

## FRANCHISE DISCLOSURE DOCUMENT



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Management Recruiters® for Established Firms

As a Management Recruiters® member, you will operate a staffing and recruiting business, offering both permanent placement and contract staffing services.

The initial investment necessary to begin operation of a Management Recruiters International (“MRI”) Established Firm franchised business ranges from \$2,000 to \$22,200. This includes \$2,000 - \$4,000 that must be paid to the franchisor or affiliates.

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 agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Lorinda Ritts at 190 Congress Park Drive, Suite 100, Delray Beach, FL 33445 (215) 372-1410, lorinda.ritts@mrinetwork.com.

The terms of your contract 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’s 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.

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## 1. How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former members. You can find their names and contact information in Item 20 or Exhibits D1 and D2.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit H includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only MRI business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other members can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be an MRI member?</b>	Item 20 or Exhibits D1 and D2 list current and former members. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit I.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Florida. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Florida than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum annual service fee payments regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

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### LIST OF EXHIBITS

EXHIBIT A:	Management Recruiters Franchise Agreement for Established Firm and Exhibits
EXHIBIT B:	SBA Addendum
EXHIBIT C:	Operations Manual Table of Contents
EXHIBIT D1:	MRI Outlets as of December 31, 2021
EXHIBIT D2:	Former MRI Outlets for the period January 1, 2021 through December 31, 2021
EXHIBIT E:	MRINetwork Code of Conduct
EXHIBIT F:	Member Association
EXHIBIT G:	Sample Release Language
EXHIBIT H:	Financial Statements
EXHIBIT I:	Agents for Service of Process
EXHIBIT J:	State Addenda
EXHIBIT K:	State Effective Dates
EXHIBIT L:	Receipts

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT AND MIGHT REQUIRE A RIDER TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES AND RIDERS, IF ANY, APPEAR IN EXHIBIT J.

## ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, "MRI" and "we" means Management Recruiters International, Inc., the "Franchisor." "You" or "Franchisee" or "Member" means the person who buys an MRINetwork franchise whether an individual, corporation, partnership, or limited liability company.

The Franchisor, MRI, was formed as a corporation in the State of Delaware on January 5, 1972. Franchisor's principal business address is 190 Congress Park Drive, Suite 100, Delray Beach, FL 33445 and our telephone number is (215) 372-1410. We do business under our corporate name, "MRINetwork," "Management Recruiters," "MRI" and the associated logos and designs which have been registered on the Principal Register of the United States Patent and Trademark Office and any other service marks, trademarks, and/or logos we designate (the names and logos will be referred to as the "Marks"). We do not own or operate any business of the type you will be operating. We have offered franchises in the line of business disclosed in this disclosure document since 1993 and have not offered franchises in any other line of business. We only offer franchises which operate under the marks listed above.

The principal address for our agents for service of process are shown on Exhibit I.

### Our Parent, Predecessors, and Affiliates

#### *Parent*

MRI Network Holdings, LLC, a Delaware limited liability company formed on May 16, 2019, purchased MRI from CDI Holding Company, LLC on May 28, 2019. MRI Network Holdings, LLC maintains its principal place of business at 190 Congress Park Drive, Suite 100, Delray Beach, FL 33445. MRI Network Holdings, LLC does not offer franchises in any line of business. Its subsidiary, MRI offers direct hire placement service franchises.

#### *Predecessor*

MRI was purchased on May 16, 2019 by MRINetwork Holdings, LLC from CDI Holding Company, LLC. MRI was previously a wholly owned subsidiary of CDI Holding Company, LLC, a Delaware corporation, formed on December 15, 2017 which maintained its principal place of business at 1735 Market Street, Suite 200, Philadelphia, PA 19103. MRI was previously owned by CDI Corporation, a Delaware corporation formed on January 30, 1974 which maintained its principal place of business at 1735 Market Street, Suite 200, Philadelphia, PA 19103. On September 13, 2017, CDI Corporation was purchased by AE Industrial Partners, LLC, which formed CDI Holding Company, LLC, on December 15, 2017. Prior to being purchased by CDI Corporation, MRI was founded and owned by Alan R. Schoenberg who began in the personnel placement business in 1957 and began selling Management Recruiters franchises in 1965 and Sales Consultants franchises in 1966.

#### *Affiliates*

MRI Contract Staffing, LLC.

MRI Contract Staffing, LLC was incorporated in Ohio on February 23, 1994 as MRI Contract Staffing, Inc. On January 13, 2022 it was converted on the record in Ohio to a limited liability company. MRI Contract Staffing, LLC maintains a principal place of business at 190 Congress Park Drive, Suite 100, Delray Beach, FL 33445. MRI Contract Staffing, LLC is a wholly owned subsidiary of MRI that contracts with members for the operation of interim and contract personnel placement services. MRI Contract Staffing, LLC provides contract services to MRI's members. MRI Contract Staffing, LLC does not operate a direct hire placement service business and has never offered franchises in this or any other line of business. MRI Contract Staffing, LLC may offer services to staffing companies not affiliated with the MRINetwork.

## BCC Talent Access Holdings, LLC

BCC Talent Access Holdings, LLC was incorporated on October 26, 2020 and maintains a principal place of business at 190 Congress Park Drive, Suite 100, Delray Beach, FL 33445. BCC Talent Access Holdings, LLC is wholly owned by our parent, MRI Network Holdings, LLC and holds a majority share in MRI Thrive Media, LLC dba BCC Media Group. BCC Media Group is a vendor providing products and services to MRI Network Members. BCC Talent Access Holdings, LLC does not offer services to MRINetwork members, operate a direct hire placement service business, and has never offered franchises in this or any other line of business.

## MRI Thrive Media, LLC

MRI Thrive Media, LLC dba BCC Media Group was formed on March 13, 2020 and maintains a principal place of business at 190 Congress Park Drive, Suite 100, Delray Beach, FL 33445. MRI Thrive Media, LLC is owned in majority part by BCC Talent Access Holdings, LLC and provides professional media services to staffing industry professionals. Members are not obligated to use these services. MRI Thrive Media, LLC offers professional media services to members of the MRINetwork and staffing professionals not affiliated with the MRINetwork. MRI Thrive Media, LLC does not operate a direct hire placement service business and has never offered franchises in this or any other line of business.

## MRI International, LLC

MRI International, LLC was formed on April 16, 2020 and is a wholly owned subsidiary of MRI. On April 16, 2020, MRI International, LLC acquired all MRI franchise agreements previously held by MRIWW Franchise Services Ltd, a wholly owned UK subsidiary of MRI which was dissolved November 24, 2020. MRI International, LLC maintains its principal place of business at 190 Congress Park Drive, Suite 100, Delray Beach, FL 33445. MRI International, LLC offers franchises for the operation of permanent placement offices outside the United States.

## The Franchise Offered

MRI offers franchises for the right to operate a MRINetwork recruitment and placement business for direct hire and contract staffing placement services using the MRINetwork system and trademarks (the “Franchised Business”). MRI offers franchises under this Franchise Disclosure Document to Established Firms. An Established Firm is a firm or recruitment consultant engaged as a staffing and search business specializing in the field of staffing and recruiting, having operated a business with NAICS codes 561311 (Employment Placement Agencies), 561312 (Executive Search Services), and/or 561320 (Temporary Help Services). MRI also offers franchises to individuals who are not Established Firms under a separate franchise disclosure document.

The Franchised Business is operated under the marks and uses our standards and know-how (the “System”). The distinguishing characteristics of the System include, but are not limited to, our training methods, sales techniques and materials, control systems, quality control, training and ongoing operational assistance, advertising, promotional programs, and related benefits for use by all members, all of which may be changed, improved, or further developed by us at any time.

## Market and Competition

The market for your MRINetwork business will be companies and other organizations that hire administrative, technical, managerial, professional, and sales personnel who are seeking employees.

The market for staffing and recruiting businesses is well developed and highly competitive throughout the United States. You will compete with both independent operators of similar businesses, some of whom

belong to cooperative networks of offices, members of other recruitment systems, and other MRINetwork members.

The staffing and recruiting business operates year-round and is not seasonal.

### Industry-Specific Regulations

You must comply with all local, state, and federal laws and regulations that apply to the operation of your MRINetwork business, including health, safety, insurance, discrimination, employment, and sexual harassment laws.

In some states, you may be required to obtain an employment agency license or registration for the operation of direct hire or interim personnel placement services. Most of these laws and regulations relate to companies that charge fees to applicants for employment services and have an exemption for employer paid fee businesses.

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 Patient Protection and Affordable Care Act 2010 (ACA) or any replacement health care law will apply to your obligations to provide health insurance for your employees.

In addition, the Fair Labor Standards Act, federal, state and municipal minimum wage laws, the Occupational Safety and Health, and Immigration laws will apply to your business.

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.

The General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA) regulate the storing and use of personally identifiable information both into and out of the European Union and California. Other states may institute laws or regulations regarding the storing and use of personally identifiable information. You will need to ensure that your computer and filing systems are compliant with these regulations and laws.

Some states and municipalities have passed laws that prohibit inquiries about criminal convictions on job applications and prohibit discrimination based on criminal records.

A growing number of states, counties, and municipalities have passed laws that prohibit inquiries about job applicants' salary histories.

You should investigate whether there are any federal, state, or local regulations or requirements that may apply in the state in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. You are responsible for obtaining all licenses and permits which may be required for the operation of your business.

If you are a corporation, partnership, or other entity, our Franchise Agreement will apply to your owners, officers, and directors.



We strongly recommend that before signing the Franchise Agreement, that you engage with a franchise attorney and other professional advisors to advise you in determining the laws, ordinances, and regulations affecting your establishment or operation of a franchise.

ITEM 2: BUSINESS EXPERIENCE

Bert E. Miller, President and CEO

Mr. Miller is the owner of MRI Network Holdings, LLC, a Delaware limited liability company, located in Delray Beach, Florida, and appointed President and CEO on May 28, 2019 upon the purchase of MRI by MRI Network Holdings, LLC. Mr. Miller is also a co-owner of Protis Global and Ace Talent Curators, two MRI franchises, located in Delray Beach, Florida. Protis was formed in November 1995 and Ace Talent Curators was formed in 2015.

Joseph Mullings, Chief Vision Officer

Mr. Mullings was appointed our Chief Vision Officer in March 2020 in Delray Beach, Florida. In addition, Mr. Mullings is currently the Chairman and CEO of The Mullings Group in Delray Beach, Florida a position he took in February 2020. Mr. Mullings is also the CEO and President of The Mullings Group since 1992 in Delray Beach, Florida. Mr. Mullings is also the President and CEO of Dragonfly Stories, LLC, a position he has held since January 2019, in Delray Beach, Florida.

Nancy Halverson, Senior Vice President, Global Operations

Ms. Halverson was appointed our Senior Vice President, Global Operations in May 2019 in Delray Beach, Florida. Previously she served as our General Manager from February 2017 to May 2019. Prior to that she served as Vice President of Global Operations from January 2013 to February 2017. Previously, she oversaw our Learning and Talent Development, New Office Development, US and International Operations and Franchise Sales Teams. Ms. Halverson joined MRINetwork 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.

Todd Simpson, Chief Financial Officer

Mr. Simpson was appointed as our Chief Financial Officer on August 26, 2019 in Philadelphia, Pennsylvania (now in Delray Beach, Florida). From May 2004 through April 2019, he served as Vice President of Finance with our Predecessor, CDI, in Philadelphia, Pennsylvania.

Annette Wehrli, Vice President, Organizational Effectiveness & Learning

Ms. Wehrli joined MRI in April 2002 as the Board of Directors Program Manager and held that position until October 2009, Senior Instructional Designer from October 2009 through January 2018, and Senior Organizational Effectiveness Consultant from January 2018 through February 2019 in Delray Beach, FL, and Director Leadership and Organizational Effectiveness from February 2019 through February 2021, and Vice President, Organizational Effectiveness & Learning from November 2021 to present in Delray Beach, Florida.

Jessica Hollander-Torres, Vice President Marketing

Ms. Hollander-Torres joined MRI in May 2020 as Senior Director of Marketing, in Fort Lauderdale, Florida. She was promoted to Vice President of Marketing in September 2020 in Delray Beach, FL. From July 2015 to May 2020, she was the Director of Marketing and Communications at Carruthers & Humphrey in Vancouver, British Columbia, Canada.

Emily Phair, Vice President Commercial

Ms. Phair joined MRI in April 2021 as Vice President of Commercial, in Delray Beach, Florida. From May 2020 through February 2021, she was employed as the Vice President, Executive Search, for Optimum Talent in Vancouver, British Columbia, Canada. From September 2015 through May 2020, she was employed as Director Talent Acquisition for Kal Tire in Vernon, British Columbia, Canada.

Lorinda Ritts, General Counsel

Ms. Ritts joined MRI in April 2018 as Corporate Counsel in Delray Beach, Florida. She became General Counsel in June 2019. Previously from February 2013 to April 2018 Ms. Ritts was the founder of Lorinda Church Ritts, Attorney at Law in Winsted, Connecticut, and General Counsel of Monster Franchising, LLC from February 2014 to February 2017 in Fort Washington, Pennsylvania.

Bud Robinson, Senior Director of Finance and Accounting Operations

Mr. Robinson was hired as our Senior Director of Finance and Accounting Operations in July 2018 in Delray Beach, Florida. Before that Mr. Robinson was an Accounting Manager for our Predecessor, CDI, from June 2002 through July 2018, in Philadelphia, Pennsylvania.

Tim Ozier, Senior Director, Contract Staffing Sales

Mr. Ozier was hired as our Senior Director, Contract Staffing Sales in August 2018 in Delray Beach, Florida. He worked as the Client Services Director for Manpower Group from June 2016 through October 2017 in San Jose, California.

Beth Turner, Senior Director, Vendor Partnerships

Ms. Turner has worked as our Senior Director, Vendor Partnerships since June 2015 in Delray Beach, Florida.

Paul Christian, Senior Director of Technology

Mr. Christian joined MRI in May 2021 as the Senior Director of Technology in Delray Beach, Florida and continues to hold that position. From September 2018 through April 2021, he was the Director of Technology for MD Now Urgent Care Centers in West Palm Beach, Florida. From May 2017 to present, he is the President/Chief Technology Officer of geex.Online, Inc. in Davie, Florida. From April 2009 through May 2017 he was the General Manager and Chief Information Officer for Key Largo Wastewater Treatment District in Key Largo, Florida.

ITEM 3: LITIGATION

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

Pending Actions:

None

Concluded Actions:

*Management Recruiters International, Inc. v. Management Recruiters of Tampa-North, Inc., Gary A. King, and Kelly King*, Docket No. V 1627-T-33JSS, filed July 15, 2020 in the United States District Court Middle District of Florida, Tampa Division alleging breach of contract for failure to pay royalties and national advertising fund fees, breach of a Promissory Note, breach of the in-term covenant not to compete, trademark infringement, and tortious interference with contract against Kelly King. MRI seeks declaratory judgment stating the violation of the franchise agreement and promissory note, injunction to cease unlawful competition, lost future royalties and advertising fees, damages for infringement of the MRI trademarks, damages for breach of contract, costs, and attorneys' fees.

On July 30, 2020, Gary A. King filed a voluntary petition for relief under Chapter 7 of the US Bankruptcy Code. Pursuant to 11 USC §362(a) the Court stayed the case pending the outcome of the bankruptcy. MRI objected to the stay as to the other defendants, Kelly A. King and Management Recruiters of Tampa-North, Inc. On August 24, 2020, the Court stayed and administratively closed the matter in its entirety pending the outcome of Gary A. King's bankruptcy proceedings. Gary A. King's debts were discharged in bankruptcy and the matter closed on March 4, 2021.

On May 3, 2021, the remaining Parties, MRI and Kelly A. King and Management Recruiters of Tampa-North, Inc. entered into a settlement wherein the Defendants made payment of \$6,500 to MRI and the lawsuit was dismissed on May 6, 2021.

*Management Recruiters International, Inc. v. Peter Rouillard, et al.*, Docket No. CV 17 885383, filed December 26, 2017 in the Court of Common Pleas, Cuyahoga County, Ohio alleging breach of contract for failure to pay royalties and national advertising fund fees. On October 22, 2018, Rouillard filed a counterclaim alleging breach of contract/constructive termination, unjust enrichment, fraudulent inducement, and defamation and has stated injuries in excess of \$25,000 for each count, along with declaratory judgment for unconscionability and liquidated damages.

On September 1, 2019, the parties entered into a written settlement agreement whereby Rouillard agreed to make payment to MRI a sum equal to \$75,000, execute a new Franchise Agreement for a term of three years, and make supplemental royalty payments to cover costs of being in an exclusive territory of another member. The parties agreed not to disparage one another, to mutually release one another from all claims known and unknown, and to keep the settlement terms confidential, except as required by applicable law.

*Gre-ter Enterprises, Inc. v. Management Recruiters International, Inc., et al*, Docket No. 29D-1709-PL-008320, filed September 7, 2017 in the Hamilton County, Indiana Superior Court.

Gre-ter Enterprises, Inc. ("Gre-Ter"), a member having three franchise agreements with MRI dating to August 17, 1994, brought claims alleging MRI breached its franchise agreements, violated Indiana franchise laws by improperly using monies from the Marketing and Public Relations Fund, failed to provide an accounting of the Marketing and Public Relations Fund and improperly allowed members in Gre-ter's territory ("encroachment"). Gre-ter also alleged that MRI failed to comply with Indiana's franchise registration and disclosure laws, and with the Indiana Deceptive Franchise Practices Act. The plaintiff sought compensatory, statutory, and punitive damages, and attorneys' fees and costs.

The matter was removed to the United States District Court for the Southern District of Indiana, Case No. 1:17-cv-03554-SEB-DLP, and MRI filed a Motion to Dismiss all counts. In June 2018, the Court dismissed all of Gre-Ter's claims except for the encroachment claim. MRI filed a counterclaim in July 2018 alleging breach of contract, requesting an accounting for Gre-ter's failure to pay royalties and advertising fees and an order that Gre-Ter submit monthly reports to MRI as required by the Franchise Agreement. In January 2019, MRI filed an amended counterclaim alleging additional breaches of contract and a request for accounting. On January 31, 2019, MRI and Gre-ter entered into court ordered mediation and came to a settlement, which was read into the record before the Court.

On March 20, 2019, the parties entered into a written settlement agreement whereby Gre-ter agreed: 1. to make payment of \$300,000 to MRI in full settlement of all of MRI's claims; 2. to consolidate three franchise agreements into one franchise agreement; 3. to eliminate all exclusive territorial rights and grant Gre-Ter the right to operate from a single office in Carmel, Indiana; 4. to terminate MRI's duty to pay Gre-Ter supplemental royalties for third party members located within its former exclusive territory; and 5. to resume operation and performance of all obligations under the amended franchise agreement. MRI agreed to 1. amend Gre-ter's prior tiered royalty structure of to a flat rate royalty structure of 3%; and 2. to provide Gre-ter an early termination option upon 90 days' notice and payment by Gre-Ter of a material

termination fee equal to average monthly royalties multiplied by the remaining term of the agreement. The parties agreed not to disparage each other, to mutually release one another, and to keep the settlement terms confidential, except as required by applicable law.

**ITEM 4: BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5: INITIAL FEES**

Established Firm franchises do not pay an initial franchise fee.

MRI offers three Established Firm Packages: Connection, Customized, and Consultative

You will make payment of the first installment of the annual service fee for the package you select, described in Item 6, at the time you sign the Franchise Agreement (\$2,000 Connection, \$3,000 Customized, \$4,000 Consultative). Regular installment payments will begin on the 5<sup>th</sup> day of the second month following the signing of the Franchise Agreement. For example, if you sign the Franchise Agreement on April 15, you will make payment of your first installment on April 15 and the remaining installments will begin on June 5 (the second month following signing the Franchise Agreement) and continue until the end of the term.

If the purchase is as a result of a Transfer, you must pay a Jump Start Fee of \$5,000 to cover the costs of training and other administrative functions.

All payments are fully earned by us upon receipt, and not refundable under any circumstances.

**ITEM 6: OTHER FEES**

Type of fee	Amount	Date Due	Remarks
Annual Service Fee and Royalty Fee <sup>1</sup>	<p>Annual Flat Rate Service Fee is dependent upon package chosen by Member<sup>2</sup>:</p> <p>Connection: \$24,000 annual fee plus 1% on Net Cash-In.</p> <p>Customized: \$36,000 annual fee plus 1% on Net Cash-In.</p> <p>Consultative: \$48,000 annual fee plus 1% on Net Cash-In.</p> <p>You will pay the minimum annual service fee regardless of Net Cash-In received by the business.</p>	Payable no later than the 5 <sup>th</sup> of each month.	<p>Annual fees are paid in twelve equal installments and monthly percentage royalty is paid monthly on Net Cash-In.</p> <p>Net Cash-In means all revenue from the franchised business, less refunds and fees paid to other personnel placement Recruiters and sales tax.</p>

Type of fee	Amount	Date Due	Remarks
Marketing and Public Relations Fund (MPRF) Fee <sup>3</sup>	0.5% of Net Cash-In	Same as Royalty Fee	Same as above.
Additional Optional Training Fee <sup>3</sup>	Varies	Prior to training	Payable upon registration
Transfer Fee	\$5,000.	At time of Transfer	There is no fee for transfer to an entity formed by you for the convenience of ownership.
Audit	Cost of Audit <sup>4</sup>	Upon Demand	Payable if the audit reveals underreporting.
Annual Owners' Meeting <sup>5</sup>	Varies	When enrolled	Registration fee will be assessed if you don't attend. Fee will be reasonably related to the cost of attendance at the annual meeting.
Interest	Lesser of 1.5% per month or maximum amount allowed by law.	Upon Demand	Payable on overdue amounts, beginning with first day of following month.
Insufficient Funds Fee	\$50 per occurrence or an amount equal to what we are charged by the bank, whichever is greater.	As incurred	If a check or electronic funds transfer from your bank account is denied for insufficient funds, for each occurrence we may charge this fee.
Late Fee	\$50 per week	As incurred	If any monthly report is not received, the late fee will be charged for each week the report is not received.
National Vendor Accounts	Varies based on services purchased	As incurred	Certain third-party suppliers of service provide discounts to MRINetwork members only if MRI contracts with them directly for the services. If you choose to purchase these services, MRI will collect the fees directly from you and make payment to the third-party suppliers. These suppliers change regularly.

All fees and expenses described in this Item 6 are non-refundable and are generally uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us.

