MRI Contract Staffing Agreement, Agreement to Arbitrate, Promissory Note, Security Agreement, Sample Commitment Letter and SBA Addendum.

**Item 23**  
**RECEIPT**

You will find two copies of a detachable Receipt in Exhibit P at the very end of this disclosure document. Please return one copy to us and retain the other for your records.

**EXHIBIT A**  
**STATE AND FEDERAL AGENCIES THAT REGULATE FRANCHISING**

**California**

Department of Corporations:  
*Los Angeles*  
320 West 4<sup>th</sup> Street  
Suite 750  
Los Angeles, California 90013-2344  
(213) 576-7500

*Sacramento*

1515 K Street  
Suite 200  
Sacramento, California 95814-4052  
(916) 445-7205

*San Diego*

1350 Front Street  
Room 2034  
San Diego, California 92101-3697  
(619) 525-4233

*San Francisco*

71 Stevenson Street  
Suite 2100  
San Francisco, California 94105-2180  
(415) 972-8559  
*Commissioner of Corporations*  
William P. Wood

**Hawaii**

~~Department of Commerce and Consumer  
Affairs  
Business Registration Division  
Commissioner of Securities  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96810  
(808) 586-2744  
Commissioner of Securities  
Corinna M. Wong~~

**Illinois**

Robert A. Tingler  
Chief  
Franchise Bureau  
Office of Attorney General  
Room 12-178  
100 W. Randolph Street  
Chicago, Illinois 60601  
(312) 814-3892  
Registration & Materials Inquiries:  
500 S. Second Street  
Springfield, Illinois 62706  
(217) 782-8827  
*Attorney General*  
Lisa Madigan

**Indiana**

John Potocky  
Chief Deputy Commissioner  
Franchise Section  
Indiana Securities Division  
Secretary of State  
Room E-111  
302 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6681  
*Securities Commissioner*  
Bradley W. Skolnik

**Iowa**

Dennis Britson  
Director of Regulated Industries Unit  
Iowa Securities Bureau  
340 Maple  
Des Moines, Iowa 50319-0066  
(515) 281-4441

**Maryland**

Peggy Shanks Keating  
Franchise Examiner  
Maryland Division of Securities  
20<sup>th</sup> Floor  
200 St. Paul Place  
Baltimore, Maryland 21202  
(410) 576-7042  
*Deputy Commissioner of Securities*  
Dale E. Cantone  
*Commissioner of Securities*  
Melanie Senter Lubin

**Michigan**

Marilyn McEwen  
Franchise Administrator  
Consumer Protection Division  
Antitrust and Franchise Unit  
Michigan Department of Attorney General  
670 Law Building  
Lansing, Michigan 48913  
(517) 373-7117

**EXHIBIT A**  
**STATE AND FEDERAL AGENCIES THAT REGULATE FRANCHISING**

**New York**

Joseph J. Punturo  
Assistant Attorney General  
Bureau of Investor Protection and Securities  
New York State Department of Law  
23<sup>rd</sup> Floor  
120 Broadway  
New York, New York 10271  
(212) 416-8211  
*Assistant Attorney General in Charge*  
Andrew Kandel  
*Attorney General*  
Dennis C. Vacco

Division of Securities and Retail  
Franchising  
Ninth Floor  
1300 E. Main Street  
Richmond, Virginia 23219  
(804) 371-9051

**Washington**

Deborah Bortner  
Administrator  
Department of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, Washington 98507-9033  
(360) 902-8760  
*Franchise Registrations/Business  
Opportunities*

**North Dakota**

Diane Lillis  
Franchise Examiner  
Office of Securities Commissioner  
Fifth Floor  
600 East Boulevard  
Bismarck, North Dakota 58505-0510  
(701) 328-4712  
*Securities Commissioner*  
Syver Vinje

**Rhode Island**

Department of Business Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex 69-1  
Cranston, RI 02920  
(401) 462-9527