Notes:

1. You will pay the Annual Service Fee, Royalty, and Marketing and Public Relations Fund fees via Automated Clearing House (“ACH”) electronic transfer through the end of the term of the Franchise Agreement. You are required to maintain a bank account dedicated to your franchised business from which payment to us will be drawn. You must report placement activity to our Accounting Department each month no later than the 5<sup>th</sup> day of the following the month. We will initiate an electronic funds transfer from your account to ours monthly following receipt of your monthly Net Cash-In report. If you fail to report by the 5<sup>th</sup> day of the month, we may collect an Estimated Royalty based on 120% of the last Royalty and MPRF fee paid. If you have not made a Royalty payment, we may estimate your Royalty at \$1,000.00. If your late report reveals that an adjustment must be made, it will be made in the following month, and a credit will be applied to your amounts owed. If you are required to pay a refund to a client that was more than the cash you received, you must inform us of the amount and we will apply a credit to your account which will be applied to subsequent amounts owed to us. No cash refunds will be made to you. We will only use the ACH system to transfer from your account amounts you owe us.

2. MRI offers three Established Firm Packages. You are responsible for the Service Fee through the term of the agreement. Each package receives different services as described below:

		Connection	Customized	Consultative
Systems	Learning Management System	√	√	√
	Placement Data Software	√	√	√
	Network Intranet	√	√	√
Training	New Office Training	√	√	√
	Assigned Professional Development Manager (PDM)	√	√	√
	Access to all E-Learning, webinars, and virtual and face-to-face classroom training when offered	√	√	√
	Strategic training course delivered exclusively onsite		√	√
Tools	Customized recruiting-related forms and materials	√	√	√
	Industry & Market Research Reports (IBIS)	√	√	√
	Search and staffing industry associations membership	√	√	√
Numerous Vendor Discounts to Member Including:	Zoom Info	√	√	√
	Zoom Recruiter	√	√	√
	CareerBuilder	√	√	√
	Ring Central	√	√	√
	Canva	√	√	√
	PCRecruiter	√	√	√
Meetings & Events	Access to MRINetwork Meetings & Events (United, Pacesetter, Summit, NextGen, CPP)	√	√	√
	Awards and Rankings	√	√	√
Certification Programs	Certified Professional Programs	√	√	√

Marketing	MRINetwork WordPress Website (template)		√	√
	Website Hosting & Maintenance (1 Year)		√	√
	Google Business page set-up		√	√
	Annual Website Consultation	√	√	√
	Annual Social Media Review (Personal & Firm)	√	√	√
	Brand Strategy Playbook Lite	√		
	Choice of Strategic Playbook (Brand, Content, or Social)		√	√
	Canva License	√	√	√
	Customized Marketing Material		√	√
	MRINetwork Canva Templates & Material	√		
	Access to Marketing Resource Center	√	√	√
	Position Briefs		√	√
	Virtual Podcast		√	√
	Coaching & Analysis	One Annual Engagement Review		√
One Annual Vendor Review		√	√	√
One Annual Interim (Contract) Staffing Strategic Review		√	√	√
Reporting: Google Analytics   Search Engine Marketing Tool		√	√	√
Assigned Strategic Business Executive (SBE)			√	√
General Business Coaching to include: Operational Effectiveness, Revenue Growth Strategies, Hiring, Compensation, Team Models, Succession Planning			√	√
Owner-to-Owner peer group program (Mentorship/Partnership)		√	√	√
Leadership Coaching			√	√
NextGen Leadership Development Program			√	√
Organizational Effectiveness Coaching & Consulting			√	√
Annual Marketing Review			√	√
P&L / financial review w/ ORS (operating ratio study) data			√	√
Functional Department Discovery Consultation - any dept				√
360 Operational Business Strategy Report: Scaling, Operational Effectiveness, Revenue Growth, Hiring, Compensation, Team Models, Succession Planning				√

3. At our discretion we offer additional training programs to members that are not in default of their franchise agreement. These programs are conducted in person or over the Internet. They are optional and you are not required to attend. We reserve the right to charge a fee for additional training. The prices for these programs will be published in advance and may vary. If you sell the business to a new buyer, they will have to pay the Jump Start Fee, which will cover administrative and training costs.

4. If we conduct an audit on the Franchised Business and you are found to have underreported revenue, you must make payment of any unpaid royalty and MPRF as well as the costs of the audit which will not be less than \$1,000.00. If no underreporting is found, you will not be responsible for any fees.

5. The Annual Owners' Meeting is strongly recommend. Registration fees will vary depending on the costs to MRI but have typically ranged between \$500 and \$900 per attendee, not including the cost of travel, room, and board, for which you are responsible.

ITEM 7: ESTIMATED INITIAL INVESTMENT

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of expenditure	Amount*	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee <sup>1</sup>	\$0.00			
Initial Service Fee Installment <sup>2</sup>	Connection: \$2,000 Customized: \$3,000 Consultative: \$4,000	Lump sum payment	At signing of the Franchise Agreement	MRI
Business Insurance <sup>3</sup>	\$0 - \$3,000	As incurred	Before opening	Insurance Suppliers
Professional Services <sup>4</sup>	\$0 - \$2,500	As incurred	At your discretion	Attorney, Accountant, Other Professional Service Providers
Additional Misc. Expenses and Funds (1 month) <sup>5</sup>	\$0 - \$5,000	As incurred	At your discretion	Third party suppliers of online services
<b>TOTAL ESTIMATED INITIAL INVESTMENT:</b>	<b>\$2,000 - \$22,200</b>			

1. There is no initial franchise fee.
2. Upon signing the EF Agreement, you will begin payment of the Annual Service Fee. The first installment will be made at the time you enter into the franchise agreement and thereafter beginning on the 5<sup>th</sup> day of the second month following the signing through the end of the term. For example, if you sign the Franchise Agreement on April 15, you will make payment of your first installment on April 15 and the remaining installments will begin on June 5 (the second month following signing the Franchise Agreement) and continue until the end of the term.
3. If you do not already carry business insurance, you are required to do so. This represents the range of the first-year premiums for the business insurance required by the EF Agreement through our recommended insurance broker. The average premium annual costs through our recommended insurance broker are: \$0 to \$500,000 in revenue is \$1,750, \$500,000 to \$1,000,000 is \$2,250, \$1,000,000 to \$2,000,000 is \$3,000. Anything above \$2,000,000 in revenue must be determined by an underwriting review. You are not required to use our recommended insurance broker and you may already have policies in place so no additional fees would be incurred. These expenses do not include the cost of workers' compensation insurance, which varies greatly by state and depends on the number of employees you have, if any.
4. Professional Services such as legal or accounting advice during contract or lease review or formation of a corporation or limited liability company. There will be no cost to you if you do not use Professional Services.



5. This represents the cost to Franchisee of purchasing subscriptions to such products as ZoomInfo, Monster, CareerBuilder, etc. at the reduced MRINetwork rates. There will be no cost to you if you do not purchase these subscriptions. As an ongoing business, you will not require additional funds beyond those that you already use for the operation of your business.

We considered our experience as a franchisor for over 50 years and our recent experience with our new members 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. Check with your local accountant to find out if your state imposes taxes on recruiting services.

Fees paid to MRI are not refundable under any circumstances. Fees paid to third-party vendors may not be refundable but will be dependent upon your agreement with the third-party vendors over whom MRI has no control. MRI does not finance any part of the fees.

#### ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We may identify various “required suppliers” that your franchised business would be required to use. These required suppliers will meet our standards and requirements. We maintain a list of recommended suppliers, and we will update these lists periodically and reserve the right to change suppliers. If we have not identified a required supplier for a specific service or product, you may use any supplier you choose.

You are also required to purchase business insurance and Internet services, but we do not identify a required supplier for these products.

Our Affiliate, MRI Contract Staffing, LLC is the only supplier of contract staffing services. You are not required to offer contract staffing services, but you are required to enter into a Contract Staffing Agreement with MRI Contract Staffing, LLC, which is attached to the Franchise Agreement and if you choose to offer contract staffing services are required to use MRI Contract Staffing, LLC. MRI Contract Staffing, LLC derived \$68,882,033 in net revenue through sales of its services to MRI members in 2021.

BCC Media Group, a subsidiary of our Affiliate BCC Talent Access Holdings, LLC, is a supplier, but not the only supplier, of professional media services for staffing and placement firms. BCC Media Group derived \$283,274 in net revenue through sales of its services to MRI members in 2021.

In some cases, MRI has contracted for discounts with third-party suppliers for services they provide to you. In some cases, the third-party supplier has required MRI to be the contracting party for a particular service at the discounted rates. If you choose to participate in these wholly voluntary services, we collect the fees for the third-party services and tools you purchase, which we then pay to the third-party suppliers. We may charge you more for the services than we are required to pay. Such charges are to cover the cost of our management of the contract and payments.

If we approve a required supplier, we will carefully review the quality of the products and services they provide to us and our members. If you would like us to consider another supplier for a product or service where we have designated a required supplier, you must make such request in writing to us and have the supplier provide us with samples of its product and such other information that we may require. If the supplier meets our specifications we will approve it as an additional required supplier, in our sole discretion. We will notify you whether we approve or disapprove of the proposed required supplier within sixty (60) calendar days after we receive all required information to evaluate the product or service. If we do not disapprove a proposed required supplier within sixty (60) calendar days, then you may consider

the proposed required supplier approved. You pay us no fee. We may revoke approval upon thirty (30) days written notice to you. Upon revocation of a required supplier, you must cease using them.

We provide you with the operating procedures of the MRINetwork through our online resource materials (for the purpose of this FDD, we will refer to this as the “operations manual.”) Changes to our operating procedures can be modified in our sole discretion from time to time and such modifications are published in our operations manual.

We and our Affiliates may receive revenue as a result of some of your required purchases. Franchisor’s total revenue in 2021 was \$75,529,224. MRI’s revenue from all required purchases of products and services in 2021 was \$0. This reflects 0% of our total revenue from your required purchases.

You are required to carry insurance. You are not obligated to purchase it from any specific provider or to make any purchases. We cannot determine what percentage of your ongoing costs will be for business insurance. If you use the MRI Gold Standard Insurance Program, the average annual costs for \$0 to \$500,000 in revenue is \$1,750, \$500,000 to \$1,000,000 is \$2,250, \$1,000,000 to \$2,000,000 is \$3,000. Anything above \$2,000,000 in revenue is determined by an underwriting review.

The estimated proportion of any required purchases and leases to be made by you in establishing the business and while operating the business is 10%.

No purchasing or distribution cooperatives exists. We negotiate purchase arrangements with suppliers, including prices, for the benefit of our members. 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. We do not provide material benefits to members based on their purchase of particular products or services or use of particular suppliers.

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 of this disclosure document.**

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	None	Items 7 and 11
b. Pre-opening purchases/leases	None	Items 7, 8, 10 and 11
c. Site development and other pre-opening requirements	Section 8	Items 7, 8, and 11
d. Initial and ongoing training	Sections 5.9; 8; 9.7	Items 7 and 11
e. Opening	Section 10	Item 11
f. Fees	Section 5	Items 5, 6, and 17
g. Compliance with standards and policies/operating manual	Sections 9; 10; 11	Items 11 and 14, Exhibit E for the MRI Code of Conduct
h. Trademarks and proprietary information	Sections 12; 19	Items 13 and 14

Obligation	Section in agreement	Disclosure document item
i. Restrictions on products/services offered	Section 10	Item 16
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quotas	Section 5	Item 12
l. Ongoing product/service purchases	None	Item 8
m. Maintenance, appearance, and remodeling requirements	Section 10	None
n. Insurance	Section 11	Item 7
o. Advertising	Section 10	Items 6 and 11
p. Indemnification	Section 18	None
q. Owner's participation/management/staffing	Section 9	Item 15
r. Records and reports	Section 6	Item 6
s. Inspections and audits	Section 6	Items 6 and 11
t. Transfer	Section 13	Item 17
u. Renewal	Section 14	Item 17
v. Post-termination obligations	Section 17	Items 11, 17
w. Non-competition covenants	Section 15	Items 11, 17
x. Dispute resolution	Section 20 and Agreement to Arbitrate	Item 17
y. Other Personal Guaranty (if franchisee is entity)	None	None

ITEM 10: FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligations.

ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

**Except as listed below, MRI is not required to provide you with any assistance.**

1. Pre-Opening Obligations

1. Provide you with on-line access to materials (Franchise Agreement Section 7);
2. Provide New Office Training for up to 27 hours and provide access to training program materials and manuals (Franchise Agreement Section 8);

3. Provide access to MRI's Suite of Applications which includes MRI's learning management system, placement data software, network intranet (Franchise Agreement Section 7);
4. Provide access to our MRINetwork vendor partners and the discounted pricing for products and services we have negotiated. (Franchise Agreement Section 7)

## 2. Time to Open

As you are operating a staffing business at the time you enter into the Franchise Agreement, you will continue to operate without a halt in operations. There is no delay between signing the Franchise Agreement and opening the business.

## 3. Obligations after Opening

1. Access to our online operations manual and proprietary materials. (Franchise Agreement Section 7)
2. Best Practice recommendations. (Franchise Agreement Section 7)
3. Participation in our metrics and goal tracking applications. This feature aggregates metric activities and placement data and generates reports that compare your metrics to your personal targets and to those of the MRINetwork. (Franchise Agreement Section 7)
4. Provide ongoing advice to you through meetings, seminars, courses, and communications as we deem appropriate and necessary for the operation of your Franchised Business. We may offer one owner's event each year. (Franchise Agreement Section 7)
5. Administration of the Marketing and Public Relations Fund (Franchise Agreement Section 7).
6. The services you choose at the time of purchase. (Franchise Agreement Schedule 1)

We also offer additional meetings and training sessions in person and virtually. You are responsible for registration fees, travel, and room and board in connection with any national or regional meeting or other training event.

We may suspend your access to services, such as job boards, MRI Vendor Pricing, MRINetwork.com, Contract Staffing, the online materials, and other resources/vendors without notice if you are in default of the Franchise Agreement.

## 4. Advertising

Marketing and Public Relations (Franchise Agreement Section 7)

You are required to contribute 0.5% of your monthly Net Cash-In to the Marketing and Public Relations Fund (the "MPRF"). Not all offices contribute to the MPRF. A few long tenured offices have been permitted to conduct their own marketing and send proof of performance to us. We do not allow this for new members. We do not use any advertising funds for the solicitation of new franchise sales; however, we may include mention of franchise availability in any marketing materials. Franchisor/Affiliate-owned outlets would be required to contribute the MPRF at the same rate as other franchises with the same franchise agreement.

We provide marketing, advertising, public relations services, materials, training as well as meetings and events support to the MRINetwork. These investments are supported by payments to the MPRF. We are

not required to spend any amount on advertising in your territory or area either through the MPRF or in any other manner.

Marketing and public relations activities may be through broadcast, print online advertising, direct marketing, direct mail, social media, including the MRINetwork public facing website ([www.MRINetwork.com](http://www.MRINetwork.com)) and surveys like the MRINetwork Recruiter Sentiment Survey. We conduct industry research through our office network to enable more 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 designed to increase awareness of the MRI Brand and the MRINetwork franchised locations. We retain sole rights to the MRI Brand and Marks.

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 are available for download from the company intranet, and from time to time through vendor-partner managed Resource Centers for exclusive use by MRINetwork members.

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. The Representative Council (the "Council") elected by the members, provides us with advice on our marketing and public relations programs, although we retain the sole discretion over concepts, materials, and placement.

The Council is made up of active members elected by the members at large in annual elections and serves in an advisory capacity. Changes to the Bylaws must be approved by the Council and MRI, but MRI may dissolve the Council in its discretion.

The MPRF is used to meet costs of maintaining, administering, directing, conducting, and preparing marketing, public relations, meeting support, 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 franchised business to drive and execute their own unique marketing plans. This may include, but it is not limited to, 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 MPRF to support legislative efforts on issues of concern to our offices' businesses.

We use the MPRF 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. The current contribution by you is 0.5%. All new members contribute to the MPRF.

During 2021, Marketing and Public Relations fund expenditures were as follows: Technology 5.1%, Print 1.4%, Public Relations 1.8%, Meetings and Events 23.9%, In-house marketing department overhead 54.6%, and Job Boards 13.1%.

We have no obligation to make expenditures that are equivalent or proportionate to your Fund contribution or to ensure that you benefit directly or pro rata from the production or placement of advertising from the Fund.

You may develop advertising materials for your own use, at your own cost, but we do not require any amount be spent on local advertising. The MPRF is not primarily used to sell additional franchises. We do not require you to join a cooperative.

You may request an unaudited accounting of the MPRF by contacting MRI's Finance Department.

## 5. Computer Systems

As an Established Firm, it is anticipated that you already have computer systems in place. We do not require you to have any specific computer systems.

MRI has no contractual obligation for maintenance, repairs, updates, or upgrades to your computer systems. MRI does not require you to update your computer system during the term of your agreement. MRI does not have independent access to your computer system.

## 6. Table of Contents of the Operations Manual

MRI does not have a traditional Operations Manual. Instead, it has compiled an extensive online resource which contains all operating materials, videos, training resources, forms, policies, and procedures. The subjects contained include the following. The manual currently has 556 documents made up of 2,245 pages and is updated regularly. The Table of Contents is found at Exhibit C.

## 7. Training

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
MRINetwork Overview and MRINetwork Way Methodology	1.5	n/a	Virtual
Discipline, Industry, Geography (DIG) development	4	n/a	Virtual
Right-fit solutions and workflow process	2	n/a	Virtual
Talent overview & recruitment techniques	9.5	n/a	Virtual
Client overview & recruitment techniques	11	n/a	Virtual
Placement process	2	n/a	Virtual
Total	27	n/a	

New Office Training will take place over a six week period.

You and/or your General Manager are required to attend and complete to MRI's satisfaction our New Office Training Program to MRI's satisfaction.

We conduct our training program quarterly. Training is provided by our instructors: Ron Dermady, our Sr. Director, Learning and Talent Development has 21 years of experience in the staffing placement industry as an account executive, manager, and director in staffing firms, and been with MRI for eight years. He has a bachelor's degree in Education and a master's degree in Counseling. In addition, training is conducted by our Professional Development Managers: Hannah Butcher who has six years of experience in the staffing and placement industry as a Recruiter, Staffing Manager, and Account Executive and has been with MRI for one year; Danielle Blevins has 14 years of experience in the staffing and placement industry as a Staffing Manager, Branch Manager, Director of Recruitment, Staffing Development Manager, and Operations Recruitment Specialist and has been with MRI for six months; Aimee Kerner who has 12 years of experience in the staffing and placement industry in full-cycle recruitment, RPO, and business ownership experience and has been with MRI for one month; Laurie Miller

who has 14 years of experience in the staffing and placement industry as an award-winning recruiter in direct hire and contract staffing recruiting while working in multiple disciplines, including; Information Technology, Manufacturing, Hospitality, and Healthcare. Ms. Miller began at MRI in February 2022.

### Additional Training

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

We provide access to training resources offered via self-directed modules, online webinars, and/or classroom training and are accessed through the MRINetwork Learning Management System (the "Path<sup>®</sup>"). The course catalog consists of subjects ranging from foundation to leadership, management and marketing.

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 some instances, we may pass on actual cost for materials and/or licensing for external content, which will vary depending on the materials. Participants are informed of charge clearly and prior to enrolling in any training program. These programs are optional, and you are not required to attend.

Additional learning opportunities are included and available and include best practice information, content, tools, presentations, materials, recordings and other resources. The media for our training materials may change as technology changes.

Corporate sponsored workshops, meetings and events, such as the Annual Owners' Meeting, CPP Programs (a role based MRINetwork skill certification designation achieved via study and testing) and Pacesetter (a rewards program) have registration fees associated with them, plus the participant's travel and expenses. Registration fees vary depending on the venue and the length of the program but are reasonably related to our costs of presenting the programs.

At our discretion we offer optional additional training programs to members that are not in default of their franchise agreement. These are optional and you have no obligation to attend any additional training programs. We reserve the right to charge a fee for additional training. The prices for these programs will be published in advance and may vary.

### Certified Professional Programs.

Since 1985, we have offered members and their employees, the opportunity to earn a professional accreditation that signifies that they are working with a professional committed to continuous development and high customer service.

Certifications are available for managers, account managers, and project coordinators. Certified professionals have access to conferences, courses, and meetings.

You are responsible for all travel and living expenses of training attendees.

### Site Selection

MRI does not provide any site selection services. If you wish to relocate your office during the term of the agreement, you must notify us and we must approve the new location. Approval will only be denied where the location is in the legacy territory of an existing member with an exclusive territory.

MRI does not provide assistance with equipment, signs, fixtures, opening inventory or supplies. MRI does not typically own the premises leased to you.

#### ITEM 12: TERRITORY

Members who purchase a franchise receive a single site non-exclusive location. MRI can sell additional franchises within the geographic area of your location. You will not receive an exclusive territory. You may face competition from other members, from outlets that we own, or from other channels of distribution or competitive brands that we control. There are no restrictions on your solicitation of customers anywhere in the world, and no restrictions on our ability to solicit or conduct business within the geographic area of your location. You may not relocate your office without our prior written approval.

MRI previously granted exclusive territories ("legacy territory(ies)") but no longer does. Existing members with legacy territories are under no obligation to permit another member to relocate in the legacy territory. The business is conducted largely via long distance and Internet so there is limited, if any, impact on your business from nearby members. Because recruiters work specific industries, you may in fact find that your closest competitor in the MRINetwork 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 subject to any legacy territories. If you choose to locate or relocate to a legacy territory, you may be required to pay a supplemental royalty to the existing member to obtain their consent. This is typically twenty percent (20%) of fees collected by MRI and is dependent upon the decision of the legacy territory owner.

MRI and its affiliates reserve the right to use any channels of distribution to make sales of products or services in any territory while using the MRI trademarks. MRI is not required to compensate franchisees for soliciting or conducting business within any territory.

Our standard franchise agreement does not grant any options, rights of first refusal, or similar rights to acquire additional franchises.

Neither MRI nor any affiliate currently has plans to operate or franchise a business under a different trademark.

Our subsidiary, MRI Contract Staffing, provides temporary personnel placement services. Franchisees may offer "temp-to-perm" or "temp-to-hire" services where a candidate would start as a contract employee and then become a permanent employee of the client and the recruiter would receive the equivalent of a permanent placement fee.

#### ITEM 13: TRADEMARKS

MRI is the owner of the Marks listed below. The Franchise Agreement will license to you the right to operate your MRINetwork Franchised Business under the trade and service mark MRI, as depicted below.