**South Dakota**

Franchise Administration  
Division of Securities  
445 East Capitol Avenue  
Pierre, South Dakota 57501  
(~~501~~605) 773-4823  
*Director, Division of Securities*  
*Gail Sheppiek*

**Virginia**

State Corporation Commission

**Wisconsin**

David Cohen  
Franchise Administrator  
Division of Securities  
Department of Financial Institutions  
P.O. Box 1768  
Madison, Wisconsin 53701  
(608) 266-2801  
Administrator, Division of Securities  
Patricia Struck  
(608) 266-3432

**Federal Trade Commission**

Division of Marketing Practices  
Bureau of Consumer Protection  
Pennsylvania Avenue at 6<sup>th</sup> Street, NW  
Washington, D.C. 20580  
(202) 326-3128

## **EXHIBIT A**

**THIS EXHIBIT CONTAINS ADDENDA FOR THE FOLLOWING STATES ONLY:  
CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN  
MINNESOTA, NORTH DAKOTA, RHODE ISLAND,  
VIRGINIA, WASHINGTON, AND WISCONSIN**

### **FRANCHISE DISCLOSURE DOCUMENT ADDENDUM FOR CALIFORNIA**

The State Administrator for this State is:

Commissioner of Corporations, 71 Stevenson Street, Suite 2100,  
San Francisco, CA 94105

Our Agent for service of process in this State is:

C T Corporation System, One Sansome Street, Suite 600, San Francisco, CA 94104-4428 and  
Department of Corporations, 3700 Wilshire Boulevard, Suite 600, Los Angeles, CA 90010.

The following additional information is required for this State:

With regard to the laws of California, the California Department of Corporations requires the following statements be set forth in this Franchise Disclosure Document:

(1) California Business and Professions Code Section 2000 through 20043 provides rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

(2) The franchise agreement requires application of the laws of the State of Ohio. This provision may not be enforceable under California law.

(3) Section 31125 of the California Corporations Code requires the Franchisor to give the Franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to a solicitation of a proposed material modification of an existing franchise.

(4) The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

(5) The franchise agreement requires binding arbitration. The arbitration will occur in Cleveland, Ohio, with the costs borne equally by both parties. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise

Agreement restricting venue to a forum outside the State of California.

**FRANCHISE DISCLOSURE DOCUMENT ADDENDUM FOR ILLINOIS**

The State Administrator for this State is:

Illinois Attorney General, 500 South Second Street, Springfield, Illinois 62706

Our Agent for service of process in this State is:

C T Corporation System, 208 South LaSalle Street, Chicago, Illinois 60604, and the Illinois Attorney General, 500 South Second Street, Springfield, Illinois 62706.

The following additional information is required for this State:

The following replaces the language on the Receipt:

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF WE OFFER YOU A FRANCHISE, WE MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU BY THE EARLIEST OF:

- (1) FOURTEEN DAYS BEFORE SIGNING OF A BINDING FRANCHISE AGREEMENT OR OTHER AGREEMENT OR
- (2) FOURTEEN DAYS BEFORE ANY PAYMENT TO US.

IF WE DO NOT DELIVER THIS FRANCHISE DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE STATE AGENCY LISTED IN EXHIBIT A.

Add to cover page:

4. IN ACCORDANCE WITH ILLINOIS LAW, WE HAVE MODIFIED THE PROVISION OF THE FRANCHISE AGREEMENT RELATING TO DESIGNATION OF JURISDICTION AND VENUE. SEE SEC. 28.4 OF RIDER.

Add to Item 7:

The following are the types and amounts of insurance which you are required to maintain:

1. **COMMERCIAL GENERAL LIABILITY** including bodily injury and property damage liability for premises and operations, contractual liability, personal injury liability and, if applicable, stop gap coverage in the amount of \$1,000,000 each occurrence and \$2,000,000 annual aggregate.
2. **BUSINESS AUTOMOBILE LIABILITY** including bodily injury and property damage liability for owned, leased, non-owned and hired autos in the amount of \$1,000,000 each accident.
3. **WORKER'S COMPENSATION** with the statutory minimum limits set by applicable law and **EMPLOYER'S LIABILITY** in the amount of \$500,000 or statutory minimum limits, whichever is greater.
4. **PROPERTY** including "all-risk" coverage on all real and personal property owned, leased or rented by FRANCHISEE as well as business income and extra expense coverage. This insurance shall be written for the replacement cost of such real and personal property and on an actual loss sustained basis for the business income and extra expense.
5. **ERRORS AND OMISSIONS** in the amount of \$1,000,000 per claim and annual aggregate. Personal Injury Liability coverage may be added to this policy instead of including it under the **COMMERCIAL GENERAL LIABILITY** policy.
6. **EMPLOYMENT PRACTICES LIABILITY** in the amount of \$1,000,000 per claim and annual aggregate. This insurance may be purchased as part of the **ERRORS AND OMISSIONS INSURANCE** policy provided that separate limits are provided for each of the two coverages or provided that the policy limits on the combined policy equal the combined total of the limits for Sections 7.2.5 and 7.2.6.
0. **COMMERCIAL BLANKET EMPLOYEE DISHONESTY BOND**, including coverage for any ERISA plans in the amount of \$100,000 or 10% of the ERISA plan assets, whichever is greater.
8. **LICENSE BOND**, if required by applicable law.
9. **UNEMPLOYMENT COMPENSATION** with the statutory minimum limits set by applicable law.
10. Any and all other types and limits of insurance that may be required, from time to time, by MRI or applicable law.

Add to Item 12:

Our franchisees that joined us in 1990 and thereafter are subject to the minimum performance obligation each year. Eighty percent (80%) of them exceeded the minimum

performance obligation in 2007. Therefore, over 80% of these offices demonstrated the willingness and ability to exceed the requirement.

Add to Item 17:

The conditions under which a franchise can be terminated and a franchisee's rights upon nonrenewal may be affected by the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/19 and 705/20, which may also affect choice of forum and choice of applicable law.

Add to Item 21:

The following Rider will be part of your franchise agreement:

The following is added to Section 25 of the Franchise Agreement, in place of any conflicting provisions:

25.1. This Agreement contains the entire agreement between MRI and FRANCHISEE, and there are no inducements, arrangements, promises or agreements outstanding between them, either oral or in writing, other than those herein contained, and there are have been no representations by MRI other than those representations of fact contained in the Franchise Disclosure Document provided to FRANCHISEE by MRI.

The following is added to Section 27 of the Franchise Agreement, in place of any conflicting provisions:

27.1. FRANCHISEE acknowledges that FRANCHISEE has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves business risks, and that making a success of the venture is largely dependent upon his own business abilities. MANAGEMENT RECRUITERS expressly disclaims the making of, and FRANCHISEE acknowledges that FRANCHISEE has not received nor relied upon any representation, warranty or guaranty, expressed or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement, except as expressly set forth in the Franchise Disclosure Document provided to FRANCHISEE. Such acknowledgements by the FRANCHISEE shall not constitute a waiver of liability under the Illinois Franchise Disclosure Act of 1987 ("Act") and to the extent they would be a waiver are void with respect to claims brought under the Act.

The following is added to Section 28 of the Franchise Agreement, in place of any conflicting provisions:

28.2. The Illinois Franchise Disclosure Act of 1987. Section 41 of the Illinois Franchise Disclosure Act, 815 ILCS 705/41 states that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with

any provision of this Act is void."

28.3. Nothing contained in Section 21 of this Agreement shall lessen the applicability of the Illinois Franchise Disclosure Act. To the extent that Sec. 4 of the Illinois Franchise Disclosure Act validly requires a choice of Illinois law, then Illinois law shall be applicable, notwithstanding anything to the contrary contained in Section 21 of this Agreement.

28.4. To the extent then required by any valid, applicable, and controlling statute of Illinois, the provisions of Subsection 22.1 of this Agreement shall not be deemed to designate jurisdiction or venue, the valid, applicable and controlling statute of Illinois shall apply.