The following Marks, which are used in the Franchised Business, are registered with the U.S. Patent and Trademark Office (the “USPTO”) on its principal register:

Mark	Registration No.	Registration Date
Management Recruiters	906,376	January 19, 1971 Last Renewal: March 19, 2020
MRI	2,014,763  2,014,764  2,817,676	November 12, 1996 Last Renewal: January 22, 2017 November 12, 1996 Last Renewal: January 22, 2017 February 24, 2004 Last Renewal: March 10, 2014
<b>MRINetwork</b>	3,286,712	August 28, 2007 Last Renewal: October 1, 2017
Experts in Global Search	5,304,872	October 10, 2017
MR	5,208,237	May 23, 2017

By having a Principal Register Federal Registration for the MRINetwork, we have certain presumptive legal benefits and rights. Where we have renewed a Mark, it is shown above. We intend to file, when due, an affidavit of incontestability or continued use for each of the Marks listed above.

You must notify us immediately when you learn about an infringement of or challenge to your use of the Marks. MRI will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement and proper use of the Marks, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of the Marks. We have the right to control any administrative proceedings or litigation involving the Marks licensed by us to you. You must fully cooperate with us in defending and/or settling the litigation.

You must modify or stop using any Mark if we modify or discontinue it. You must not directly or indirectly contest our rights in and title to the Marks. In the event we modify, change or discontinue any Marks, you will be responsible for and bear the cost of changing and reimagining to conform to our new, updated Marks.

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

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

We do not know of any superior rights or infringing uses that could materially affect your use of the 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 claim copyrights and other proprietary rights in our Manual and other materials we provide to you for the operation of your Franchised Business. You may use all of these materials while you are a member. You and your employees may only use them for the operation of the 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.

There are no current material determinations of, or proceedings pending in the United States Patent and Trademark Office, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect which limit your right to use any of our copyrights. As of the date of this disclosure document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights which could materially affect your use of them.

Our mutual obligations to protect your rights to use our copyrights are the same as the obligations for Trademarks described in Item 13 of this disclosure document.

During the term of this Agreement, you may have access to and become acquainted with our Confidential Information, which includes trade secrets, including, but not limited to, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; systems of operation, services, programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the System; the Operations Manual; methods of advertising and promotion; instructional materials; marketing plans, business methods, research, development or know-how, any other information which we may or may not specifically designate as "confidential" or "proprietary", and the components of our System whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights. You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade secrets will remain our exclusive property. You may never (during the Initial Term, any Renewal Term, or after the Franchise Agreement expires or is terminated) reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination.

You must promptly tell us when you learn about unauthorized use of any Confidential Information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses brought by a third party concerning your use, in strict compliance with the Franchise Agreement, of the Confidential Information.

#### ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

A General Manager, which may be you or a person appointed by you, must directly supervise the franchised business on its premises. The General Manager may be a principal of the member if member is an entity. A General Manager must attend and complete all training required of a member and sign a Confidentiality and Non-Competition Agreement prior to taking over as General Manager. The General Manager is not required to be a shareholder in the franchised business.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all products and services which are a part of the System, and all products and services which we may incorporate into the System in the future. You may only offer those products and services which we have previously approved.

You may not use our Marks for any other business, and you may not conduct any business other than the MRINetwork franchise from your approved location. You cannot engage in any business other than your MRINetwork franchise that competes with your MRINetwork franchise, with MRI or our Affiliates, or with other MRINetwork members, whether such business is inside or outside of your Location.

We may add to, delete from, or modify the products and services which you can and must offer. You must abide by any additions, deletions and modifications, but only if the changes do not materially and unreasonably increase your obligations under the Franchise Agreement. There are no other limits on our rights to make these changes.

Contract Staffing. You are not required to offer contract staffing services. If you do, you may only conduct temporary staffing activities through MRI Contract Staffing, LLC. We encourage you to develop temporary staffing as part of your permanent placement business. It is our experience that MRI businesses that offer both temporary and permanent placement services during startup are more likely to be successful than those that offer only permanent placement.

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

ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
Length of the Franchise Term	Section 3	Five years
b. Renewal or extension of the term	Section 14	Five years; provided you meet the requirements for renewal; compliance with the franchise agreement, payment of all fees owed to MRI, entering into the then-current franchise agreement.
c. Requirements for you to renew or extend	Section 14	Notice, compliance with Franchise Agreement, execute new Franchise Agreement that may have materially different terms and conditions than found in your original contract; execute a general release, a copy of which is attached as

Provision	Section in franchise or other agreement	Summary
		Exhibit G, comply with our then current training requirements and upgrade operations to our then current standards and methods.
d. Termination by you	None	N/A
e. Termination by us without cause	None	N/A
f. Termination by us with cause	Section 16	Default of obligations under the franchise agreement.
g. "Cause" defined - defaults which can be cured	Section 16	Default of obligations under the franchise agreement which include failure to pay any amounts when due and failure to comply with operational obligations set forth in the franchise agreement or operations manual.
h. "Cause" defined – non-curable	Section 12	Defaults of obligations under the franchise agreement as defined in Sections 16.2.1 including insolvency, bankruptcy, and assignment to creditors; and in Section 16.2.2 including failure to attend training and open business, falsifying reports, abandonment, understating net cash-in, unapproved relocation or transfer, misrepresentation, conviction or nolo contendere plea for felony or misdemeanor that MRI determines is damaging to the goodwill of the system, refusal to permit inspection and audit, unauthorized use of the trademarks, failure to comply with covenants in the agreement, multiple defaults of the agreement, termination of any other agreements with MRI or its affiliates.
i. Your obligations on termination/non-renewal	Section 17	Cease using trademarks, deidentify, cancel assumed name registrations, pay all

Provision	Section in franchise or other agreement	Summary
		sums owed within five days, including remaining service fee payments through the end of the Franchise Agreement term unless otherwise waived pay damages and expenses for enforcement of the post-termination obligations, destroy all tangible copies of materials and delete all electronic copies of materials.
j. Assignment of contract by us	Section 13	No restriction on our right to transfer.
k. "Transfer" by you - definition	Section 13	Includes transfer of interest in Franchise Agreement or all or substantially all of the assets of your business, payment of a Transfer Fee, and sign all documents required by MRI for Transfer.
l. Our approval of transfer by you	Section 13	We have the right to approve or disapprove all transfers.
m. Conditions for our approval of transfer	Section 13	Includes payment of money owed, non-default, payment of a transfer fee, execution of release, transferee qualifications, and execution of new agreement.
n. Our right of first refusal to acquire your business	None	N/A
o. Our option to purchase your business	None	N/A
p. Your death or permanent disability	Section 13	May be transferred to surviving spouse or adult children upon their approval and entering into a new franchise agreement.
q. Non-competition covenants during the term of the franchise	Section 15	Includes prohibition against owning or operating a business that provides similar service within the staffing placement industry. "Staffing placement industry" are businesses operated under NAICS codes 561311 (Employment Placement

Provision	Section in franchise or other agreement	Summary
		Agencies), 561312 (Executive Search Services), and/or 561320 (Temporary Help Services).
r. Non-competition covenants after the franchise is terminated or expires	None	N/A
s. Modification of the agreement	Section 23	Must be in writing and signed by both parties.
t. Integration/merger clause	Section 23	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by mediation and/or litigation	Section 20	The parties must first attempt to negotiate any disputes in a face-to-face meeting. If unsuccessful, litigation may proceed. The parties waive exemplary damages. The parties agree to a two-year limitation on claims. The parties agree to waive jury trial. The parties agree to limit any named parties in a dispute to the member, franchisor, and guarantors.
v. Choice of forum	Section 22	Palm Beach County, Florida or the Southern District of Florida (Subject to applicable state law).
w. Choice of law	Section 22	Florida (Subject to applicable state law).

ITEM 18: PUBLIC FIGURES

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

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) the franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Lorinda Ritts, 190 Congress Park Drive, Suite 100, Delray Beach, FL 33445, 215.372.1410, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1  
Systemwide Outlet Summary  
For years 2019, 2020, 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	322	297	-25
	2020	297	265	-32
	2021	265	248	-17
Company Owned	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Total	2019	322	297	-25
	2020	297	265	-32
	2021	265	248	-17

Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2019, 2020, 2021

State	Year	Number of Transfers
Florida	2019	1
	2020	1
	2021	0
New Jersey	2019	0
	2020	0
	2021	1
North Carolina	2019	0
	2020	0
	2021	1
Texas	2019	0
	2020	1
	2021	0
Total	2019	1
	2020	2
	2021	2



Table No. 3  
Status of Franchised Outlets  
For years 2019, 2020, 2021

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Alabama	2019	3	0	0	0	0	1	2
	2020	2	0	1	0	0	0	1
	2021	1	0	0	0	0	0	1
Alaska	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	3	1
	2021	1	0	0	0	0	1	0
Arizona	2019	3	0	0	1	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Arkansas	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	1	0	0	1
California	2019	23	1	0	1	0	2	21
	2020	21	0	0	1	0	2	18
	2021	18	0	0	0	0	0	18
Colorado	2019	7	0	0	1	0	0	6
	2020	6	0	1	0	0	1	4
	2021	4	0	0	0	0	0	4
Connecticut	2019	2	0	0	0	0	0	2
	2020	2	0	0	1	0	0	1
	2021	1	0	0	0	0	0	1
Delaware	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Florida	2019	27	2	0	0	0	0	29
	2020	29	1	1	0	0	1	28
	2021	28	0	0	0	0	3	25
Georgia	2019	12	0	0	2	0	1	9
	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	0	9
Hawaii	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Idaho	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	1	0	0	2
Illinois	2019	11	1	0	1	0	0	11
	2020	11	0	0	0	0	1	10
	2021	10	1	0	0	0	0	11
Indiana	2019	13	0	1	4	0	0	8
	2020	8	1	0	0	0	0	9
	2021	9	0	0	0	0	0	9
Iowa	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	1	0	0	0	0	5
Kansas	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Kentucky	2019	1	0	0	0	0	1	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Louisiana	2019	3	1	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
Maine	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Maryland	2019	7	0	0	0	0	0	7
	2020	7	0	0	0	0	0	7
	2021	7	0	1	0	0	0	6
Massachusetts	2019	5	0	0	0	0	1	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
Michigan	2019	12	0	0	0	0	0	12
	2020	12	0	1	1	0	0	10
	2021	10	0	0	0	0	1	9
Minnesota	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Mississippi	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Missouri	2019	7	1	0	1	0	2	5
	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	1	4
Montana	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Nebraska	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Nevada	2019	1	0	0	1	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
New Hampshire	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New Jersey	2019	11	0	0	0	0	0	11
	2020	11	0	0	0	0	2	9
	2021	9	0	0	0	0	0	9
New Mexico	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
New York	2019	13	0	0	0	0	0	13
	2020	13	0	1	1	0	1	10
	2021	10	0	1	0	0	1	8
North Carolina	2019	21	0	0	1	0	0	20
	2020	20	0	0	0	0	1	19
	2021	19	0	0	0	0	1	18
North Dakota	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Ohio	2019	19	0	0	1	0	1	17
	2020	17	0	0	0	0	2	15
	2021	15	0	1	1	0	0	13

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Oklahoma	2019	4	0	2	0	0	0	2
	2020	2	0	1	0	0	0	1
	2021	1	0	0	0	0	0	1
Oregon	2019	5	0	0	0	0	1	4
	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	0	3
Pennsylvania	2019	14	2	1	2	0	0	13
	2020	13	0	0	1	0	1	11
	2021	11	0	0	0	0	1	10
Puerto Rico	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Rhode Island	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
South Carolina	2019	10	0	0	0	0	1	9
	2020	9	0	0	0	0	0	9
	2021	9	0	1	0	0	1	7
South Dakota	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Tennessee	2019	8	1	0	0	0	0	9
	2020	9	0	1	0	0	0	8
	2021	8	0	0	0	0	0	8
Texas	2019	17	2	0	0	0	0	19
	2020	19	0	0	2	0	1	16
	2021	16	0	0	0	0	1	15
Utah	2019	3	0	0	1	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Vermont	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Virginia	2019	4	0	0	0	0	1	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Washington	2019	13	0	0	1	0	1	11
	2020	11	0	0	1	0	1	9
	2021	9	0	0	0	0	0	9
West Virginia	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Wisconsin	2019	13	0	0	1	0	0	12
	2020	12	0	0	2	0	1	9
	2021	9	1	0	0	0	2	8
Wyoming	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Total	2019	322	11	4	19	0	13	297
	2020	297	4	7	10	0	19	265
	2021	265	3	4	3	0	13	248

Table No. 4  
Status of Company Owned Outlets  
For years 2019, 2020, 2021

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Totals	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

Table No. 5  
Projected Openings as of January 1, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
California	0	2	0
Colorado	0	1	0
Connecticut	0	1	0
Florida	0	2	0
Illinois	0	2	0
New Jersey	0	1	0
New York	0	2	0
North Carolina	0	2	0
South Carolina	0	2	0
Texas	0	2	0
Washington	0	1	0
Total	0	18	0

Exhibit D-1 lists the names of all our current members as of December 31, 2021.

Exhibit D-2 lists every member 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 members. Confidentiality agreement were entered into as part of a settlement of a dispute between us and the current or former member or, in some cases, with individuals who chose to cease operations prior to the expiration of their franchise agreement for any reason. In some instances, current or former members 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 members will be able to communicate with you.

Exhibit F lists the trademark specific organization that we sponsor.

**ITEM 21: FINANCIAL STATEMENTS**

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

1. Our audited balance sheet as of December 31, 2021 and the related consolidated statement of operations, comprehensive income, cash flow and equity for the year ended December 31, 2021.

2. Our audited balance sheet as of December 31, 2019 and 2020 and the related consolidated statements of operations, comprehensive income (loss), cash flows and equity for each of the years in the two-year period ended December 31, 2020.

ITEM 22:       CONTRACTS

Copies of all the agreements regarding our franchise offering are attached as Exhibit A, Franchise Agreement for Established Firm. The Franchise Agreement includes: MRI Franchise Agreement for Established Firm, MRI Contract Staffing Agreement, Confidentiality and Non-Compete Agreement, Personal Guaranty (if applicable), and Agreement to Arbitrate Member Disputes. Additionally, also attached as Exhibit B is the SBA Addendum.

ITEM 23:       RECEIPTS

You will electronically sign acknowledgement of your Receipt in Exhibit L at the very end of this disclosure document. Please sign the document electronically and save one for your records.

EXHIBIT A TO THE FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT FOR ESTABLISHED FIRM





Management Recruiters  
Franchise Agreement  
For  
Established Firm

Name

Brand Name

Franchise Number:

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**EXHIBIT A: CONFIDENTIALITY AND NON-COMPETE AGREEMENT**

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**EXHIBIT E: ACH AUTHORIZATION**

**EXHIBIT F: ACKNOWLEDGEMENT**

**MANAGEMENT RECRUITERS FRANCHISE AGREEMENT  
ESTABLISHED FIRM**

This Agreement is entered into as of the Effective Date indicated on Schedule 1 of this Agreement at Delray Beach, Florida, by and between Management Recruiters International, Inc., a Delaware corporation (“MRI”) and \_\_\_\_\_ (“Principal”) and \_\_\_\_\_ (collectively “Member”).

**RECITATIONS**

Through the expenditure of considerable time, effort, and money, MRI has designed, developed, and established and franchises a unique and distinctive personal placement service and staffing business, the “MRINetwork,” using MRI’s standards, methods, marketing, training, and assistance using its confidential business practices and policies, and an extensive online training and operating resources (the “Manual”), and MRI’s quality standards; instructional materials, and other training courses (the “System”).

The System is identified by certain trade names, services marks, trademarks, logos, emblems, and indicia of origin, including but not limited to the federally registered service marks: “Management Recruiters,” “MR,” “MRI,” and “MRINetwork” and such other trade names, service marks, and trademarks as are now designated and may be designated or substituted by Franchisor for use in connection with the System (the “Marks”).

MRI continues to develop, use, and control the use of the Marks in order to identify for the public the source of services and products marketed under the Marks and the System and to represent the System’s high standards of quality and service.

Member understands and acknowledges the importance of MRI’s high and uniform standards of quality and service, and the necessity of operating the business franchised in this Agreement in conformity with Franchisor’s standards.

Member is a current staffing and search professional specializing in the field of staffing and recruiting, having experience in businesses with NAICS codes 561311 (Employment Placement Agencies), 561312 (Executive Search Services, and/or 561320 (Temporary Help Services).

Member has decided to enter into this Agreement because Member desires to operate a high- quality personal placement and staffing business utilizing the System. Member understands and accepts the terms, conditions, and covenants contained in this Agreement as being reasonably necessary to maintain MRI’s high standards of quality and service and thereby to protect and preserve the goodwill of the Marks and other intellectual property licensed to Member in this Agreement or which may be added to the System from time to time.

The parties, in consideration of the promises, undertakings, and commitments of each party to the other set forth in this Agreement, and intending to be legally bound hereby, mutually agree as follows:

- 1. RECITATIONS.** The Recitations set out above form part of this Agreement.

## 2. GRANT AND LIMITATIONS

- 2.1. MRI grants to Member and Member accepts, upon the terms and conditions contained herein, the license to operate a Management Recruiters franchise (the “Franchised Business”), using only the Marks licensed hereunder which may be changed, improved, and further developed by MRI from time to time. This grant applies only to the non-exclusive Location, which is more particularly described in Section 4, herein, and in Schedule 1, attached to this Agreement.
- 2.2. The parties hereto acknowledge that this Agreement and the rights granted herein are a license only, that Member is acting independently in Member's own business and is not authorized to act for or on behalf of MRI and that MRI, is not authorized to direct the day-to-day operations of Member's business, or the acts of Member's agents or employees, and that none of the acts or commitments of Member shall in any manner bind or obligate MRI. Member will display in its office and on any website, social media account, and other marketing materials which include the Marks the statement “An Independent MRINetwork Member” or such other designation as MRI may require.
- 2.3. Reservation of Rights. Member understands and agrees that all rights to any form of commerce, other than as specified in this Agreement, are fully reserved to MRI exclusively for sales, solicitation, and distribution. This reservation of MRI's rights for the sale, solicitation, and distribution of products or services through alternate channels of commerce includes, but is not limited to, Franchisor's right to franchise, license, and contract or arrange others to utilize this right and Franchisor's right to sell services and products through alternative channels of distribution. Member agrees that such implementation of MRI's right is deemed not to impair or injure Member's Franchised Business. MRI reserves all rights not expressly granted in writing in this Franchise Agreement. Member will receive no compensation for Franchisor's sales of services through alternative distribution channels. MRI may offer Franchises to others without the consent of Member.

## 3. TERM

Unless terminated earlier in accordance with the terms of this Agreement, this Agreement and the Franchise granted hereunder will commence upon the Effective Date as described in Schedule 1 attached hereto and will expire on the Expiration Date described in Schedule 1 attached hereto (the “Term”).

## 4. TERRITORY AND LOCATION

- 4.1. Location. This Agreement grants Member the right to operate the Franchise Business from a single non-exclusive location identified on Schedule 1, attached hereto (the “Location”).
- 4.2. Relocation. Member may not relocate the Franchised Business without MRI's written approval of the new location. Member acknowledges that MRI, in the past, granted exclusive territories and some of these territories may still exist within the MRINetwork (the “Legacy Territory”). MRI will not deny relocation unless, in its sole judgment, such relocation would be a violation of another member's territorial rights. In the event a Member seeks to relocate into a Legacy Territory, Member acknowledges that it may be required to make payment of a Supplemental Royalty above Member's Royalty, as described in Section 5, which will be paid, in full, by MRI to the owner of the Legacy Territory. The decision whether a relocation into a Legacy Territory may occur is solely at the Legacy Territory owner's discretion.

- 4.2.1. If Member's request is approved, Member agrees to sign a Relocation Amendment identifying any terms or conditions of the relocation and confirming the new location for the Franchised Business. Member's relocation will be at Member's sole expense. In the event of a relocation, Franchise will, prior to the relocation, remove any signage or other property from the original Location which identified the original Location as part of the System.
- 4.2.2. If Member relocates the Franchised Business without MRI's approval, Member will reimburse MRI for any Supplemental Royalty MRI is required to pay to the Legacy Territory owner for the remaining term of this Franchise Agreement.
- 4.3. Location Visit. MRI has the right, but not the obligation, to enter the Location premises during normal business hours to inspect the operations of the Franchised Business, provide training and support, review records, and conduct other activity it deems necessary to foster and confirm compliant operation of the Franchised Business.
- 4.4. Maintenance of Location. Member will maintain the Franchised Business and Location to the standards of safety, sanitation, repair, and condition required by all applicable governmental authorities for the Location.

## 5. FEES

- 5.1. Initial Franchise Fee. Member will not pay an Initial Franchise Fee.
- 5.2. Service Fee. Member shall pay a Service Fee equal to the amount defined in Schedule 1 to this Agreement starting upon execution of this Agreement and continuing until the Expiration Date described in Schedule 1 to this Agreement.

**The Service Fee is fully earned upon execution of the Franchise Agreement and not refundable under any circumstances.**

**In the event of termination of this Agreement, for any reason, prior to the Expiration Date, Member shall be responsible for payment of the Service Fee for the remaining term of this Agreement, unless otherwise waived by MRI in writing.**

- 5.3. Royalty. Member shall pay a monthly Royalty equal to one percent (1%) of Member's Net Cash-In. Payment to be made on the 5<sup>th</sup> day of each month starting on the 5<sup>th</sup> day of the month immediately following execution of this Agreement on any Net Cash-In received for placements made by Member beginning on the Effective Date and continuing until the Expiration Date as described in Schedule 1 to this Agreement. Royalty will not be due on placements made prior to execution of this agreement, but for which payment is received by Member after execution of this Agreement.
- 5.4. Marketing and Public Relations Fund (MPRF). Member shall pay to MRI a monthly MPRF fee equal to one-half percent (0.5%) of Member's Net Cash In to be paid on the 5<sup>th</sup> day of each month starting on the 5<sup>th</sup> day of the month following execution of this Agreement on any Net Cash-In received for placements made by Member from the Effective Date and continuing until the Expiration Date as described in Schedule 1 to this Agreement.
- 5.5. "Net Cash-In" is defined for purposes of this Agreement as all receipts from Member's staffing and related services business, including, but not limited to, receipts from the performance of placement, recruiting, outplacement, and management consulting services, and any other similar staffing, training, human resource, salary surveys or analysis, or other business in which Member or MRI or its subsidiaries

is presently or subsequently engaged, less only any refunds and split fees paid to any other MRINetwork member and sales and use taxes collected by Member for payment to the relevant taxing authority. "Net Cash-In" also includes all receipts of Member and any affiliate of Member from any such business and any other business in which Member may engage in violation of any obligation contained in this Agreement. Recruiter Profitability Share received for contract staffing engagements through MRI Contract Staffing, LLC is not Net Cash-In for the purposes of Royalty and MPRF fees. "Recruiter Profitability Share" is the amount received from MRI Contract Staffing, LLC engagements less the payroll and fees paid to MRI Contract Staffing, LLC pursuant to the MRI Contract Staffing, LLC Contract Staffing Agreement, Exhibit C to this Agreement. Any fees received for contract staffing engagements other than those through MRI Contract Staffing, LLC are Net Cash-In for Royalty and MPRF fees.