FRANCHISEE:

MANAGEMENT RECRUITERS  
INTERNATIONAL, INC.

\_\_\_\_\_

By: \_\_\_\_\_

Thomas Verratti  
Vice President, Finance

## **FRANCHISE DISCLOSURE DOCUMENT ADDENDUM FOR INDIANA**

The State Administrator for this State is:

Indiana Secretary of State, 302 West Washington, Room E-111, Indianapolis, Indiana 46204

Our Agent for service of process in this State is:

C T Corporation System, 251 East Ohio Street, Indianapolis, Indiana 46204 or The Indiana Secretary of State, State of Indiana, Suite 560, One North Capitol Street, Indianapolis, Indiana 46204.

The following additional information is required for this State:

Add to Item 17:

Subsections (5) and (10) of Indiana Code Sec. 23-2-2.7-1 currently provides:

"It is unlawful for any franchise agreement entered into between any franchisor and a franchisee who is either a resident of Indiana or a nonresident who will be operating a franchise in Indiana to contain any of the following provisions:

\* \* \*

"(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by this chapter or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subdivision does not apply to arbitration before an independent arbitrator.

\* \* \*

"(10) Limiting litigation brought for breach of the agreement in any manner whatsoever."

According to current interpretations of the Securities Division of the Secretary of State of Indiana, Subsection 5 limits the right of Management Recruiters to require a general release and Subsection 10 requires the following:

- a. the Indiana Franchise Disclosure Law and the Indiana Franchise Deceptive Practices Law prevail, if they are in conflict with Ohio law.
- b. Indiana franchisees must be allowed the jurisdiction and venue of the Indiana courts.
- c. Indiana franchisees shall not irrevocably accept and submit generally and unconditionally to the jurisdiction of the Ohio courts or any courts outside of Indiana.
- d. any waiver of the franchisee's rights to a defense based on jurisdiction, venue or forum non conveniens is unenforceable.
- e. Indiana franchisees must be allowed to have arbitration proceedings held in an Indiana location.

The following Rider will be part of your franchise agreement:

The following is added to Section 28 of the Franchise Agreement, in place of any conflicting provisions:

28.2. The state in which the territory is located has the following provisions which may be applicable: Indiana Code, Title 23, Article 2, Chapter 2.7, Sections 1-3.

28.3. Notwithstanding the provisions of Subsections 5.3 and 5.9 of this Agreement, MANAGEMENT RECRUITERS shall not open any offices in the territory if doing so would be contrary to the then valid and applicable requirements of Indiana Code, Sec. 23-2-2.7-1(2) or Sec. 23-2-2.7-2(4).

28.4. The provisions of this Agreement relating to the execution of releases shall be subject to the then valid and applicable requirements of Indiana Code, Sec. 23-2-2.7-1(5).

28.5. Subsections (5) and (10) of Indiana Code, Sec. 23-2-2.7-1 currently provide:

It is unlawful for any franchise agreement entered into between any franchisor and a franchisee who is either a resident of Indiana or a nonresident who will be operating a franchise in Indiana to contain any of the following provisions:

\* \* \*

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by this chapter or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subdivision does not apply to arbitration before an independent arbitrator.

\* \* \*

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

28.6. According to current interpretations of the Securities Division of the Secretary of State of Indiana, Subsection 10 requires the Indiana Franchise Disclosure Law and the Indiana Franchise Deceptive Practices Law prevail, if they are in conflict with Ohio law; that Indiana franchisees shall not irrevocably accept and submit generally and unconditionally to the jurisdiction of the Ohio courts or any courts outside of Indiana; that any waiver of the franchisee's rights to a defense based on jurisdiction, venue or forum non conveniens is unenforceable; and that Indiana franchisees must be allowed to have arbitration proceedings held in an Indiana location.

## **FRANCHISE DISCLOSURE DOCUMENT ADDENDUM FOR MARYLAND**

The State Administrator for this State is:

Maryland Securities Commissioner, 200 St. Paul Place, 20th Floor, Baltimore, Maryland 21202.

Our Agent for service of process in this State is:

The Corporation Trust Incorporated, 32 South Street, Baltimore, MD 21202 and the Maryland Securities Commissioner, 200 St. Paul Place, 20th Floor, Baltimore, Maryland, 21202.

The following additional information is required for this State:

The following Rider will be part of your franchise agreement:

The following is added to Section 28 of the Franchise Agreement, in place of any conflicting provisions:

28.2. The state in which the territory is located has the following provisions which may be applicable: Art. 56, Sec. 365C of the Annotated Code of Maryland currently provides that a franchisor may not require a prospective franchisee to assent to a release which would relieve any person from liability under the Maryland Franchise Registration and Disclosure Law, as a condition to the sale of a franchise. The provisions of this Agreement relating to releases shall be subject to this Code Section, to the extent it is then valid and applicable to renewal, assignments, and transfers under this Agreement.

#### **FRANCHISE DISCLOSURE DOCUMENT ADDENDUM FOR MICHIGAN**

**Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.**
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.**
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.**
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials, which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area**

subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

## **FRANCHISE DISCLOSURE DOCUMENT ADDENDUM FOR MINNESOTA**

The State Administrator for this State is:

Commissioner of Commerce, 133 East Seventh Street, St. Paul, Minnesota 55101

Our Agent for service of process in this State is:

Commissioner of Commerce, and the State of Minnesota, St. Paul, Minnesota 55101 and the C T Corporation System, 405 Second Avenue, South, Minneapolis, Minnesota 55401.

The following additional information is required for this State:

Add to Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. State. ? 80C.14, subs. 3, 4, and 5, which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

The following Rider will be part of your franchise agreement:

The following is added to Section 28 of the Franchise Agreement, in place of any conflicting provisions:

21.2. This Section shall not in any way abrogate or reduce any rights of the FRANCHISEE as provided for in Minnesota Statutes 1984, Chapter 80C, including the right to submit matters to the jurisdiction of the courts in Minnesota, except as otherwise provided by the Federal Arbitration Act, 9 U.S. Code, or other applicable law.

28.2. As provided in Subsection 28.1, with respect to franchises governed by Minnesota law, MANAGEMENT RECRUITERS will comply with Minn. Stat. ? 80C.14, subs. 3, 4, and 5, which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

28.3. Minnesota Rule 2860.4400(j) requires that franchise agreements not require a franchisee to waive his rights to a trial, provided that the Rule does not bar a voluntary arbitration of any matter if the proceeding is conducted by an independent tribunal under the rules of the American Arbitration Association. This Rule shall be applicable to Subsection 16.1. of this Agreement, except to the extent that the Rule is preempted by federal law or is otherwise invalid.

FRANCHISEE:

DATE: \_\_\_\_\_

## FRANCHISE DISCLOSURE DOCUMENT ADDENDUM FOR NORTH DAKOTA

The State Administrator for this State is:

Securities Commissioner, State of North Dakota, Fifth Floor, 600 East Boulevard, Bismarck, North Dakota 58505.

Our Agent for service of process in this State is:

C T Corporation System, 314 East Thayer Avenue, Bismarck, North Dakota 58501 or the Securities Commissioner, State of North Dakota, Fifth Floor, 600 East Boulevard, Bismarck, North Dakota 58505.

The following Rider will be part of your franchise agreement:

The following is added to Section 21 of the Franchise Agreement, in place of any conflicting provisions:

21.1. This Agreement shall be deemed an offer by FRANCHISEE and shall become binding when accepted by MANAGEMENT RECRUITERS at its principal office. The parties hereto agree that this Agreement and all matters relating to or arising out of the relationship between the parties shall be governed in all respects by the laws of the State of Ohio, except where the North Dakota Franchise Investment Law validly requires the application of the law of North Dakota, as described in Section 28.3. below.