- 5.6. Estimated Royalty/MPRF. In the event Member does not report Net Cash-In within five (5) days of the due date for reporting, Franchisor may estimate and collect payment of Royalty and MPRF fees based on the Estimated Royalty. Royalty and MPRF will be estimated at 120% of the last Royalty and MPRF fee paid. If no Royalty and MPRF fee has been paid, MRI will use \$1,000 as the Estimated Royalty/MPRF. Any over- or under- payment will be credited or charged to the next month's Royalty Fee. In no event, will MRI be required to make payment of a refund to Member. Member's only remedy for an overpayment resulting from an estimated royalty will be a credit. The estimation of Royalty and MPRF fees described in this Section 5.8 does not relieve Member from its obligations to report Net Cash-In in accordance with this Agreement and does not create a waiver of any rights held by MRI.
- 5.7. Method of Payment. Member's Service Fee will be paid by automatic ACH payment monthly on the dates due. Member will, in addition, submit Net Cash-In reports monthly and together with the submission of its monthly reports, as described in Section 6 herein, advise MRI of the Net Cash- In for the prior month. MRI will withdraw, through ACH transfer, the Royalty and MPRF fees, then due. Member is required to sign the ACH Authorization attached to this Agreement as Exhibit E. Member must at all times retain sufficient funds in the bank account from which ACH payments are made to make payment of all fees due to MRI. Member's failure to maintain sufficient funds in its bank account to cover all fees or to allow electronic funds transfers more than three (3) times during the term of this Agreement is a material breach of this Agreement.
- 5.8. Annual Owners Meeting Registration Fee: This fee will be reasonably related to the cost of attendance at the annual meeting. Members will be notified of all fees in advance of the Annual Owners Meeting.
- 5.9. Additional Training Fee. MRI may charge an Additional Training Fee for classroom training not covered in the Service Plan attached describe in Schedule 1 to this Franchise Agreement. Any Additional Training Fee will be based on the type of training, duration, and other factors. The price will be published prior to your attendance. Fees are typically charged to offset costs from third party, externally developed content, or to offset costs of meals provided during the meeting. Additional Training is optional at the request of Member.
- 5.10. Transfer Fee. Member will pay a Transfer Fee of \$5,000. Payment of the Transfer Fee shall be made at the time of transfer.
- 5.11. Late Fee. If any Monthly Report is not received by MRI as required by this Agreement, Member shall pay to Franchisor a late fee of Fifty Dollars (\$50) per week for each week that the report is not received. This late fee is reasonably related to the costs resulting from the delay in payment and/or receipt of any late report and is not a penalty. It is in addition to any other remedy available to MRI under this Agreement.

- 5.12. Interest. Any and all amounts that are unpaid at the time they are due and owing from Member to MRI under the terms of this Agreement will bear interest from the date due until paid at the rate of 1.5% per month, or the highest rate permitted by law, whichever is lower.
- 5.13. Insufficient Funds Fee. In the event any of Member's payments are returned or denied for insufficient funds, Member will pay MRI, in addition to the amount due, an Insufficient Fund Fee of Fifty Dollars (\$50) or an amount equal to that charged to MRI by its bank, whichever is higher, per occurrence. This Insufficient Funds Fee is reasonably related to Franchisor's costs resulting from the delayed and declined payment and is not a penalty. It is in addition to any other remedy available to MRI under this Agreement.
- 5.14. National Vendor Programs. From time-to-time, there may be fees related to National Vendor Programs that are paid to and/or for a third-party vendor. In the event Member chooses to participate in a national vendor program and the vendor requires payment directly from MRI, Member agrees to make its payment for such third-party vendor services directly to MRI in accordance with the requirements of the vendor and instructions of MRI.

## **6. REPORTING AND PAYMENT**

- 6.1. Member must report all activity of the Franchised Business monthly as instructed by MRI and in the manner prescribed by MRI, whether or not Member has had Net Cash-in during the period (the "Net Cash-In Report"). The Net Cash-In Report must be submitted and verified no later than the fifth (5<sup>th</sup>) day of each month for the preceding month's activities and will be in such form and will contain such information as MRI may from time to time require.
- 6.2. Payment of fees are due on a monthly basis on the fifth (5<sup>th</sup>) day of the month, unless otherwise specified from time to time, utilizing the methods and procedures as MRI may designate from time to time. Late payments incur fees and interest as provided in Sections 5.10 and 5.11, above.
- 6.3. Prior to beginning business under this Agreement, Member shall establish and continuously maintain an account for the transfer of fees to MRI. Member shall provide the completed ACH Authorization, attached hereto as Exhibit E. The ACH Authorization may not be withdrawn or modified without the prior written approval of MRI, which approval will be within the business judgment of MRI. Member shall also execute such other forms relating to funds transfer as MRI may request from time to time.
- 6.4. Member shall deposit all receipts of the Member's business in the designated account. In the event Member maintains any other accounts of any type for Member's business, Member shall identify these accounts to MRI and provide to MRI copies of the monthly statements for all such accounts and the details of all deposits to them, upon written request.
- 6.5. MRI is not obligated to make payment of cash to Member for any overpayment of fees, whether resulting from the payment of refunds or split fees, or other causes. Any overpayment will be remedied as an adjustment to the next payment due from Member.
- 6.6. Member shall pay the charges imposed by Member's bank and MRI shall pay the charges imposed by MRI's bank relating to the funds transfer program.
- 6.7. Beginning on the day after any Royalty or Marketing and Public Relations Fund Fee payment is due, interest shall accrue on any unpaid balance at the rate of one- and one-half percent (1.5%) per month (or such lesser rate as may be the highest rate permitted under applicable law for transactions of this

type). In addition, Member agrees to reimburse MRI for all costs and expenses, including reasonable attorneys' fees, incurred in the collection and determination of amounts due hereunder.

- 6.8. To the extent MRI provides Member with any services or products not covered by this Agreement, MRI may determine the fees to be paid by Member for services or products, subject to the right of Member to choose not to receive them.
- 6.9. Member authorizes MRI to obtain a credit report on Member at any time during the term of this Agreement, and after its expiration or termination if Member owes money to MRI on the date of expiration or termination.

## **7. OBLIGATIONS OF MRI**

- 7.1. MRI will provide the Services Package described in Schedule 1.
- 7.2. Online Operating Materials. MRI shall provide Member with electronic access to materials developed for use by members in the operation of the Franchised Business. The operating materials will remain, at all times, the property of MRI. Member agrees that it will comply with all obligations set forth in the operating materials and acknowledges that the operating materials may be changed from time to time, in MRI's sole discretion. Member agrees to comply with all changes to the operating materials. All operating materials provided by MRI remain the property of MRI. Member may not share these operating materials with anyone other than employees and managers or use them for any other purpose besides the operation of the Franchised Business. These materials are MRI's proprietary materials and must be treated as confidential.
- 7.3. Training. MRI will provide twenty-seven (27) hours of new office training through its virtual training platform.
- 7.4. Marketing and Public Relations Fund. Administer a Marketing and Public Relations Fund.
  - 7.4.1. MRI has established a Marketing and Public Relations Fund ("MPRF") on behalf of the System to provide marketing, advertising, public relations services, materials, training as well as meetings and events to support the MRINetwork. MRI will direct all advertising and marketing programs and have sole discretion in the creative concepts, materials, and media used in such programs and the placement and allocation thereof.
  - 7.4.2. The MPRF may be used to meet costs of maintaining, administering, directing, conducting, and preparing marketing, public relations, meeting support, and/or promotional programs and materials, supporting technology and any other activities which MRI believes, in its sole business judgment, will enhance and improve the image of the MRINetwork.
  - 7.4.3. The MPRF may be used to defray expenses, such as reasonable costs and overhead related to the direction and implementation of the MPRF and marketing and public relations programs.
  - 7.4.4. MRI has no obligation to make expenditures that are equivalent or proportionate to Member's MPRF contribution or to ensure that any franchisee benefits directly or pro-rata from the production or placement of advertising from the MPRF.
  - 7.4.5. MRI will prepare an unaudited annual statement of the MPRF's operations and will make it available upon written request.



- 7.4.6. Although the MPRF is intended to be of perpetual duration, MRI may terminate it at any time and for any reason, or no reason. Franchisor will not terminate the MPRF, however, until all monies in the MPRF have been expended.
- 7.5. Website. MRI will maintain a website at MRINetwork.com and will include Member's franchised business in its directory of members available to the public.
- 7.6. Approved Vendor Program. Provide a list of approved vendors and negotiate vendor discounts for use by Member in the Franchised Business. MRI may change vendors or systems if, in its sole discretion, it determines that alternate vendors, products or systems are better suited to the support of the MRINetwork.
- 7.7. If MRI receives any cash rebates, volume discounts, concessions, advertising allowances, or discount bonuses (collectively "Discounts"), whether by way of cash, kind, or credit, from any vendor designated by MRI, whether or not on account of purchases made (i) by MRI for its own account or for Member's account, or members generally, or (ii) by Member directly for its own account, MRI is not required to reimburse or share such funds with Member.

## **8. TRAINING**

- 8.1. MRI will provide Member with New Office Training and provide all training materials, and other materials necessary for the training, and access to MRI's online training resource.
- 8.2. Member must complete training to MRI's satisfaction. If Member fails to complete training to MRI's satisfaction, MRI may require Member to complete additional training.

## **9. MEMBER'S REPRESENTATIONS, WARRANTIES AND COVENANTS**

- 9.1. Best Efforts. Member covenants and agrees that it will devote its full time and best efforts and using all commercially reasonable efforts to operate the Franchised Business so as to achieve optimum placements.
- 9.2. Corporate Representations. If Member is a corporation, partnership, limited liability company, or other legal entity, Member and each shareholder, director, and officer (the "Principal(s)") described in Schedule 2 to this Agreement represent, warrant and covenant that:
- 9.2.1. Member is duly organized and validly existing under the state law of its formation;
- 9.2.2. Member is duly qualified and authorized to do business in the jurisdiction of the Location;
- 9.2.3. Member's organization documents will at all times provide that the activities of Member are confined exclusively to the operation of the Franchise granted herein, unless otherwise consented to in writing by MRI, which consent may be withheld by MRI in its sole discretion;
- 9.2.4. The execution of this Agreement and the consummation of the transactions contemplated in this Agreement are within Member's power and have been duly authorized by Member;
- 9.2.5. Copies of Member's organizational documents, other governing documents, resolutions or consents of the governing board authorizing entry into and performance of this Agreement, and

any certificates, buy-sell agreements or other documents restricting the sale or transfer of equity interests in Member, and any other documents as may be reasonably required by MRI will be furnished to MRI upon written request;

- 9.2.6. The ownership interests in Member are accurately and completely described on Schedule 2 of this Agreement;
- 9.2.7. If Member is a corporation, Member will maintain stop-transfer instructions against the transfer on its records of any of its equity securities. Each stock certificate must conspicuously state, in a form satisfactory to MRI, that it is held subject to all restrictions on assignments imposed by this Agreement; provided, however, that the requirements of this Section do not apply to the transfer of equity securities of a publicly held corporation. For purposes of this Agreement, a publicly held corporation is a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act. If Member is a partnership or limited liability company, its written partnership or limited liability company operating agreement must provide that ownership of an interest in such entity is held subject to all restrictions on assignments imposed by this Agreement;
- 9.2.8. Member will at all times maintain sufficient working capital to fulfill its obligations under this Agreement. Member and each Guarantor will, upon written request, provide MRI with their most recent financial statements and tax returns. Each of the financial statements and tax returns are to be certified as true, complete and correct and must be prepared in conformity with GAAP applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exists as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities on the financial statements of Member or Principal; and
- 9.2.9. Each Principal having a 50% or greater share in the Member or, if no Principal has a 50% or greater share, all Principals having a 10% or greater share in the Member will personally execute and bind himself or herself to the Confidentiality and Non-Compete Agreement as well as the Personal Guaranty (if the Franchisee is an entity only), in the forms of Exhibit A and B to this Agreement, respectively. Each shall jointly and severally guarantee Member's performance of all of Member's obligations, covenants and agreements under the Agreement, and otherwise bind themselves to the terms of this Agreement as stated herein, pursuant to the terms and conditions of the Confidentiality and Non-Compete Agreement and Personal Guaranty.

### 9.3. Appointment of General Manager.

- 9.3.1. Member, or one of Member's Principals, should be designated as the General Manager. If Member or Member's Principals cannot act as General Manager, Member must hire a general manager to direct the operation and management of the Franchised Business ("General Manager"). Member shall designate its General Manager prior to attending new office training. The General Manager will be responsible for the daily operation of the Franchised Business.
- 9.3.2. The General Manager must, during the entire period as General Manager, meet the following qualifications:
- 9.3.2.1. The General Manager will meet Franchisor's standards and criteria for such individual, as set forth in writing by MRI and will be an individual otherwise acceptable to MRI in its sole

discretion.

- 9.3.2.2. The General Manager will devote his or her full time and best efforts to the supervision and management of the Franchised Business and may not engage in any other business activity that deters from the operation of the Franchised Business without MRI's consent, which may be withheld in MRI's sole discretion.
- 9.3.2.3. The General Manager will satisfy the training requirements set forth in Section 8 herein.
- 9.3.3. If the General Manager is not able to continue to serve in such capacity, or no longer qualifies to act as such in accordance with this Agreement, Member will promptly notify MRI and designate a replacement within thirty (30) days after the General Manager ceases to serve, or such time granted by MRI upon request for extension. Such replacement will be subject to the same qualifications required by this Agreement (including, but not limited to, completing all training and obtaining all certifications required by MRI). Any Principal who meets the qualifications may serve as General Manager.
- 9.4. Legal Compliance. Member shall comply with all federal, state and local laws, rules, regulations, and ordinances, and timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business. Such laws, rules, and regulations will include, without limitation, licenses to do business, fictitious name registrations, sales and other tax permits, and any permits, certificates, or licenses required by any federal, state, or local law, rule, or regulation, and any other requirement, rule, law, or regulation of any federal, state, or local jurisdiction. Member shall pay all taxes and other fees owed to any federal, state, or local government when due.
- 9.5. Claims. Member will notify MRI in writing within three (3) calendar days of the commencement of any action, suit, or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, in any way relating to or affecting the operation or financial condition of the Franchised Business.
- 9.6. Contract Staffing. Member will enter into the MRI Contract Staffing Agreement attached hereto as Exhibit C in order to offer contract staffing services. Member is not required to offer Contract Staffing Services, however, if Member chooses to do so, Member must use MRI Contract Staffing, LLC, MRI's affiliate, for any contract staffing services, unless otherwise agreed in writing by MRI. Member agrees and acknowledges that the MRI Contract Staffing Agreement runs concurrent with this Agreement and will terminate upon expiration or termination of this Agreement. If Member is currently engaged in contract staffing activities with other contract staffing providers, nothing contained herein requires Member to transfer existing contractors to MRI Contract Staffing, LLC MRI agrees and acknowledges that contractors placed prior to the effective date of this Agreement are excluded from the requirements contained herein.
- 9.7. Continuing Obligation. Member and each Principal acknowledge and agree that the representations, warranties, and covenants set forth in this Section 9 are continuing obligations of Member and each Principal, as applicable, and that any failure to comply with such representations, warranties, and covenants constitute a material event of default under this Agreement. Member and each Principal will cooperate with MRI in any efforts made by MRI to verify compliance with such representations, warranties, and covenants.

## 10. MEMBER OPERATIONS

- 10.1. Operation of Franchised Business. In order to maintain the highest degree of quality and service, Member will:
- 10.1.1. Disclose to all persons employed or retained by Member that they are the employees or agents of Member and not MRI. Member will ensure that all materials provided to applicants of the Franchised Business during the application and hiring process prominently state: **This business is an independently owned and operated franchise of the MRINetwork. You are not an employee or agent of Management Recruiters International, Inc.**
  - 10.1.2. If Member has an office in operation at the time of signing this Agreement, Member agrees to continue to operate the business subject to the terms of this Agreement without a halt in operations. If Member does not have an office in operation at the time of signing this Agreement, Member agrees to open and operate an office no less than three (3) months from the date of the Franchise Agreement.
  - 10.1.3. Member agrees to comply with the directives, rules, and procedures specified by MRI, which it may modify from time-to-time and will, among other things:
    - 10.1.3.1. Maintain and operate the Franchised Business in good condition in a proper and businesslike manner;
    - 10.1.3.2. Comply with all applicable governmental laws, ordinances, rules, and regulations, including prompt payment of taxes when due;
    - 10.1.3.3. Adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct in all dealings with other members, customers, clients, vendors, and MRI;
    - 10.1.3.4. Employ only qualified individuals who are trained in accordance with MRI's standards and who will at all times conduct themselves in a competent and courteous manner in accordance with this Agreement and the image and reputation of the System. Member shall use its best efforts to ensure that its employees render competent and courteous service to all customers and clients. Member acknowledges and agrees that poorly trained employees and incompetent or discourteous service are extremely damaging to the goodwill of the System and the Marks and are a material default of this Agreement.
    - 10.1.3.5. Prominently display on all marketing materials, websites, and upon any signage or office location containing the Marks the term "An Independent Member of MRINetwork" in the manner and form prescribed by MRI.
    - 10.1.3.6. Conduct all advertising programs in a dignified manner that will not detract, in MRI's sole discretion, from the reputation of the MRINetwork or the Marks;
    - 10.1.3.7. Cease use of any advertising programs or materials within twenty-four (24) hours of receipt of written notice from MRI.
    - 10.1.3.8. Offer all and only such services as may from time to time be approved and/or required by MRI.
    - 10.1.3.9. Devote Member's full time, energy, and best efforts to the efficient and effective

management and operation of the Franchised Business and use the Location only for the purposes designated in this Agreement, and avoid any activities that would conflict or interfere with or be detrimental to such purposes;

10.1.3.10. Only use the Marks as they relate to the System and then only as previously approved by MRI.

10.1.3.11. Have at all times a designated General Manager and a Principal (which may be the same person) who have been properly trained as required herein.

10.1.3.12. Comply with the MRI Code of Conduct, as may be amended from time to time.

## 10.2. Bookkeeping and Reports.

10.2.1. Member agrees to keep and maintain complete and accurate books and records of its transactions and business operations utilizing generally accepted accounting principles ("GAAP"). Member agrees to maintain the records and accounts of the Franchised Business throughout the term of the Franchise Agreement and any renewals thereof, and for a period of three years following termination of the franchise agreement, for any reason.

10.2.2. Within thirty (30) days after a request by MRI, Member will furnish MRI with a full and complete written statement of income and expense and a profit and loss statement for the operation of the Franchised Business together with a balance sheet for the Franchised Business, all of which must be prepared in accordance with GAAP.

10.2.3. Audit. Franchisor has the right at all reasonable times, and up to twelve (12) months after the expiration or termination of this Agreement, to examine or audit, at its expense, Member's books, records, bank statements, tax returns, and other documents MRI determines it requires for conducting the audit. Franchise is required to provide MRI with copies of all materials requested in the manner requested, including by electronic means, at Member's expense. If MRI's examination finds that any Net Cash-In report was underreported, Member must reimburse MRI for the cost of the examination, which will be at a minimum One Thousand Dollars (\$1,000.00). Member must also make payment of any and all amounts due as a result of the understatement along with interest as described in this Agreement within five (5) business days. Underreporting is a material default of this Agreement. Three (3) understatements of any amount during the term of this Agreement may, at the option of MRI, be considered an incurable default and thereby subject to termination as provided herein.

## 10.3. Computer Systems.

10.3.1. Member, at Member's expense, shall install and maintain management software, and computer hardware and software sufficient for the effective operation of the Franchised Business.

10.3.2. MRI may require Member, at Member's sole expense, to enter into software license agreements in the form that MRI requires for software MRI develops or acquires for use in the System. In no event will the expense for required software exceed \$5,000 a year.

10.3.3. Member shall have and maintain adequate hardware and software in order to access high speed Internet. Member shall maintain an electronic mail account. Member shall read all electronic mail related to the Franchised Business on a daily basis and shall accept and acknowledge receipt of all electronic mail sent by MRI.

- 10.3.4. MRI has established a website that provides information about the System and the services offered by the MRI franchises (the "Website"). MRI has sole discretion and control over the Website. All such information will be subject to Franchisor's approval prior to posting. Member has no ownership or other proprietary rights to such page and will lose any rights to such page upon expiration or termination of this Agreement for any reason.
- 10.3.5. Member shall pay all third-party fees and expenses for technology used in the Franchised Business, including but not limited to, the costs of computer hardware and software, Internet access, license fees, help desk fees, licensing or user-based fees for a franchise portal or a benchmarking platform, and fees related to exposure on Franchisor's website.
- 10.4. Approved Vendors. Member agrees and acknowledges that in order to ensure continuity and compliance with the System, MRI may approve a vendor as the only provider of a good or service. If MRI designates an approved vendor as the sole source of a good or service, unless waived by MRI in writing, Member agrees to use such vendor as the sole source of a good or service.
- 10.5. Variations in Standards. Notwithstanding anything to the contrary contained in this Agreement, and this Section 10 in particular, Member acknowledges and agrees that because complete and detailed uniformity under many varying conditions may not be possible or practical, MRI specifically reserves the right and privilege, at its sole discretion and as it may be deemed in the best interests of all concerned in any specific instance, to vary performance standards for some members based upon the peculiarities and characteristics of the particular franchise or circumstance, business potential, existing business practices or any other condition which MRI deems to be of importance to the successful operation of such particular franchise business. MRI has full rights to vary standard practices for any other member at any time without giving Member comparable rights. Member will not be entitled to require MRI to disclose or grant to Member a like or similar variation.
- 10.6. National Vendor Programs. MRI may contract with national vendors for products and services for the Franchised Businesses. Member agrees to participate in National Vendor Programs unless it opts out within fourteen (14) business days of notice of our intent to contract with a national vendor. If you do not opt out of a National Vendor Program, you agree to be included in the program. If you wish to cease participation in a National Vendor Program in which you are included, you must notify us no later than thirty (30) days prior to the expiration of the national vendor agreement. In the event that the contract with a national vendor requires us to make full payment of fees directly to the national vendor, Member agrees to make payment of its pro rata share, based on the number of participating members, to MRI. The time for making payment will be dependent on the terms of the national vendor agreement.