The following is added to Section 28 of the Franchise Agreement, in place of any conflicting provisions:

28.2. To the extent then required by any valid, applicable, and controlling determination of the Securities Commissioner of North Dakota pursuant to Section 51-19-09.1a(9) of the North Dakota Franchise Investment Law, the following provisions shall control over any contrary provisions of this Agreement:

28.2.1. The locale of any arbitration proceeding shall be determined in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

28.2.2. The laws governing this Agreement may be determined by the forum, by application of choice of law rules relating to contracts.

28.2.3. FRANCHISEE shall not be required to execute a general release upon renewal of this Agreement.

28.2.4. Section 22.1 shall not require FRANCHISEE to consent to the jurisdiction of the stated courts.

### **FRANCHISE DISCLOSURE DOCUMENT ADDENDUM FOR RHODE ISLAND**

The State Administrator for this State is:

Director of Department of Business Regulation, 1511 Pontiac Avenue, John O. Pastore Complex 69-1, Cranston, Rhode Island 02920-4407.

Our Agent for service of process in this State is:

C T Corporation System, 10 Weybosset Street, Providence, Rhode Island 02903 or the Director of Business Regulation of the Rhode Island Department of Business Regulations, State of Rhode Island, Providence, Rhode Island.

The following additional information is required for this State:

The following is added to Section 16 of the Franchise Agreement, in place of any conflicting provisions, except to the extent that it is preempted by Federal law or is otherwise invalid:

- 16.4. 19-28.1-14 of the Rhode Island Franchise Investment Act provides that a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.

### **FRANCHISE DISCLOSURE DOCUMENT ADDENDUM FOR VIRGINIA**

The State Administrator for this State is:

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street, 9thFloor  
Richmond, Virginia 23219

Our Agent for service of process in this State is:

Clerk of the State Corporation Commission, 1300 East Main Street, 1<sup>st</sup> Floor, Richmond, VA 23219

Under Section 17(h) of the Disclosure Document, the following language is deleted in its entirety: "termination of other franchise agreements with us for cause"

The following language will be included on the signature page:

**VIRGINIA RIDER**

Section 12.4.12 is not applicable to the Management Recruiters Franchise Agreement signed by the Virginia Franchisee entering into the attached agreement.

**FRANCHISE DISCLOSURE DOCUMENT ADDENDUM FOR WASHINGTON**

The State Administrator for this State is:

Director of Licensing *or* Department of Financial Institutions, General Administration Building, Securities Division, 150 Israel Road, SW, Tumwater, WA 98501.

Our Agent for service of process in this State is:

C T Corporation System, 520 Pike Street, Seattle, Washington 98101 and the Administrator of Securities, Department of Financial Institutions, P.O. Box 9033, of the State of Washington, Olympia, Washington 98507-9033.

The following additional information is required for this State:

Add the following to Item 17:

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with us, including the areas of termination and renewal of your franchise. Provisions of the statute and/or policies of the Securities Division currently provide as follows:

1. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

2. In the event of a conflict of laws the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

3. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.

4. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The following is added to Section 28 of the Franchise Agreement, in place of any conflicting provisions:

28.2. The state in which the territory is located has the following provisions which may be applicable: Washington Franchise Investment Protection Act, 1976 Revised Code of Washington, Title 19, Chapter 19.100. The following provisions shall govern the relationship between MANAGEMENT RECRUITERS and FRANCHISEE, to the extent that they are then valid requirements of the statute:

28.2.1. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

28.2.2. In the event of a conflict of laws the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

28.2.3. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.

28.2.4. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

#### **FRANCHISE DISCLOSURE DOCUMENT ADDENDUM FOR WISCONSIN**

The State Administrator for this State is:

Commissioner of Securities, 345 W. Washington Street, Madison, Wisconsin 73703

Our Agent for service of process in this State is:

C T Corporation System, 222 West Washington Avenue, Madison, Wisconsin 73703 or the Commissioner of Securities, State of Wisconsin, Madison, Wisconsin.