## **11. INSURANCE**

- 11.1. Member shall acquire and maintain, throughout the term of this Agreement, and at its own expense, insurance with one or more insurance companies with at least an A.M. Best's rating of A minus or higher and be acceptable to MRI. MRI must be named as an additional insured on all policies other than those which only an employer may be named as an insured, such as Workman's Compensation insurance.
- 11.2. Insurance coverage must comply with the requirements of MRI, which may be amended in MRI's exercise of its business judgment and in MRI's sole discretion upon sixty (60) days written notice. These updates will be fully described in the MRI online materials. The current coverage requirements include:

- 11.2.1. 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.
- 11.2.2. BUSINESS AUTOMOBILE LIABILITY including bodily injury and property damage liability for owned, leased, non-owned, and hired autos used in the Franchised Business in the amount of \$1,000,000 each accident.
- 11.2.3. WORKER'S COMPENSATION with the statutory minimum limits set by applicable law, unless the laws of Member's state do not require this coverage for sole proprietors and EMPLOYER'S LIABILITY in the amount of \$500,000 or statutory minimum limits if you have employees, whichever is greater.
- 11.2.4. PROPERTY including "all-risk" coverage on all real and personal property owned, leased or rented by Member as well as business income and extra expense coverage. This insurance shall be written for the replacement cost of Member's real and personal property and on an actual loss sustained basis for the business income and extra expense.
- 11.2.5. ERRORS AND OMISSIONS in the amount of \$1,000,000 per claim and annual aggregate.
- 11.2.6. EMPLOYMENT PRACTICES LIABILITY in the amount of \$1,000,000 per claim and annual aggregate.
- 11.2.7. 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, if Member has employees.
- 11.2.8. LICENSE BOND, if required by applicable law.
- 11.2.9. UNEMPLOYMENT COMPENSATION with the statutory minimum limits set by applicable law unless the state law in Member's state does not require this for sole proprietors.
- 11.2.10. Any and all other types and limits of insurance that may be required, from time to time, by MRI or applicable law.

11.3. The insurance policies must:

- 11.3.1. Contain no provision that in any way limits or reduces coverage for the Member below the aggregate limits provided in the policy in the event of a claim by any one or more of the Indemnitees;
- 11.3.2. Waive any rights of recovery the insurance companies may have against MRI;
- 11.3.3. Be primary to and without right of contribution from any other insurance purchased by or on behalf of MRI;
- 11.3.4. Be in an amount and form and with a carrier or carriers satisfactory to MRI, but, in no event, in amounts less than stated above, nor shall this insurance have a deductible or self-insured retention in excess of \$10,000.00; and

- 11.4. Member shall not reduce the policy limits, restrict coverage, cancel or otherwise alter or amend these policies without MRI's prior written consent.
- 11.5. Certificate of Insurance. As proof of this required insurance, a Certificate of Insurance must be submitted by Member prior to Member's commencement of new office training and annually within ten (10) days of MRI's request.
- 11.6. If Member fails to obtain or maintain any required insurance for the benefit of MRI. MRI may obtain insurance for Member and Member shall reimburse MRI for the cost of such insurance within thirty (30) calendar days after Member receives an invoice for insurance from MRI.

## 12. TRADEMARKS

- 12.1. MRI's Marks include all trade names, trademarks, logos, service marks and slogans licensed to Member under this agreement and all current and future trade names, trademarks, service marks, logos, symbols and slogans in which MRI has an interest or which MRI may permit Member to use.
- 12.2. With respect to Member's licensed use of the Marks pursuant to this Agreement, Member agrees that:
  - 12.2.1. Member shall use only the Marks designated by MRI, and only in the manner authorized and permitted by MRI.
  - 12.2.2. Member shall use the Marks only for the operation of the Franchised Business and only in connection with the office at the Location.
  - 12.2.3. Member's right to use the Marks is limited to those uses that are authorized under this Agreement, and any unauthorized use will constitute an infringement of MRI's rights.
  - 12.2.4. Member shall not use the Marks to incur any obligation or indebtedness on behalf of MRI.
  - 12.2.5. Member shall not register or attempt to register any of the Marks in Member's own name or that of any other person, firm or corporation, except for requisite trade name or fictitious name registrations. Member shall not use any Marks in a corporate name.
  - 12.2.6. Member shall comply with MRI's instructions in filing and maintaining any requisite trade name or fictitious name registrations and must execute any documents deemed necessary by MRI or its counsel to obtain protection for the Marks or to maintain their continued validity and enforceability.
  - 12.2.7. If Member secures in any jurisdiction any rights whatsoever to any Mark, Member shall immediately notify MRI and, upon written request, shall immediately assign all of Member's right, title and interest to MRI.
  - 12.2.8. Member shall not use any Mark in connection with any statement or material that may, in the business judgment of MRI, be in bad taste or inconsistent with MRI's public image, or tend to bring disparagement, ridicule or scorn upon MRI, any of Marks, or the goodwill associated with the Marks or its Network of Members.



12.3. Claims Concerning Marks: With respect to actual or potential litigation concerning the Marks:

12.3.1. Member shall promptly notify MRI of any unauthorized use of the Marks or marks confusingly similar thereto as well as any challenge to the Marks. Member acknowledges that MRI has the sole right to direct and control any administrative proceeding or litigation involving the ownership or validity of the Marks, including any settlement thereof. MRI has the right, but not the obligation, to take action against uses that may constitute infringement of the Marks.

12.3.2. Provided Member has used the Marks in accordance with this Agreement, MRI will defend Member at its expense against any third-party claim, action, or demand involving the ownership or validity of the Marks arising out of Member's use. If Member has not used the Marks in accordance with this Agreement, MRI will not defend or indemnify Member against third party claims, actions, or demands, and Member must indemnify MRI for claims against it arising from Member's misuse of the Marks.

12.3.3. If MRI undertakes the defense or prosecution of any litigation relating to the Marks, Member agrees to execute any and all documents and to do those acts and things as may, in the opinion of counsel for MRI, be necessary to carry out a defense or prosecution, including but not limited to, becoming a nominal party to any legal action. Except to the extent that any litigation is the result of Member's use of the Marks in a manner inconsistent with the terms of this Agreement, MRI agrees to reimburse Member for its out-of-pocket costs in doing those acts and things, except that Member shall bear the salary costs of its employees, and MRI shall bear the costs of any judgment or settlement.

12.4. Member expressly understands and acknowledges the following:

12.4.1. MRI is the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them.

12.4.2. The Marks are valid and serve to identify MRI's System and those who are authorized to operate under the System.

12.4.3. Member shall not directly or indirectly contest the validity or MRI's ownership of the Marks.

12.4.4. Member's use of the Marks licensed under this Agreement does not give Member any ownership interest or other interest in or to the Marks, except the license granted by this Agreement.

12.4.5. MRI's use and licensing of the names and service marks "MRI," "MRINetwork", "MR", "Management Recruiters" and "MRI" to third parties, and the acts of those named or other named offices or members (including any subsidiaries or affiliates of MRI or of those members) are not and will not be a breach of this Agreement.

12.4.6. Any and all goodwill arising from Member's use of the Marks in its Franchised Business inures solely and exclusively to MRI's benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount will be assigned as attributable to any goodwill associated with Member's use of the system or the Marks.

12.4.7. The right and license of the Marks granted hereunder to Member is nonexclusive, and MRI has

and retains these rights, among others:

- 12.4.7.1. To use the Marks itself in connection with selling products and services;
  - 12.4.7.2. To grant other licenses for the Marks, in addition to those licenses already granted to existing members;
  - 12.4.7.3. To grant other rights in, to, and under the Marks in addition to those rights already granted, and to develop, acquire, and grant rights in other names and marks on any terms and conditions that MRI deems appropriate, including, without limitation, the name and service marks “MRI”, “MR”, “Management Recruiters” and “MRINetwork,” and any secondary name for the operation of offices at the Location and outside the Location; and
  - 12.4.7.4. To develop and establish other systems using the same or similar Marks, or any other Marks, and to grant licenses or franchises thereto without providing any rights therein to Member.
- 12.5. Member shall sign any certificate, consent, release or other instrument that may be necessary or desirable for MRI or any of its members to utilize the Marks, or any other name, trademark, service mark, symbol or slogan furnished or approved by MRI for the operation of Member’s business.
  - 12.6. Member’s domain names, URL’s and electronic addresses must be approved by MRI if they contain any of the Marks. Member must cease use of domain names, URL’s and electronic addresses which contain any of the Marks upon expiration or termination of the Franchise Agreement.

### **13. TRANSFER AND ASSIGNMENT**

- 13.1. Assignment By MRI. MRI has the right to assign this Agreement, and all of MRI’s rights and privileges in the Franchise Agreement and any other Agreements between MRI and Member, to any person, firm, corporation or other entity, without Member’s permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of MRI’s obligations, the assignee expressly assumes and agrees to perform MRI’s obligations under the Franchise Agreement. Specifically, and without limitation to the foregoing, Member expressly affirms and agrees that MRI may: (i) sell MRI’s assets and MRI’s rights to the Marks and the System outright to a third party; (ii) engage in a public or private placement of some or all of MRI’s securities; (iii) merge, acquire other corporations, or be acquired by another corporation, including competitors; and (iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. With regard to any or all of the above sales, assignments and dispositions, Member expressly and specifically waives any claims, demands or damages arising from or relating to the loss of association with or identification of MRI. Nothing contained in this Agreement requires MRI to remain in the business franchised by this Agreement or to offer the same products and services, whether or not bearing the Marks, in the event that MRI exercises its prerogative to assign MRI’s rights in this Agreement.
- 13.2. Member agrees that MRI has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain’s or business’ facilities, and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following MRI’s purchase, merger, acquisition or affiliation, regardless of the location of the facilities.

13.3. Assignment by Member. Member's rights and obligations under this Agreement, and the license granted in this agreement is personal to Principal and made in reliance on MRI's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Principal.

13.3.1. Assignment Outside of Network. Member may freely assign, without restriction, the staffing business operated under this Agreement, but not this Agreement, outside of the MRINetwork. If member assigns the staffing business to an individual or entity that does not intend to enter into a MRINetwork Franchise Agreement, Member acknowledges that it will enter into a Separation Agreement with MRI, which will terminate this Agreement and include a general release of any and all claims against MRI its subsidiaries, affiliates, successors and assigns, and their respective officers, directors, shareholders, partners, agents, representatives, servants, and employees, in their corporate and individual capacities, including without limitation, claims arising under this Agreement and federal, state, and local laws, rules and ordinances, and confidentiality provisions, and Member will make payment of all Service Fees through the Expiration Date of this Agreement as defined in Schedule 1 hereto upon execution of the Separation Agreement.

13.3.2. Assignment Inside of Network

13.3.2.1. If Member desires to sell or transfer all or any portion of Member's rights under this Agreement, or of Member's business, or of any interest in the corporation, company, or partnership to which this Agreement has been transferred, to an individual or entity that desires to become an MRINetwork Member. Member has a right of sale or transfer only to a purchaser (the "Transferee") who has been approved by MRI, which approval will not be unreasonably withheld, and who will operate a Management Recruiters business at Member's Location.

13.3.2.2. Member shall first obtain a bona fide written offer from a third party. The offer shall specifically recite the price and all other terms and conditions of the proposed transaction, and a duplicate original of the offer shall be provided by Member in writing to MRI. MRI will review the written offer to ensure that it does not contain any terms or conditions that are in contradiction to this Agreement. In addition, MRI may consider whether the proposed terms of sale or other factors involved in the transaction will materially reduce the potential ability of the proposed transferee to be successful. MRI is under no duty to anyone to consider these factors, and the approval of a proposed purchase by MRI will not be considered an expression of opinion by MRI of the appropriateness or fairness of the terms of the sale or of the likelihood of the success of the Transferee.

13.3.2.3. Member will have no further obligation to make payment of remaining Service Fees provided the buyer enters into a franchise agreement for the same level of service as this Franchise Agreement. Should the buyer enter into a franchise agreement for a lower level of service, Member will make payment of an amount equal to the difference between the Service Fees to be paid by buyer and the Service Fees that would have been due from Member through the Expiration Date of this Agreement, as defined in Schedule 1 hereto.

13.4. Upon the sale, assignment or transfer of the Franchised Business, in whole or in part, including any

interest in a corporation, company, or partnership that owns or manages the Franchised Business, Member will pay a Transfer Fee of \$5,000 for any Transfer, whether in or out of Network.

13.5. Written approval of the Transferee by MRI may be conditioned upon the following:

- 13.5.1. A personal interview with the Transferee;
  - 13.5.2. The Transferee's demonstrating to MRI's satisfaction that the Transferee meets the criteria considered by MRI when reviewing an application for a franchise, including MRI's educational, managerial and business standards; that the Transferee possesses a good moral character, business reputation and credit rating; that the Transferee has the aptitude and ability to conduct the business franchised in this Agreement (as may be evidenced by prior related business experience or otherwise); that the Transferee has adequate financial resources and capital to operate the business;
  - 13.5.3. The Transferee's payment of the Jump Start Fee and attending the next scheduled MRI's instruction program for new licensees next following MRI's approval of the transaction, and during the instruction program, the Transferee shall pay for the Transferee's own food, lodging and transportation. If MRI's training department determines that the Transferee does not require the entire new member instruction program, it may be waived or modified as MRI deems appropriate;
  - 13.5.4. The Transferee must execute MRI's then-current franchise agreement, which terms may differ from the terms set forth in this Franchise Agreement;
  - 13.5.5. Payment by Member of all fees owed by Member to MRI or any of MRI's subsidiaries and affiliates, including any buyer referral fees incurred by MRI, if applicable, as may be agreed upon between the Member and MRI;
  - 13.5.6. Member's executing a general release, in a form satisfactory to MRI, of any and all claims against MRI its subsidiaries, affiliates, successors and assigns, and their respective officers, directors, shareholders, partners, agents, representatives, servants, and employees, in their corporate and individual capacities, including without limitation, claims arising under this Agreement and federal, state, and local laws, rules and ordinances.
  - 13.5.7. The sale will not be a subfranchise or other arrangement between Member and Transferee.
- 13.6. MRI Assistance with Buyer. If Member requests MRI assist in finding a buyer, MRI can provide this service at a fee agreed upon by Member and MRI. The fee will be agreed upon by the parties before it is incurred. A 10% non-refundable deposit must be paid before work is started and the balance paid upon the sale closing.
- 13.7. Death or Disability. In the event of the death or permanent disability of the Principal where the Franchisee is an entity, the interest of the Principal under this Agreement may be transferred to any co-principal in accordance with the operating agreement. If no operating agreement addresses the Principal's shares at the time of death or the Principal is not an entity, the interest of the Principal under this Agreement and the Principal's stock in the corporation or company or partnership interest, if any, may be transferred to the Principal's surviving spouse or adult child or children, if the Transferee is approved by MRI, and subject to Transferee's complying with the requirements of Subsection 13.6. MRI will not charge a higher rate of royalty or marketing and public relations fees than are stated in this

Agreement. No transfer fee will be charged. If the Transferee is not approved under this Section, Member or its estate may submit an alternate Transferee for MRI's approval. If no suitable alternate is provided, the Franchise Agreement will be terminated.

13.8. Member shall not permit, create, incur, assume or suffer to exist any mortgage, lien, charge or encumbrance of any kind on, or pledge or assign any interest whatsoever in and to this license, or to any stock of the corporation or any ownership interest of the partnership to which this license has been transferred other than to MRI, without the prior written consent of MRI.

13.9. Transfer to Entity. Principal may, upon the written consent of MRI, transfer Member's license to a corporation or LLC (an "entity") provided:

13.9.1. The entity is newly organized and duly established;

13.9.2. Principal is the owner of not less than fifty-one (51%) of all the issued and outstanding capital stock of the entity.

13.9.3. Principal is and agrees to remain the principal operating officer of the entity.

13.9.4. The activities of the entity are and will be confined exclusively to the business under this Agreement, and no Principal can have any ownership interest in a competing business.

13.9.5. The entity's stock will be owned only by the Principals and by the Principal(s) whose ownership will have received the prior written consent of MRI and are reflected in Schedule 2 of this Agreement.

13.9.6. The officers, directors, and holders of ten percent (10%) or more of the stock enter into the Personal Guaranty attached to this Agreement as Exhibit B, assuming all obligations of this Agreement and agreeing to be personally bound by all of the terms, conditions, and covenants of this Agreement as if they had been parties to it at its inception.

13.9.7. All monies due or owing to MRI by Principal up to and including the last day of the month preceding the transfer are paid in full on or before the date the transfer is approved by MRI and all defaults of this Agreement by Member, if any, are cured.

13.9.8. All stock certificates of the entity must be conspicuously endorsed that the stock cannot be sold, assigned, pledged, mortgaged, transferred, or increased, by operation of law or otherwise, without the written consent of MRI.

13.9.9. There is no obligation to pay a Transfer Fee for any Transfer occurring in accordance with this Section 13.9.

13.10. Any Transfer which occurs outside the manner described in this Section 13 is void.

#### **14. RENEWAL**

14.1. Right to Renew. Provided Member is in compliance with the terms of this Agreement, pursuant to Section 14.4 below, Member will have the right, but not the obligation following expiration of the Term, to enter into a new franchise agreement and other Agreements and legal instruments and documents

then customarily employed by MRI and in the form then generally being offered to prospective franchisees in the state of the Location (the “Renewal Franchise Agreement”) for a term of five (5) years. The term of such Renewal Franchise Agreement will commence upon the date of expiration of the Term.

- 14.2. Renewal Fee. Member will not be charged a renewal fee.
- 14.3. Form and Manner of Renewal. If Member desires to exercise Member’s right to enter into the Renewal Franchise Agreement (the “Renewal Right”), it will be done in the following manner:
- 14.3.1. Not less than six (6) months, prior to the expiration of the Term of this Agreement, Member must notify MRI, in writing, of its intention to renew. MRI will provide Member with its then-current Franchise Disclosure Document including its then-current franchise agreement. Member must submit the receipt for the Franchise Disclosure Document upon receipt.
  - 14.3.2. Member will execute all required renewal documents, including any and all ancillary documents, within thirty (30) days after receipt by Member of a copy of MRI’s then current Disclosure Document.
  - 14.3.3. The Renewal Franchise Agreement will terminate this Agreement and Member understands and acknowledges that the terms and conditions of the new agreement may differ from the terms of this Agreement, including, without limitation, higher or lower royalty and other fees.
  - 14.3.4. Member will comply with MRI’s then current qualification and training requirements.
  - 14.3.5. If Member fails to perform any of the acts or deliver any of the notices required in this Section 14.3 in a timely fashion, such failure will be deemed an election by Member not to exercise Member’s right and option to enter into the Renewal Franchise Agreement, and such failure will cause Member’s right and option to automatically lapse and expire, without further notice by MRI on the Expiration Date as described in Schedule 1 to this Franchise Agreement.
  - 14.3.6. Member acknowledges that the initial Term of this Agreement provides Member more than a sufficient opportunity to recoup Member’s investment in the Franchise, as well as a reasonable return on such investment.
- 14.4. Conditions of Renewal. Member’s right to enter into the Renewal Franchise Agreement is conditioned upon Member’s compliance with all of the following conditions:
- 14.4.1. Member is in full compliance with this Agreement and the System and has materially performed Member’s obligations under this Agreement, and under all other Agreements which may be in effect between Member and MRI, including but not limited to all monetary obligations (“Good Standing”).
  - 14.4.2. Member will not have received three (3) or more events notices of default during the Term of this Agreement, whether or not such defaults were cured.
  - 14.4.3. Member will have completed any required additional training to MRI’s reasonable satisfaction.
  - 14.4.4. Member will execute a general release of all claims Member may have against MRI, its parent, subsidiaries and affiliates, its officers, directors, members, agents, and employees, whether in

their corporate and/or individual capacities. This release will include all claims arising under any federal, state, or local law, rule, or ordinance and will be in a form satisfactory to MRI in MRI's sole discretion.

- 14.4.5. Member will sign the Renewal Franchise Agreement, in which terms and conditions may differ from those contained herein.
- 14.5. Notice Required by Law. If applicable law requires MRI to give notice to Member prior to the expiration of the Term, this Agreement will remain in effect on a month-to-month basis until MRI has given the notice required by such applicable law. If MRI is not offering new franchises, is in the process of revising, amending or renewing MRI's form of franchise agreement or franchise disclosure document, or MRI is not lawfully able to offer Member the then current form of Renewal Franchise Agreement at the time Member advises MRI pursuant to Section 14.2 above that Member desires to renew, MRI may, in MRI's sole discretion, (i) offer to renew this Agreement upon the same terms set forth herein for the appropriate renewal term or (ii) offer to extend the Term hereof on a month-to-month basis following the expiration of the Term for as long as MRI deems necessary or appropriate so that MRI may lawfully offer the then current form of Renewal Franchise Agreement. Any timeframes specified in this Section will be inclusive of any state mandated notice periods.
- 14.6. Additional Reservation of Rights. MRI reserves the right not to renew this Franchise as a result of a decision to withdraw from a marketing area or the state or territory in which Member's business is located. In the event we withdraw, Franchise will be allowed to continue to operate a competitive business and will be granted sixty (60) days to cease use of the Marks.
- 14.7. In the event MRI cannot provide Member a Franchise Disclosure Document for any reason and Member desires to renew, this Franchise Agreement will continue on a month-to-month basis and all obligations contained in the Franchise Agreement will remain in full effect until such time as MRI is able to provide Member a Franchise Disclosure Document and the Renewal Franchise Agreement is finalized and executed by all parties or Member notifies MRI of its intention to allow this Franchise Agreement to terminate. In the event of a termination after the Expiration Date of this Franchise Agreement, the termination will occur on the last day of the month in which notice is provided.
- 14.8. In the event Member has not entered into the Renewal Franchise Agreement upon expiration of this Agreement, but continues to operate the Franchised Business, this Franchise Agreement will continue on a month-to-month basis and all obligations contained in this Franchise Agreement will remain in full effect until such time as the Renewal Franchise Agreement is finalized and executed by all parties or the Franchise Agreement is terminated as a result of expiration.

## 15. RESTRICTIVE COVENANTS

### 15.1. In-term Covenant.

- 15.1.1. During the term of this Agreement, Member and any Principal(s) of the Franchised Business will not divert or attempt to divert any business, customer, or client of the Franchised Business or of other members in the System to any competitor, by direct or indirect inducement or otherwise participate as an owner, partner, director, officer, employee, consultant, or agent or serve in any other capacity in the Staffing placement industry or any other business substantially similar to the business conducted by members of the System. "Staffing placement industry" are businesses operated under NAICS codes 561311 (Employment Placement Agencies), 561312 (Executive Search Services), and/or 561320 (Temporary Help Services). Notwithstanding anything to the contrary contained above, Member may engage in interoffice referrals with staffing professionals outside

the MRINetwork.

- 15.2. The time periods described in this Section 15 shall be stayed during any violation or breach of the terms contained in it. If any provision of this Section 15 is found to be unenforceable, it will be amended only to the extent necessary to make it enforceable under applicable law.
- 15.3. Member acknowledges and agrees that the restrictions in this Section 15 are reasonable and necessary to protect MRI and the Marks. These restrictions are also required to protect MRI's existing members' businesses.
- 15.4. Member agrees that the issuance of an injunction enjoining any violation of the terms of this Section 15 is an appropriate and proper relief for a violation. MRI may seek any other relief or remedy available to it under law, in addition to injunctive relief. Member will reimburse MRI for any costs, including but not limited to reasonable attorneys' fees, to enforce this Section 15.

## 16. DEFAULT AND TERMINATION

### 16.1. MRI's Right of Termination.

16.1.1. Default and Automatic Termination. Member will be deemed to be in material default of this Agreement, and all rights granted herein will automatically terminate without notice to Member upon any of the following events:

- 16.1.1.1. Member becomes insolvent or makes a general assignment for the benefit of creditors; or if Member files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due;
- 16.1.1.2. Member is adjudicated a bankrupt or insolvent in proceedings filed against Member under any section or chapter of federal bankruptcy laws or under any similar laws or statute of the United States or any state;
- 16.1.1.3. If a bill of equity or other proceeding for the appointment of a receiver of Member or other custodian for Member's business or assets is filed and consented to by Member;
- 16.1.1.4. If a receiver or other custodian (permanent or temporary) of Member's assets or property, or any part thereof, is appointed by any court of competent jurisdiction;
- 16.1.1.5. If proceedings for a composition with creditors under any state or federal law should be instituted by or against Member;
- 16.1.1.6. If a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or
- 16.1.1.7. If suit to foreclose any lien or mortgage against the Franchised Business, its premises, or equipment is instituted against Member and not dismissed within thirty (30) days.

16.1.2. Defaults With No Opportunity to Cure. Member will be deemed to be in material default and



Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Member with any opportunity to cure the default, effective ten (10) days after notice to Member, if Member or any Principals, as the case may be:

- 16.1.2.1. Fails to attend the entire new office training for new members next following the date of this Agreement, unless MRI has approved in writing a change to the time and manner of training;
- 16.1.2.2. Falsifies any report required to be furnished to MRI;
- 16.1.2.3. Abandons the Franchised Business or fails to conduct business for any period of thirty (30) consecutive days without the prior written consent of MRI.
- 16.1.2.4. The submission of a report that understates Net Cash-in by two (2%) or more of the total reported, unless Member establishes to the reasonable satisfaction of MRI that the understatement was the result of a clerical error;
- 16.1.2.5. Understates Net Cash-In by any amount on three (3) occasions or more, whether or not cured on any or all of those occasions;
- 16.1.2.6. Fails to comply with any federal state or local law, rule, or regulation applicable to the operation of the Franchised Business, including but not limited to the failure to pay taxes;
- 16.1.2.7. Relocates its office from the Location without MRI's written consent;
- 16.1.2.8. Permits a Transfer in violation of the provisions of Section 13 of this Agreement;
- 16.1.2.9. Fails, or Member's legal representative fails, to transfer the interests in this Agreement within 180 days of the death or disability of Principal;
- 16.1.2.10. Misrepresents or omits material facts in applying for the franchise;
- 16.1.2.11. Is convicted of, or pleads no contest to, a felony, or to a misdemeanor that MRI determines could damage the goodwill associated with the Marks or does anything to harm the reputation of the System or the goodwill associated with the Marks;
- 16.1.2.12. Receives an adverse judgment or consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claims which, in the sole opinion of MRI, is likely to have an adverse effect on the System, or the Marks, or the goodwill associated with the Systems and the Marks or MRI's interest;
- 16.1.2.13. Conceal revenues, knowingly maintain false books or records, or knowingly submit any false reports;
- 16.1.2.14. Refuse to permit MRI from inspecting or auditing Member's books or records;
- 16.1.2.15. Make any unauthorized use of the Marks or other Intellectual Property or any unauthorized used or disclosure of Confidential Information as described in Section 19 of

this Agreement;

- 16.1.2.16. Fails to comply with the non-competition covenants of Section 15;
- 16.1.2.17. Receives a notice of default in the performance of Member's obligations under this Agreement three (3) or more times during the Term of this Agreement or any renewals, or has been given at least two (2) notices of default in any consecutive twelve (12) month period, whether or not the defaults have been cured;
- 16.1.2.18. Has insufficient funds to honor a check or electronic funds transfer three (3) or more times within any consecutive twelve (12) month period, whether or not the defaults have been cured;
- 16.1.2.19. The termination as a result of default of any other Agreement between Member and MRI or its affiliates, including but not limited to the Contract Staffing Agreement.

## 16.2. Curable Defaults

16.2.1. Member will be deemed to be in material default and MRI may, at its option, terminate this Agreement and all rights granted hereunder, if Member fails to cure any of the following defaults within the time periods set forth in this Section 16.1.3:

- 16.2.1.1. Fails to pay when due any amount owed to MRI under this Agreement or any related agreement and does not correct the failure within five (5) days after written notice of default; provided however, MRI has no obligation to give written notice of a late payment more than two (2) times in any twelve (12) month period. A third late payment in any twelve (12) month period is a non- curable default under Section 16.1.2.17; or
- 16.2.1.2. Fails to perform any non-monetary obligation imposed by this Agreement (except for defaults of obligations set forth in Section 16.1.1 for which there is no opportunity to cure) and such default continues for thirty (30) days, or such longer period if required by law, after MRI has given written notice of such default (the "Cure Period").

16.3 MRI's Right of Suspension. In the event of a default by Member, MRI has the absolute right upon notice of default, to suspend and stop providing or making available any or all services, including access to online resources and consultation, and benefits (benefits include access to MRI vendors at preferred MRI pricing) to Member until Member has cured all defaults. MRI's doing so will not diminish Member's continuing obligations under this Agreement or any other Agreement or constitute an actual or constructive termination of this Agreement or such other Agreement, or breach of this Agreement.

16.4 Force Majeure. If either party to this Agreement is prevented in the performance of any obligation required by this Agreement because of any of the following events: fire, flood, or other natural disaster, government legislation, riot, insurrection, war or other reason of a similar nature that is not the fault of the party who is obligated to perform under this Agreement, then performance of obligations are excused for the period of the event.

16.5 Contract Staffing Agreement. The Contract Staffing Agreement signed concurrently with this Agreement is immediately terminated upon expiration or termination of this Agreement.

- 16.6 Costs of Enforcement. Member must pay to MRI all costs of enforcing the terms of this Agreement, including but not limited to all damages, costs and expenses, and reasonable attorneys' fees incurred by MRI.
- 16.7 In the event of termination of this Agreement pursuant to this Section 16, you acknowledge and agree that the total Service Fees due through the Expiration Date of this Agreement are immediately accelerated and due and payable to MRI. Such payment is to be made within ten (10) days of the termination.

## 17 POST TERMINATION OBLIGATIONS

- 17.1 Member's Obligations. Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Member will immediately terminate and Member and any Principal(s) shall:
- 17.1.1 Immediately cease to operate the Franchised Business and not, directly or indirectly, identify as a current or former MRINetwork owner, member or licensee;
  - 17.1.2 Immediately and permanently cease to use the Marks, any imitation of the Marks or other indicia of a MRINetwork Franchised Business, or use any trade name, trade or service mark, or other commercial symbol that suggests and association with MRI or the System.
  - 17.1.3 Take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Mark or any other service mark or trademark of MRI, and Member shall furnish MRI with evidence of compliance with this obligation satisfactory to MRI, within five (5) days after termination or expiration of this Agreement;
  - 17.1.4 Make payment of all sums owed to MRI and its affiliates within five (5) days of termination.
  - 17.1.5 Pay to MRI all damages, costs and expenses, and reasonable attorneys' fees, incurred by MRI in connection with obtaining any remedy available to MRI for any violation of this Agreement, and subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provision of this Agreement that survives termination.
  - 17.1.6 Immediately cease use of any domain names or URLs used in the Franchised Business that contain the MRI marks and take all steps required by MRI to transfer any domain names or URLs to MRI;
  - 17.1.7 Take reasonable steps to remove Internet postings containing the Marks;
  - 17.1.8 Immediately destroy any and all tangible copies of the materials containing any Confidential Information related to the Franchised Business (all of which are acknowledged to be MRI's property) and retain no copy or record of any of the foregoing, except Member's copy of this Agreement and any amendments thereto, and any correspondence between the parties and any other documents that Member reasonably needs for compliance with any provision of the law. Member must submit a certified notice of destruction confirming that all materials have been destroyed to MRI within fifteen (15) days of termination.
  - 17.1.9 Continue to make, so as to be received by MRI by the fifth (5<sup>th</sup>) day of each of the succeeding

months, the reports provided for in Section 6 of this Agreement and continue to make payments of the royalty and MPR fees at the rates specified in Section 5 of this Agreement, for any placements made or services provided by Member during the term of this Agreement but for which payment to Member was made after the termination of this Agreement.

## **18 INDEMNIFICATION**

- 18.1 Member's Indemnification. Member shall indemnify and save MRI and its parent, affiliates, subsidiaries, and assigns harmless from all actions, claims, and demands arising out of Member's activities, and to reimburse MRI for any and all costs, damages and expenses, including reasonable attorney's fees, which any of them pays or becomes obligated to pay by reason of Member's activities or claim of infringement. This Subsection shall not be construed to void or limit any of the other rights granted to MRI or duties assumed by Member pursuant to this Agreement.
- 18.2 MRI's Indemnification. Subject to the provisions of Section 12.3, MRI shall indemnify and save Member harmless from all actions, claims, and demands arising out of MRI's activities and any claims that any of the Marks licensed under this Agreement infringe upon the rights of a third party. MRI shall reimburse Member for any and all costs, damages, and expenses, including reasonable attorney's fees, which Member pays or becomes obligated to pay by reason of any such activities or claims of infringement. Member must provide MRI with immediate notice of all actions, claims, and demands received by Member and immediately provide MRI with copies of all papers and pleadings received by Member. MRI will have complete control over the conduct of all litigation and overall settlement discussions. This Subsection will not be construed to void or limit any of the other rights granted to Member or duties assumed by MRI pursuant to this Agreement.
- 18.3 If legislation enacted by or regulation of any governmental body prevents Member from conducting business pursuant to this Agreement, MRI shall not be held liable for damages or be required to indemnify Member in any manner whatsoever or to return any monies received from Member.

## **19 CONFIDENTIALITY**

- 19.1 Member acknowledges and agrees that the MRI training materials, online materials, computer software and documentation concerning the conduct of the business covered by this Agreement, and any other data, preferred vendor pricing, information and methods of operation that are received by Member from MRI are and shall be treated as confidential and proprietary to MRI (the "Confidential Information") and are for the sole and exclusive use of Member only during the term of this Agreement in Member's operation of the office at the Location that is franchised under this Agreement, but not thereafter, or elsewhere, or for any other purpose.
- 19.2 Member agrees not to copy the MRI Confidential Information or divulge it, directly or indirectly, to any other person or entity at any time, except as may be necessary or desirable to employees of Member during the term of this Agreement.
- 19.3 Member shall not use, or permit to be used, in the operations of any business (whether or not similar or substantially similar to or competing with the business covered by this Agreement) any know-how, training programs, training manuals, computer software and documentation, or other data, information or expertise, obtained by Member from MRI.
- 19.4 Member shall require all its employees, contractors, agents, representatives, or any other person with whom it discloses any Confidential Information ("Disclosed Person") to sign a Confidentiality

Agreement.

- 19.5 Member agrees that the issuance of an injunction enjoining any violation of terms of this Section and/or compelling compliance with such terms is appropriate and proper relief for any such violation.

## 20 DISPUTE RESOLUTION

- 20.1 Negotiation. In the event of a dispute, claim, controversy, or other disagreement between the parties (“Dispute”) arising out of or relating to this Agreement, the relationship created by this Agreement, or a Dispute arising from any agreement with an affiliate of MRI, each party agrees to bring its concerns to the attention of the other party, in writing, in order to attempt a resolution of the dispute prior to any other action allowed under this Section 20. Before any litigation or action arising from the Dispute is instituted by Member against MRI or any of its affiliates, subsidiaries, officers, directors, agents or assigns, Member agrees to attend a face-to-face meeting at MRI’s corporate headquarters within thirty days after MRI or Member sends written notice to the other of the dispute, unless MRI waives the face-to-face meeting.
- 20.2 If the face-to-face meeting does not lead to resolution, or MRI waives the face-to-face meeting in writing, the parties may proceed to litigation only as provided for in this Section 20.
- 20.3 Venue and Choice of Law. This Agreement is governed by and construed in accordance with the laws of the State of Florida, without giving effect to any choice of law or conflict of laws rules or provisions that would cause the application of the laws of any jurisdiction other than the State of Florida, except as provided below. Any legal action or proceeding arising out of or relating to this Agreement or any dispute between the parties must be brought only in a federal or state court in Palm Beach County, Florida, and each of the parties irrevocably submits to the exclusive jurisdiction of such court in any such legal action or proceeding, and hereby waives all defenses based on jurisdiction, venue, or *forum non conveniens*.
- 20.4 Notwithstanding the foregoing, in its sole discretion, MRI may bring an action or proceeding against Member in any court or forum with subject matter jurisdiction over the controversy and the parties.
- 20.5 **WAIVER OF CERTAIN DAMAGES. THE PARTIES HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER DAMAGES AGAINST THE OTHER, ITS AFFILIATES, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, AGENTS, REPRESENTATIVES, INDEPENDENT CONTRACTORS, SERVANTS AND EMPLOYEES, IN THEIR CORPORATE AND INDIVIDUAL CAPACITIES, ARISING OUT OF ANY CAUSE WHATSOEVER. THE PARTIES AGREE THAT IN THE EVENT OF A DISPUTE, ALL CLAIMS ARE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED.**
- 20.6 **LIMITATIONS OF CLAIMS. ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP AMONG THE PARTIES WILL BE BARRED UNLESS A PROCEEDING FOR RELIEF IS COMMENCED WITHIN TWO (2) YEARS FROM THE DATE ON WHICH THE PARTY ASSERTING SUCH CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO SUCH CLAIMS.**
- 20.7 **WAIVER OF JURY TRIAL. IN THE EVENT ANY PARTY INITIATES LITIGATION FOR ANY CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES, INCLUDING THOSE THAT INCLUDE OTHER PARTIES OR CLAIMS, ALL PARTIES KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY. THIS WAIVER APPLIES TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH LITIGATION,**

INCLUDING BUT NOT LIMITED TO CLAIMS RELATED TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND IN CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES BETWEEN THE PRINCIPALS. THE PARTIES WARRANT AND REPRESENT THAT THEY HAVE HAD THE OPPORTUNITY TO REVIEW THIS JURY WAIVER WITH LEGAL COUNSEL.

20.8 **LIMITATION OF PARTIES.** ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP AMONG THE PARTIES MUST BE CONDUCTED ON AN INDIVIDUAL AND NOT A CLASS-WIDE OR MULTIPLE PLAINTIFFS BASIS. THE PARTIES MAY ONLY SEEK DAMAGES OR ANY REMEDY UNDER LAW OR EQUITY FOR ANY CLAIM AGAINST EACH OTHER OR THEIR SUCCESSORS, ASSIGNS OR GUARANTORS ARISING OUT OF OR RELATING TO THE AGREEMENT OR THE RELATIONSHIPS OF THE PARTIES. THE PARTIES AGREE THAT PRINCIPALS, AFFILIATES, SHAREHOLDERS, MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS AND REPRESENTATIVES, UNLESS SUBJECT TO A PERSONAL GUARANTY, WILL NOT BE PERSONALLY LIABLE OR NAMED AS A PARTY IN ANY LITIGATION PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP AMONG THE PARTIES. IN THE EVENT A NON-PARTY IS NAMED IN ANY ACTION, THE PARTIES AGREE HEREIN THAT ANY CLAIMS AGAINST THAT PARTY WILL BE DISMISSED WITH PREJUDICE UPON A MOTION TO DISMISS.

20.9 **Survival.** The provisions of this Article 20 will continue in full force and effect notwithstanding the expiration or termination of this Agreement or a transfer by Member or any Principal of their respective interests in this Agreement.

20.10 **Modification.** The provisions of Article 20 are independent of any other covenant or provision of this Agreement, provided however that in the event any court of competent jurisdiction finds any provision in this Article 20 to be unlawful in any way, this Article 20 may be modified only to the extent necessary to bring them into compliance with the law.

## 21 WAIVER AND RELEASE OF CERTAIN CLAIMS

21.1 Member acknowledges that it has conducted an independent investigation of all aspects relating to the financial, operational, and other aspects of the business of operating the MRINetwork Franchise. Member further acknowledges that except for the representations made in Item 19 of the Franchise Disclosure Document, no representations of performance (financial or otherwise) for the Franchise provided for in this Agreement has been made to Member by MRI and Member and any and all Principals hereby waive any claim against MRI or any business failure Member may experience as a member under this Agreement.

Member(s) Initials\_\_\_\_\_

## 22 INDEPENDENT CONTRACTOR

22.1 Member is and will be an independent contractor under this Agreement, and no partnership exists between Member and MRI. This Agreement does not constitute Member as an agent, legal representative, or employee of MRI for any purpose whatsoever and Member is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind MRI. Member agrees not to incur or contract any debt or obligation on behalf of MRI or commit any act, make any representation or advertise in any manner which may adversely affect any right of MRI or be detrimental to MRI or other MRINetwork members. Pursuant to the above, Member agrees to indemnify MRI and hold MRI harmless from any and all liability, loss, attorneys' fees, or damage MRI

may suffer as a result of claims, demands, taxes, costs or judgments against MRI arising out of the relationship hereby established which specifically, but not exclusively, includes costs, losses, expenses, attorneys' fees, relative to assignment or the transfer of right to franchise and transactional cost relative thereto, defaults under any leases, subleases, notes, receipt of revenues or any other relationships arising directly or indirectly out of the operation of the Franchised Business.

## 23 GENERAL

23.1 Successors. This Agreement binds and inures to the benefit of the successors and assigns of MRI and is personally binding on and inures to the benefit of Member (including the individuals executing this Agreement on behalf of the corporation if Member is an entity) and its or their respective heirs, executors, administrators, and successors or assigns; provided, however, the foregoing provision will not be construed to allow a transfer of any interest of Member or Principals, if any, in this Agreement or the Franchised Business, except in accordance with Section 13 of this Agreement.

23.2 Invalidity of Part of the Agreement/Severability. Should any provision of this Agreement, for any reason, be declared by a court of competent jurisdiction to be invalid, then such provision will be amended only to the extent necessary to make the provision valid. If this cannot be achieved, then the provision will be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement. The parties agree that each provision of this Agreement is an inducement to enter into this contract and each intends all provisions to be valid.

23.3 Notices.

23.3.1 All notices permitted or required by this Agreement will be in writing and deemed delivered when sent by facsimile, electronic mail, or when delivered by hand, or three (3) days after being placed in the US mail, or one (1) day after being left with an overnight commercial courier delivery service.

23.3.1.1 Notice to MRI will be addressed to its then principal place of business or via email to MRI's Legal Department.

23.3.1.2 Notice to Member will be addressed to its then principal place of business, or Member's residence address as such address is provided by Member to MRI then currently listed on its records. Member is responsible for providing MRI with its current address and MRI will not be responsible for failure of delivery caused by Member's failure to provide its updated address and email, or for refusal of delivery.

23.4 Consent. Whenever the consent or approval of MRI is required, the consent or approval will not be unreasonably withheld, unless the consent or approval is expressly vested in the business judgment of MRI.

23.5 Time of the Essence. In construing and applying the terms and provisions of this Agreement, time is of the essence in each instance.

23.6 Construction. All terms and words used in this Agreement, regardless of the number and gender in which they are used, are deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Member and any

Principals are deemed to be joint and several covenants, agreements and obligations of each of the persons named as Member, if more than one person is so named.

- 23.7 Captions. Captions and section headings are used herein for convenience only. They are not part of this Agreement and will not be used in construing it.
- 23.8 Effect of Waivers or Modifications. Any modification or waiver of any of the provisions of this Agreement will be effective only if made in writing and executed with the same formality as this Agreement. This limitation of modification and waiver is not subject to oral rescission. No waiver, delay, omission, or forbearance on the part of MRI to exercise any right, option, duty, or power arising from any default or breach by Member affects or impairs the rights of these parties with respect to any subsequent default of the same or of a different kind.
- 23.9 Remedies Cumulative. All rights and remedies of the parties to this Agreement are cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for in this Agreement or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other Agreement between Member or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement are continuing and not be exhausted by any one or more uses thereof and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article 16 do not discharge or release Member or any Principal from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.
- 23.10 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed are an original, and all of which constitute one and the same instrument.
- 23.11 Electronic Signatures. This Agreement may be executed electronically, and an electronic signature will have the full force and effect as if it was signed by hand.
- 23.12 Entire Agreement. This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Member or any Principal, except the representations made in the Franchise Disclosure Document. Nothing contained in this Agreement or any related agreement is intended to disclaim the representations made by MRI in the Franchise Disclosure Document. No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions of this Agreement is binding upon either party unless and until the same has been made in writing and executed by all interested parties.

## 24 ACKNOWLEDGMENTS

- 24.1 Member acknowledges that Member 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. MRI expressly disclaims the making of, and Member acknowledges that Member 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 Member.



Member(s) Initials\_\_\_\_\_

24.2 Member expressly warrants that Member has no knowledge of any representation about the Franchised Business, by MRI or its officers, directors, shareholders, employees, agents or servants that is contrary to the terms of this Agreement or the documents referred to herein. Member represents to MRI, as an inducement to its entry into this Agreement, that Member has made no misrepresentations in obtaining this Agreement.

Member(s) Initials\_\_\_\_\_

24.3 Member acknowledges that Member has received, read and understands this Agreement, the attachments hereto and all disclosure documents delivered in connection herewith; that Member has had ample time and opportunity to review these documents with his own legal counsel and other advisors of his own choosing and to consult with them about the potential benefits and risks of entering into this Agreement; and that MRI has fully and adequately explained the provisions of these documents to the satisfaction of Member.

Member(s) Initials\_\_\_\_\_

The parties have executed this Agreement to evidence their agreement to its terms.

**MANAGEMENT RECRUITERS INTERNATIONAL, INC.**

**MEMBER:**

\_\_\_\_\_  
Bert Miller, CEO

\_\_\_\_\_  
Name

Date:\_\_\_\_\_

Date:\_\_\_\_\_

**SCHEDULE 1 TO FRANCHISE AGREEMENT FOR ESTABLISHED FIRM  
Terms**

Effective Date: \_\_\_\_\_ Franchise Number \_\_\_\_\_

Business Name: \_\_\_\_\_

Location: \_\_\_\_\_

Term: \_\_\_\_\_

Service Package Type: \_\_\_\_\_

Service Fee: The Service Fee will be paid in equal monthly installments as follows:

\$ \_\_\_\_\_ upon execution of this Agreement  
\$ \_\_\_\_\_ on the 5<sup>th</sup> day of \_\_\_\_\_.  
\$ \_\_\_\_\_ each month beginning on the 5<sup>th</sup> day of \_\_\_\_\_ and  
continuing until the expiration of this Agreement.

Renewal Notice Period: \_\_\_\_\_

Expiration Date: \_\_\_\_\_

Schedule 1 - THIS SCHEDULE WILL REFLECT THE SERVICES PACKAGE SELECTED.

**Services**

**Connection**

Systems	Learning Management System
	Placement Data Software
	Network Intranet
Training	New Office Training
	Assigned Professional Development Manager (PDM)
	Access to all E-Learning, webinars, and virtual and face-to-face classroom training when offered
Tools	Customized recruiting-related forms and materials
	Industry & Market Research Reports (IBIS)
	Search and staffing industry associations membership
Numerous Vendor Discounts to Member Including:	ZoomInfo
	ZoomRecruiter
	CareerBuilder
	Ring Central
	Canva
	PCRecruiter 1 user for 2 years/2 users for 1 year
Meetings & Events	Access to MRINetwork Meetings & Events (United, Pacesetter, Summit, NextGen, CPP)
	Awards and Rankings
Certification Programs	Certified Professional Programs
Coaching & Analysis	One Annual Vendor Review
	One Annual Interim (Contract) Staffing Strategic Review
	Owner-to-Owner peer group program (Mentorship/Partnerships)
Marketing	Annual Website Consultation
	Annual Social Media Review (Personal & Firm)
	Brand Strategy Playbook Lite
	Canva License
	MRINetwork Canva Templates & Material

## Customized

Systems	Learning Management System
	Placement Data Software
	Network Intranet
Training	New Office Training
	Assigned Professional Development Manager (PDM)
	Access to all E-Learning, webinars, and virtual and face-to-face classroom training when offered
	Strategic training course delivered exclusively onsite
Tools	Customized recruiting-related forms and materials
	Industry & Market Research Reports (IBIS)
	Search and staffing industry associations membership
Numerous Vendor Discounts to Member Including:	ZoomInfo
	ZoomRecruiter
	CareerBuilder
	Ring Central
	Canva
	PCRecruiter 1 user for 2 years/2 users for 1 year
Meetings & Events	Access to MRINetwork Meetings & Events (United, Pacesetter, Summit, NextGen, CPP)
	Awards and Rankings
Certification Programs	Certified Professional Program
Coaching & Analysis	One Annual Engagement Review
	One Annual Vendor Review
	One Annual Interim (Contract) Staffing Strategic Review
	Owner-to-Owner peer group program (Mentorship/Partnerships)
	Assigned Strategic Business Executive
	General Business Coaching to include: Operational Effectiveness, Revenue Growth Strategies, Hiring, Compensation, Team Models, Succession Planning
	Leadership Coaching
	NextGen Leadership Development Program
	Organizational Effectiveness Coaching & Consulting

Marketing	Annual Website Consultation
	Annual Social Media Review (Personal & Firm)
	Choice of Strategic Playbook (Brand, Content, or Social)
	Canva License
	MRINetwork WordPress Website (template)
	Website Hosting & Maintenance – Year 1
	Google Business page set-up
	Annual Marketing Review
	Customized Marketing Material
	Access to Marketing Resource Center
	Position Briefs
	Virtual Podcast
	P&L/finance review w/ ORS (operating ratio study) data

**Consultative:**

Systems	Learning Management System
	Placement Data Software
	Network Intranet
Training	New Office Training
	Assigned Professional Development Manager (PDM)
	Access to all E-Learning, webinars, and virtual and face-to-face classroom training when offered
	Strategic training course delivered exclusively onsite
Tools	Customized recruiting-related forms and materials
	Industry & Market Research Reports (IBIS)
	Search and staffing industry associations membership
Numerous Vendor Discounts to Member Including:	ZoomInfo
	ZoomRecruiter
	CareerBuilder
	Ring Central
	Canva
	PCRecruiter 1 user for 2 years/2 users for 1 year
Meetings & Events	Access to MRINetwork Meetings & Events (United, Pacesetter, Summit, NextGen, CPP)
	Awards and Rankings
Certification Programs	Certified Professional Programs
Coaching & Analysis	One Annual Engagement Review
	One Annual Vendor Review
	One Annual Interim (Contract) Staffing Strategic Review
	Owner-to-Owner peer group program (Mentorship/Partnerships)
	Assigned Strategic Business Executive
	General Business Coaching to include: Operational Effectiveness, Revenue Growth Strategies, Hiring, Compensation, Team Models, Succession Planning
	Leadership Coaching
	NextGen Leadership Development Program
	Organizational Effectiveness Coaching & Consulting

Marketing	Annual Website Consultation
	Annual Social Media Review (Personal & Firm)
	Choice of Strategic Playbook (Brand, Content, or Social)
	Canva License
	MRINetwork WordPress Website (template)
	Website Hosting & Maintenance – Year 1
	Google Business page set-up
	Annual Marketing Review
	Customized Marketing Material
	Access to Marketing Resource Center
	Position Briefs
	Virtual Podcast
	P&L/finance review w/ ORS (operating ratio study) data
	Functional Department Discovery Consultation – any department
	360 Operational Business Strategy Report: Scaling, Ops Effectiveness, Revenue Growth, Hiring, Compensation, Team Models, Succession Planning

All terms on this Schedule 1 to Franchise Agreement are a binding upon the Parties to the Franchise Agreement and incorporated therein.

MANAGEMENT RECRUITERS INTERNATIONAL, INC.

MEMBER:

\_\_\_\_\_  
Bert Miller, CEO

\_\_\_\_\_  
Name

Date: \_\_\_\_\_

Date: \_\_\_\_\_



**SCHEDULE 2 TO FRANCHISE AGREEMENT FOR ESTABLISHED FIRM**

**Statement of Ownership Interests in Member**

Name

Percentage of Ownership

MANAGEMENT RECRUITERS INTERNATIONAL, INC.

MEMBER:

\_\_\_\_\_  
Bert Miller, CEO

\_\_\_\_\_  
Name

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT A: CONFIDENTIALITY AND NON-COMPETE AGREEMENT  
TO FRANCHISE AGREEMENT FOR ESTABLISHED FIRM**

**CONFIDENTIALITY AND NON-COMPETE AGREEMENT**

This Confidentiality and Non-Compete Agreement (the "Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ , among Management Recruiters International, Inc. ("MRI"), \_\_\_\_\_ ("Member"), and \_\_\_\_\_ ("Covenantor") in connection with a Franchise Agreement dated \_\_\_\_\_, 20\_\_ between MRI and Member (the "Franchise Agreement").

**WHEREAS**, MRI has the right to use and license the use of certain marks and tradenames, including, the service mark "MRI" and design, and certain proprietary products, services, promotions and methods (the "System") for the establishment and operation of a MRINetwork Franchised Business;

**WHEREAS**, MRI has granted Member the right to operate a MRINetwork Franchised Business pursuant to the System at a Location, as defined in the Franchise Agreement (the "Location"), in strict accordance with the terms and conditions of the Franchise Agreement;

**WHEREAS**, in connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the confidential information, knowledge, know-how, techniques, contents of the MRINetwork materials used in or related to the System and/or concerning the methods of operation of the System (collectively referred to as "Confidential Information");

**WHEREAS**, the Confidential Information provides economic advantages to MRI and licensed users of the System;

**WHEREAS**, MRI and Member have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Member has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition; and

**WHEREAS**, Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

**NOW, THEREFORE**, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

**1. Confidentiality Agreement.**

- a. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Member in connection with the operation of a MRINetwork Franchised Business under the Franchise Agreement.

- b. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without MRI's express written permission.
- c. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except, and only then to the limited extent necessary, to those employees of Member for training and assisting such employees in the operation of the MRINetwork Franchised Business.
- d. Covenantor shall surrender any material containing some or all of the Confidential Information to Member or MRI, upon request, or upon termination of employment or association with Member.
- e. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.
- f. Covenantor agrees that no Confidential Information may be reproduced, in whole or in part, without MRI's written consent.

**2. Covenants Not to Compete.**

- a. In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants that during Covenantor's employment or association with Member, Covenantor shall not, during the term of the Franchise Agreement, for Covenantor or through, on behalf of or in conjunction with any person or entity:
  - (i) divert, or attempt to divert, any business or customer of the MRINetwork Franchised Business or of other members in the System to any competitor, by direct or indirect inducement or otherwise, or
  - (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any staffing business substantially similar to the System.
- b. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of MRI and its members.

If the period of time or the geographic scope specified Section 2.b. above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable.

3. **General.**

- a. Member shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.
- b. Covenantor agrees that in the event of a breach of this Agreement, MRI would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, MRI is entitled to enforce the provisions of this Agreement and is entitled, in addition to any other remedies that are made available to it at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.
- c. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by MRI and/or Member in enforcing this Agreement.
- d. Any failure by MRI or the Member to object to or take action with respect to any breach of any provision of this Agreement by Covenantor will not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.
- e. This agreement is interpreted by and construed and enforced in accordance with the laws of the State of Florida, without reference to Florida choice of law principles.
- f. **COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE COURTS OF PALM BEACH COUNTY, FLORIDA AND THE FEDERAL DISTRICT COURTS FOR THE SOUTHERN DISTRICT OF FLORIDA. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON COVENANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY FLORIDA OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT IS PALM BEACH COUNTY, FLORIDA; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, MRI OR MEMBER MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.**
- g. The parties agree that each of the foregoing covenants contained in this Agreement are construed as independent of any other covenant or provision of this Agreement.
- h. Covenantor acknowledges and agrees that each of the covenants contained herein will not impose any undue hardship on Covenantor since Covenantor has other considerable skills, experience and education which affords Covenantor the opportunity to derive income from other endeavors.
- i. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.
- j. All notices and demands required to be given hereunder shall be in writing and deemed delivered when sent by facsimile, electronic mail, or when delivered by hand, or three (3) days after being

placed in the US mail, or one (1) day after being left with an overnight commercial courier delivery service. Notice to MRI and/or Member will be addressed to its then principal place of business or via electronic mail at its most recently reported electronic mail address.

- k. The rights and remedies of MRI under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors, and assigns. The respective obligations of Member and Covenantor hereunder may not be assigned by Member or Covenantor, without the prior written consent of MRI.

IN WITNESS WHEREOF, the undersigned have entered into this Confidentiality and Non-Compete Agreement as witnessed by their signatures below.

MANAGEMENT RECRUITERS INTERNATIONAL, INC.

MEMBER:

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

COVENANTOR:

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT B: MEMBER'S PERSONAL GUARANTY (TO BE SIGNED IF MEMBER IS AN ENTITY ONLY)**

**MEMBER'S PERSONAL GUARANTY**

This Member's Principal Guaranty and Covenant (this "Guaranty") is given by each of the undersigned (each a "Guarantor") on \_\_\_\_\_, 20\_\_ to Management Recruiters International, Inc. ("MRI"), in order to induce MRI to enter into that certain Franchise Agreement dated \_\_\_\_\_ (the "Franchise Agreement") with \_\_\_\_\_, ("Member").

Whereas, MRI and Member have entered into a Franchise Agreement for the operation of a MRINetwork Franchised Business; and

Whereas, Guarantor is a Principal of the Member;

The Guarantor agrees as follows:

Guarantor acknowledges that Guarantor is included in the term "Principal" as described in Section 9.2 of the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty and the undertakings of the Principal herein and in the Franchise Agreement are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement, and that MRI would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Member as set forth in the Franchise Agreement.

Guarantor does hereby guaranty to MRI the prompt payment and performance when due of any and all liabilities and obligations arising under or evidenced by the Franchise Agreement, any promissory note or other credit instruments, and any other liabilities, obligations and indebtedness of Member and/or any of its assignees or affiliates to MRI and/or any of its assignees or affiliates, of every kind and description, now existing or hereafter incurred or arising, matured or unmatured, direct or indirect, absolute or contingent, due or to become due, and any renewals, consolidations and extensions, including any future advances from MRI to Member (collectively, the "Guaranteed Obligations"). Guarantor shall perform and/or make punctual payment to MRI of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by MRI.

This Guaranty is irrevocable and unlimited. This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty is not discharged by renewal of any claims guaranteed by this instrument, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Member by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or

nonpayment and diligence in collecting any obligation under any agreement between Member and MRI are each and all waived by Guarantor and/or acknowledged as inapplicable. MRI is not required to pursue any remedy on said Guaranteed Obligations as a condition of the obligation hereunder of Guarantor. Guarantor waives notice of amendment of any agreement between Member and MRI and notice of demand for payment by Member. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Member and MRI.

Guarantor agrees to defend, indemnify and hold MRI harmless against any and all losses, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs and fees, and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Member to perform any obligation of Member under the Franchise Agreement and any other Agreement between Member and MRI.

Guarantor waives any and all notice of the creation, renewal, extension, accrual, modification, amendment, release, or waiver of any of the Guaranteed Obligations and notice of or proof of reliance by MRI upon this Guaranty or acceptance of this Guaranty. The Guaranteed Obligations, and any of them, will conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified or waived, in reliance upon this Guaranty and all dealings between MRI and Guarantor will likewise be conclusively presumed to have been had or consummated in reliance upon this Guaranty. MRI may pursue its rights against Guarantor without first exhausting its remedies against Member and without joining any other guarantor hereto and no delay on the part of MRI in the exercise of any right or remedy will operate as a waiver of such right or remedy, and no single or partial exercise by MRI of any right or remedy will preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability is joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor will have no right of subrogation, unless expressly given to Guarantor in writing by MRI.

No change in the name, objects, share capital, business, membership, directors' powers, organization or management of the Member will in any way affect Guarantor in respect of the Guaranteed Obligations either with respect to transactions occurring before or after any such change, it being understood that this Guaranty is to extend to the person(s) or entity(ies) for the time being and from time to time carrying on the business now carried on by the Member, notwithstanding any change(s) in the name or shareholders of the Member, and notwithstanding any reorganization or its amalgamation with another or others or the sale or disposal of its business in whole or in part to another or others.

All MRI's rights, powers and remedies hereunder and under any other Agreement now or at any time hereafter in force between MRI and Guarantor is cumulative and not alternative and is in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, that provision will be amended only to the extent necessary to make such provision enforceable and all other provisions nevertheless will remain effective.

This Guaranty extends to and inures to the benefit of MRI and its successors and assigns and is binding on Guarantor and its successors and assigns.

IN WITNESS WHEREOF, Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR: \_\_\_\_\_

\_\_\_\_\_  
Name:

Date: \_\_\_\_\_



## EXHIBIT C: MRI CONTRACT STAFFING AGREEMENT

### MRI CONTRACT STAFFING AGREEMENT

This Agreement is entered into as of Effective Date, at Delray Beach, Florida by and among MRI Contract Staffing, LLC (or “we” “us”, or “our”) and \_\_\_\_\_ (“you” or “your”).

**1. Your Permanent Placement Business.** You and Management Recruiters International, Inc. (“MRI”) are parties to a franchise agreement dated \_\_\_\_\_ (the “Franchise Agreement”) for the operation of a permanent personal placement business (the “Core Business”). You want to offer temporary staffing services to your clients through our staffing business.

**2. Grant and Limitations.** We grant you the nonexclusive right to operate a temporary staffing business using the methods and systems we have developed on the terms and conditions contained in this Agreement at the location from which you operate your Core Business. You acknowledge that these methods and systems are our proprietary materials and are only loaned to you in connection with this Agreement.

You acknowledge that this Agreement is only a license and that you are acting independently in your own business. You acknowledge that you have not paid a fee for this license, and that your participation in Contract Staffing is optional. You are not authorized to act for or on behalf of us and MRI except as provided for in this Agreement, and that we are not bound or obligated in any way by your acts or commitments except for our commitment to provide contract staffing services on the terms specified in this Agreement. We are not authorized to direct the day-to-day operations of your business, you or your agents and employees. All persons you employ or retain are your employees or agents and not of us or MRI. You may not payroll any of your employees through us.

MRI grants you a nonexclusive license to do business under the service mark “MRI Contract Staffing” on the terms and conditions contained in this Agreement at the location of your Core Business. You acknowledge that MRI may provide contract staffing payroll services to staffing businesses that are not affiliated with the MRINetwork. These businesses may include former MRINetwork members. These businesses will not have access to the MRI proprietary materials and may not use the MRI Marks.

All of your temporary staffing business must be conducted under this Agreement and **any** exception must have our prior written approval.

**3. Our Services.** We will provide all payroll services and administration for the temporary employees you introduce to us, including, but not limited to, payroll financing, recordkeeping, invoicing, payment of all local and federal taxes and filing of tax documents, and required insurance. We may arrange for any of these services to be provided by a third party selected by us. We will negotiate the final contract with the business seeking to engage a contractor (the “Client”). You acknowledge that you are not authorized to enter into any contract with a Client (the “Client Contract”) on our behalf without our prior written approval. Any Client Contract you execute on our behalf without our prior review and approval is null and void, and we will have no obligation to provide any services in connection with any unauthorized Client Contract and you are 100% liable for all monies due and owing from the Client in the event of nonpayment.

**4. Your Obligations.** You will devote your full time and best efforts to the promotion and advancement of your business under the Franchise Agreement and this Agreement and may not engage in any activities that might interfere in any manner, directly or indirectly, with the operation of such businesses. You will seek job orders for authorized job categories and recruit, screen and qualify all temporary employees (“Contract Employees”) using industry best practices and following the MRI standards and specifications, complete and send to us all required forms, and use your best efforts to present our standard form Client Contract to the Client. If our standard form Client Contract is not approved by the Client, you must send us all documentation provided to you by the Client for our review, which we may accept or reject, in whole or in part, in our sole discretion. You shall require all Candidates to show the identification items required by law, and you shall complete any employment eligibility verification required by law or regulation.

**5. Client Approval.** We will conduct a background and credit check on Clients you submit to us. If we approve a Client, in our sole discretion, who later files bankruptcy, you must return all commissions we paid you on any uncollectible invoice immediately upon request by us. If we disapprove a Client, we, at our sole discretion, may decline to provide services to that Client, or provide services on the condition that you agree to be liable for any uncollectible invoices.

**6. Support.** We will provide you with the required forms and general information on the MRI Contract Staffing business via the MRI intranet. We also provide training to support of your operating a contract staffing business, which may include Webinar or classroom training. We may charge a fee for this training. You will be responsible for any costs of room and board while attending any training.

All training and other material we develop are loaned to you for the term of this Agreement and must be returned to us upon the termination of this Agreement. All such material is our property, even if you paid us any fee for its use.

**7. Client Fees.** You will establish the hourly fee (“Fee” or “Fees”) charged to the Client, but we have the right to adjust the wages of any Contract Employee to ensure compliance with the Fair Labor Standards Act or applicable state law and to deduct all such additional wages, overtime and tax liabilities from your portion of the fees. You have the sole right to determine the fees charged that result from the Client’s election to offer permanent employment to the Contract Employee.

**8. Fees payable to you.** MRICS will charge a service fee based on the pay rate to the contractor/consultant. MRICS client or Member is paid the Net Margin.

Net Margin is defined as Client Bill Rate minus Candidate Pay Rate and MRICS service fees, net of any client-specific program fees, excess workers compensation premiums, benefit costs, the Charge Back amounts for any delinquent or uncollected invoices, collection fees paid to agencies or law firms to collect unpaid Client invoices, unauthorized positions, any outstanding amount owed to us or our affiliates in this or any other Agreement, insufficient fund fees for checks issued by Clients.

NON-HEALTHCARE		
Average Weekly Payroll	Service Fee*	
	W2	C2C
less than \$15,000	25.00%	10.00%
\$15,000 to \$29,999	24.00%	8.50%
\$30,000 to \$44,999	23.00%	7.00%
\$45,000 to \$59,999	22.00%	5.50%
\$60,000-\$74,999	21.00%	4.00%
\$75,000-\$89,999	20.50%	4.00%
\$90,000+	20.00%	4.00%

\*Additional service fee could be applicable for high-risk positions (e.g., light industrial work)

HEALTHCARE		
Average Weekly Payroll	Service Fee*	
	W2	C2C
less than \$29,999	28.00%	14.00%
\$30,000 to \$59,999	27.50%	12.50%
\$60,000+	26.00%	11.00%

\*Additional service fee of 2% on W2 for high workers comp states (CA, CT, DE, MD, MI, PA, WV)

End clients will be invoiced weekly with 30-day payment terms or such other terms as we may establish in our sole discretion. We will include a surcharge to your service fee for payment terms over 30 days (0.25% surcharge for each additional 15-day period), and 0.5% for monthly invoicing.

We may change the above formula for determining fees by providing thirty days' notice of such change. We will only raise fees due to increased fees or taxes imposed by federal, state or local government, insurance premium increases imposed by our insurance carrier, or other direct costs on a dollar-for-dollar basis. We will endeavor to announce such changes via email or provide updated information in the MRI materials. You will pay us the amount of all new or increased labor costs associated with your assigned employees that we are legally required to pay, such as wages, benefits, including any costs required under the Affordable Care Act (or any replacement), payroll taxes, social program contributions, or charges linked to benefit levels, until the parties agree on new bill rates.

We will use our best efforts to pay you by the 25<sup>th</sup> of each month and may elect to do so before the Client pays our invoice. If business requirements change or if we, in our sole judgment become concerned about a Client's ability to pay, we may elect to pay you only after the Client has paid the invoice. The portion of the Net Margin paid to you under this Agreement does not constitute Net Cash In under the Franchise Agreement. Payments made to you for permanent placements of temporary employees (sometimes known as conversion fees) are Net Cash In under the Franchise Agreement.

You acknowledge that labor and other laws affecting employment may change and we may withhold a portion of the fees owed to you, as we determine, if it is necessary to ensure full payment of all legally required taxes and/or fees. Upon full payment of the required taxes and/or fees, any refund due to you will be promptly paid within thirty (30) days.

**9. Collection.** We will invoice the Client and establish collection procedures and aging reports. At our request, you shall assist us in collecting delinquent invoices. You may not adjust or settle any amount of any invoice without our prior written approval. If any Client pays any contract staffing invoice directly to you, you will have received these funds in trust for us. You may not convert or deposit these funds, and you must forward them to us within twenty-four (24) hours of receipt, with proper endorsement, if needed. All accounts receivable for temporary staffing services rendered by you are from their inception, and remain, our property. You shall have no right, title or interest in or to any account receivable at any time, unless it is assigned to you, in writing, by us.

**10. Uncollectible Invoices.** We will conduct credit checks on all new Clients. If we approve the Client, we will be solely responsible for nonpayment that arises from insolvency up to the approval dollar limit. In such event, you must repay us only any Net Margin we paid to you. In all other cases, you are solely responsible for unpaid Client invoices and must reimburse us for any monies we paid to anyone in connection with that Client that are uncollectible. The determination of whether a debt is "uncollectible" is at our sole discretion. If at any time, the Net Margin due to you is a negative amount, you shall pay us the negative amount within ten (10) days after we notify you of the deficit.

**11. Insurance.** We will maintain Workers Compensation insurance for each Contract Employee and other business insurances appropriate for our operations. You will maintain all insurance coverage required by the Franchise Agreement with any additional insurance that is recommended, customarily maintained and/or required by the Client for the operation of a contract staffing business. Your insurance shall be primary to our insurance and without right of contribution from any insurance purchased by us or MRI.

**12. Authorized Job Categories.** You will only recruit and fill Client assignments within the following general work categories: executive, management, administrative, professional, technical, and sales, and such other categories as may from time to time authorized by us in writing in each instance. We may direct you not to provide Contract Employees in any category or field that we designate, without our prior written approval in each instance and you shall comply with such directives provided that we give you thirty (30) days written notice of such change in directive. If you provide Contract Employees for any unauthorized job category, you are solely responsible for the employer liabilities (e.g., Workers' Compensation, FICA, FUTA and SUTA) and any unpaid fees even if we did approve the Client as well as payments described in this Agreement.

**13. Restricted Job Categories.** You may not recruit or refer to us any Contract Employee for any Client looking to fill heavy or medium industrial positions; any positions employing minors (under 18 years of age); positions that require driving; positions handling money (e.g. cash, checks money orders); positions that require lifting greater than or equal to twenty-five (25) pounds; positions that require working at or from a third party's residence; dental, veterinary; aircraft maintenance or mechanic positions; police, fire, security guard or other similar positions; child care or any position working with minors; any position that involves performance responsibility, e.g., a commitment to produce a certain outcome or result for the Client; or any other assignments or positions we disapprove or prohibit. You will be responsible for payment of all claims, damages or penalties that may be incurred as a result of such unauthorized staffing assignments that have no received or never previously received our prior approval. You acknowledge and agree that referrals in the Restricted Job Categories in this Paragraph 13 may incur a surcharge and you agree that we may reduce any Fees Payable to You, as described herein by the amount of the surcharge.

You will not, without our prior written approval, accept any contract staffing assignments from Clients in which you are an officer or director, or in which you have more than five percent (5%) ownership

interest, or Clients that: do not charge an hourly rate, have in the past or currently demonstrate an unacceptable payment policy, have, in our sole discretion, unsatisfactory credit histories, have outstanding invoices more than sixty days in arrears, or that require insurance that we do not have or are unwilling to secure or that we cannot secure on a basis we deem reasonable.

You must immediately withdraw a Contract Employee from a Client's service at our direction if we deem it necessary for reasons of unacceptable financial or safety risk or because the position is one barred in this Agreement.

We may from time to time provide alternative staffing or payrolling sources for some of the job categories we prohibit. If you utilize our alternative staffing or payrolling source, your only obligation will be to report your net cash-in from the and pay the standard royalty fee provided in your Franchise Agreement on any fees you received from this alternative staffing source. If you want to offer Contract Employees through any staffing or pay rolling company other than us or our alternative staffing source companies, you must obtain our prior written approval and pay the fee described in this section.

**14. Payrolling Only Service.** You may request that we act as payroll agent to pay employees recruited by the Client to perform contract services for the Client. We, in our sole discretion, will have the right to approve or reject any payroll service orders. You may not finance the payroll for any Client, nor may you engage another staffing company to do it for you without our prior written approval.

**15. Litigation or Claims.** If any action or proceeding is brought against you relating to your business under this Agreement, you will immediately provide us with copies of all pleadings and papers relating to the action or proceeding and will keep us informed regarding the progress and outcome of such action or proceeding. You will help us obtain any necessary documentation and forms required from employees by applicable law. You will cooperate fully with us in the defense of any Workers Compensation, unemployment or any other claims made by the Contract Employees, any Client or any other person or entity relating to any staffing assignment.

**16. InterOffice Referrals (IOR).** We will provide you with access to our IOR system for potential Contract Employee candidates. In the event of any dispute with another MRI Contract Staffing office about a fee or any portion of it, it must be resolved through the IOR Arbitration process provided for in the Agreement to Arbitrate Member Disputes signed in conjunction with the Franchise Agreement. We may, but are not obligated to, withhold payment of Net Margin fees to you pending a settlement or resolution of the dispute. If we have paid any funds that are in dispute to one of the parties, we shall be relieved of any obligation to the other parties, which instead shall assert their claims only against the party or parties that received the funds in dispute.

**17. Reports and Records.** You and/or any entity through which you conduct the temporary staffing business must send us any reports or records that we reasonably require. These may include, but are not limited to, an income and expense report and balance sheet for your fiscal year. You must send us a copy of your individual tax return and the tax return of any entity through which you operate the contract staffing business within thirty (30) days after it is filed.

**18. Marks.** The "Marks" means all trade names, trademarks, service marks and logos or slogans licensed to you under this Agreement. You acknowledge that MRI is the sole owner of the Marks and of any goodwill associated with them, that you may only use the Marks in the manner permitted in this Agreement. You may not attempt to register or attempt to register the Marks in your own name or as part of any fictitious name. You must notify us and MRI if you discover any unauthorized use of the Marks.

**19. Transferability.** We may transfer all or any part of our rights and obligations under this Agreement without your permission. This Agreement is personal to you. It may not be transferred, sublicensed, shared

or divided in any way, in whole or in part, voluntarily or involuntarily, by operation of law or otherwise without our prior written approval, and only in conjunction with the transfer of your rights under your Franchise Agreement and shall be subject to the terms and conditions relating to transfer found in the Franchise Agreement.

**20. Term.** The Term of this Agreement is co-extensive with the Term of the Franchise Agreement, including any renewals or extensions, and unless terminated in accordance with this Agreement, it shall automatically terminate upon the termination or expiration of the Franchise Agreement.

**21. Suspension of Services/Right of Set Off.** If you are in default of the Franchise Agreement, or of this Agreement, we may cease providing services to you until such time as, in our reasonable judgment, your default has been resolved to our satisfaction. If you owe MRI money under the Franchise Agreement, this Agreement or any other Agreement or note with us or our affiliates, we may apply such monies earned under this Agreement to your arrearage under the Franchise Agreement, this Agreement or to any other arrearage owed to us or our affiliates.

**22. Termination by Us.** We may terminate this Agreement and the license granted in it within thirty (30) days after written notice if: (a) you fail to submit any report, financial statement, tax return or document required by this Agreement, (b) you fail to pay us any money owed to us within fourteen (14) days after its due date; or (c) you breach any provision of this Agreement or any other Agreement with us or our affiliates. We may terminate this Agreement upon written notice if (a) you are convicted of a felony or of any crime involving moral turpitude; b) you commit any act that damages the goodwill associated with the Marks or (c) you have received two notices to cure defaults within a twelve-month period and you commit an additional default of this Agreement even if such prior defaults were rectified.

**23. Indemnity.** You agree to indemnify, defend and hold us and MRI and their affiliates, employees, officers and representatives harmless from and against any claims, demands, losses, suits, actions, proceedings or liabilities, or expenses, including reasonable attorneys' fees that we incur relating to damages or injury of any sort or description, whether suffered by us, you or any third party, arising out of or in any way related to (i) your breach of any provision of this Agreement; or (ii) your activities, including your acts or omissions in connection with this Agreement. If legislation enacted by or regulation of any governmental body prevents you from conducting business pursuant to this Agreement, we shall not be held liable for any damages nor be required to indemnify you in any manner whatsoever or to return any monies received from you.

**24. Confidentiality.** You acknowledge that the information, training and any material we provide you in connection with this Agreement are and must be treated as confidential and are for your sole use only during the term of this Agreement.

**25. Entire Agreement.** This Agreement and any attachments referenced herein constitutes the entire agreement between you and us in connection with temporary staffing services, and supersedes all prior and contemporaneous agreements and understandings, and no other understanding which modifies the terms hereof shall be binding unless made in writing and signed by authorized representatives of both parties.

**26. Independent Contractors.** You and we will act as independent contractors and neither of us shall act as agent or partner of the other for any purpose whatsoever. This Agreement does not constitute, create, give effect to, or otherwise recognize a joint venture, agency, partnership, or formal business organization of any kind, and the rights and obligations of the parties shall be only those expressly set forth herein. Nothing contained in this Agreement shall be construed as providing for the sharing of profits or losses arising from the efforts of all or any of the parties.

**27. Electronic Signatures.** This agreement may be executed, including electronically, in one or more counterparts, each of which when executed shall be deemed to be an original and all of which shall constitute one and the same instrument.

**28. LIMITATION OF LIABILITY.** OUR TOTAL LIABILITY TO YOU FOR ANY CLAIMS, LIABILITIES, DEMANDS, LOSSES, EXPENSES OR DAMAGES WHATSOEVER, ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT FROM ANY CAUSE OR CAUSES SHALL (I) BE LIMITED TO THE EXTENT CAUSED BY OUR NEGLIGENCE OR WILLFUL MISCONDUCT IN THE PERFORMANCE OF OUR SERVICES; (II) IN THE AGGREGATE NOT EXCEED ONE HUNDRED PERCENT (100%) OF THE FEES RECEIVED BY US UNDER SECTION 8 DURING THE SIX MONTHS PRIOR TO THE DATE UPON WHICH THE EVENTS GIVING RISE TO THE LIABILITY OCCURRED; AND (III) NOT INCLUDE ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, INDIRECT, EXEMPLARY OR PUNITIVE DAMAGES, OR LOSS OF PROFITS, USE OR DATA.

**29. INCORPORATION OF TERMS IN THE FRANCHISE AGREEMENT.** The following captioned provisions of the Franchise Agreement are incorporated in this Agreement by reference except to the extent that any such provisions conflict with the express terms of this Agreement:

TRANSFERABILITY OF LICENSE; CAPTIONS AND TERMINOLOGY; CONSENT; TIME OF THE ESSENCE; TIME FOR BRINGING ACTIONS OR CLAIMS; NOTICES; APPLICABLE LAW; DISPUTE RESOLUTION; MODIFICATION OR WAIVER; SEVERABILITY; SUCCESSORS AND ASSIGNS AND SAVINGS CLAUSE.

The parties have executed this Agreement to evidence their agreement with its terms.

MRI CONTRACT STAFFING, LLC

MEMBER:

\_\_\_\_\_  
Bert Miller, CEO

Date:\_\_\_\_\_

\_\_\_\_\_  
Name

Date:\_\_\_\_\_

## EXHIBIT D: AGREEMENT TO ARBITRATE MEMBER DISPUTES

### AGREEMENT TO ARBITRATE MEMBER DISPUTES

This Agreement is entered into between Management Recruiters International, Inc. ("MRI") and the undersigned Member as of the Effective Date of the Franchise Agreement between the parties.

#### RECITALS

Member is a member of MRI and signatory to the Franchise Agreement to which this Exhibit D is appended.

Member and the entire MRINetwork benefit if disputes between members relating to the operations of MRINetwork franchised businesses are resolved by arbitration instead of litigation.

#### AGREEMENTS

The parties agree as follows:

1. Arbitrate. Member will arbitrate all disputes with other MRINetwork Offices arising from or relating to Interoffice Referrals, Remote Recruiters, and other claims relating to the MRINetwork. Member will submit the claim to arbitration in accordance with the then current IOR Arbitration rules provided that all parties have signed the Agreement to Arbitrate.
2. IOR Disputes. If Member becomes involved in a situation in which Member's office and another MRINetwork Office(s) are each claiming the right to be paid a fee for the placement of the same candidate with the same client company, they must submit the claim to arbitration. Member agrees and acknowledges that it is critical to the MRINetwork that clients are not subjected to multiple claims by MRINetwork Offices for payment for the same candidate.

The arbitrators will determine if one office's efforts did more to cause the placement. However, the arbitrators may (but need not) apportion the fee between Offices.

If more than one Office is involved in the same dispute relating to a fee, all of the involved Offices that have agreed to arbitration of disputes shall participate in the same arbitration, to avoid inconsistent results.

3. Remote Recruiters. If Member becomes involved in a dispute over the hiring of a remote recruiter by another member within an exclusive territory, and the territory owner claims that the remote recruiter is violating the MRI Remote Recruiter guidelines, they must submit the claim to arbitration in accordance with the then current IOR Arbitration rules provided that all parties have signed the Agreement to Arbitrate.

The arbitrators will determine if the hiring office complied with the MRINetwork guidelines regarding remote recruiters and will determine what, if any, steps must be taken by the hiring office to correct any improper operations of the remote recruiter activities. The arbitrators' decision will be binding on Member.



4. Failure/Refusal to Arbitrate. If Member fails or refuses to participate in an IOR Arbitration that involves Member's office, the dispute will be submitted to the arbitrators without Member's statement of facts or other input and the arbitrators' decision shall be binding upon Member.
5. Excluded Disputes. This Agreement does not apply to disputes between Member and MRI that are subject to the Dispute Resolution procedures described in the Franchise Agreement between Member and MRI or to disputes among the owners of a single franchise or to disputes between offices relating to the hiring of current or former employees.
6. An award rendered by a majority of the arbitrators shall be final and judgment may be entered upon it in any court having competent jurisdiction.
7. Member shall not bring any litigation, arbitration, administrative action or any other action of any nature against any arbitrator arising from or relating to any arbitration decision involving Member's Office.

This Agreement shall continue in effect until the parties mutually agree in writing to modify or terminate it.

MANAGEMENT RECRUITERS INTERNATIONAL, INC.

MEMBER:

\_\_\_\_\_  
Bert Miller, CEO

\_\_\_\_\_  
Name

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT E: ACH AUTHORIZATION**

**AUTHORIZATION AGREEMENT FOR PRE-ARRANGED PAYMENTS (ACH DEBITS)  
COMPANY NAME: MANAGEMENT RECRUITERS INTERNATIONAL, INC.**

COMPANY ID NUMBER: 34-1101503

I (we) hereby authorize Management Recruiters International, Inc., hereinafter called COMPANY, to initiate debit entries to my (our) checking account indicated below and the depository named below, hereinafter called DEPOSITORY, to debit the same to such account.

DEPOSITORY NAME: \_\_\_\_\_

BRANCH: \_\_\_\_\_

CITY: \_\_\_\_\_ STATE AND ZIP: \_\_\_\_\_

TRANSIT/ABA NUMBER : \_\_\_\_\_

ACCOUNT NUMBER: \_\_\_\_\_

This authority is to remain in full force and effect until COMPANY and DEPOSITORY has received written notification from me (or either of us) of its termination in such time and in such manner as to afford COMPANY and DEPOSITORY a reasonable opportunity to act on it. I (or either of us) have the right to stop payment of a debit entry by notification to DEPOSITORY at such time as to afford DEPOSITORY a reasonable opportunity to act on it prior to charging account. After account has been charged, I have the right to have the amount of an erroneous debit immediately credited to my account by DEPOSITORY, provided I (we) send written notice of such debit entry in error to DEPOSITORY within 15 days following issuance of the account statement or 45 days after posting, whichever occurs first.

Names: Member's Name 1; Member's Name 2

ID Number: \_\_\_\_\_

\_\_\_\_\_  
Member's Name 1

\_\_\_\_\_  
Date

\_\_\_\_\_  
Member's Name 2

\_\_\_\_\_  
Date

**EXHIBIT F: ACKNOWLEDGEMENT TO MANAGEMENT RECRUITERS INTERNATIONAL, INC.**

**ACKNOWLEDGEMENT TO MANAGEMENT RECRUITERS INTERNATIONAL, INC.**

Each of the undersigned hereby acknowledges the following:

- 1. That, at least fourteen days prior to my executing a franchise agreement or any other Agreement or making any payment to Management Recruiters International, Inc. in connection with the sale or proposed sale of a franchise to me, I received all disclosure documents required by applicable laws and regulations, as listed in the acknowledgement signed by me on Receipt Date (Please enter the date you received the Franchise Disclosure Document).
- 2. That I executed the completed franchise agreement and related documents on the date set forth below, which date is at least fourteen (14) days after my receipt of the disclosure documents.
- 3. That I fully reviewed the disclosure documents and completed franchise agreement and related documents with my lawyer before executing the franchise agreement and related documents.

\_\_\_\_\_  
Member's Name 1

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Member's Name 2

\_\_\_\_\_  
Date Signed

EXHIBIT B TO THE FRANCHISE DISCLOSURE DOCUMENT  
SBA ADDENDUM TO THE FRANCHISE AGREEMENT



ADDENDUM TO \_\_\_\_\_<sup>1</sup> AGREEMENT

THIS ADDENDUM (“Addendum”) is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“\_\_\_\_\_”), located at \_\_\_\_\_, and \_\_\_\_\_ (“\_\_\_\_\_”), located at \_\_\_\_\_.

\_\_\_\_\_ and \_\_\_\_\_ entered into a \_\_\_\_\_ Agreement on \_\_\_\_\_, \_\_\_\_\_, (such Agreement, together with any amendments, the “\_\_\_\_\_ Agreement”). \_\_\_\_\_ is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge the parties agree that notwithstanding any other terms in the \_\_\_\_\_ Agreement or any other document \_\_\_\_\_ requires \_\_\_\_\_ to sign:

**CHANGE OF OWNERSHIP**

- If \_\_\_\_\_ is proposing to transfer a partial interest in \_\_\_\_\_ and \_\_\_\_\_ has an option to purchase or a right of first refusal with respect to that partial interest, \_\_\_\_\_ may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of \_\_\_\_\_. If the \_\_\_\_\_’s consent is required for any transfer (full or partial), \_\_\_\_\_ will not unreasonably withhold such consent. In the event of an approved transfer of the \_\_\_\_\_ interest or any portion thereof, the transferor will not be liable for the actions of the transferee \_\_\_\_\_.

**FORCED SALE OF ASSETS**

- If \_\_\_\_\_ has the option to purchase the business personal assets upon default or termination of the \_\_\_\_\_ Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the \_\_\_\_\_ owns the real estate where the \_\_\_\_\_ location is operating, \_\_\_\_\_ will not be required to sell the real estate upon default or termination, but \_\_\_\_\_ may be required to lease the real estate for the remainder of the \_\_\_\_\_ term (excluding additional renewals) for fair market value.

<sup>1</sup> While relationships established under license, jobber, dealer and similar agreements are not generally described as “franchise” relationships, if such relationships meet the Federal Trade Commission’s (FTC’s) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

**COVENANTS**

- If the \_\_\_\_\_ owns the real estate where the \_\_\_\_\_ location is operating, \_\_\_\_\_ has not and will not during the term of the \_\_\_\_\_ Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the \_\_\_\_\_'s real estate, they must be removed in order for the \_\_\_\_\_ to obtain SBA-assisted financing.

**EMPLOYMENT**

- \_\_\_\_\_ will not directly control (hire, fire or schedule) \_\_\_\_\_'s employees. For temporary personnel franchises, the temporary employees will be employed by the \_\_\_\_\_ not the \_\_\_\_\_.

As to the referenced \_\_\_\_\_ Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the \_\_\_\_\_.

Except as amended by this Addendum, the \_\_\_\_\_ Agreement remains in full force and effect according to its terms.

\_\_\_\_\_ and \_\_\_\_\_ acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 - 3733.

**Authorized Representative of \_\_\_\_\_:**

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

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Authorized Representative of \_\_\_\_\_:**

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

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Note to Parties:** This Addendum only addresses "affiliation" between the \_\_\_\_\_ and \_\_\_\_\_. Additionally, the applicant \_\_\_\_\_ and the \_\_\_\_\_ system must meet all SBA eligibility requirements.

## EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

### OPERATIONS MANUAL TABLE OF CONTENTS

Folder	Sub Folders	Document Count	Total Pages
Running My Business			
Finance	Budget; Financial Plan	2	81
Legal	Charter, Employment Agreements, Fee Legal Articles & Memos; Manuals; Office Policies	81	351
People	Hiring, HR Policies, Training	21	300
Business Planning	Templates, Compensation Samples, Succession Planning	11	155
Business Expansion & Development	Internal Processes, Split Business, Sales Support Materials & Services/Solutions	44	151
Community	CPP, Charitable Giving, Next Gen; Legacy; O2O; Rep Council	49	67
Learning & Talent Development	Start Up; Client Tools; Scripts; Talent Tools	22	225
Technology	Solutions, Applications – Jostle; Snaphop; PCRecruiter; PTWeb+	49	115
Rankings & Awards	Awards	1	32
Branding, Marketing & Social Media	Monthly Materials; Templates; Articles, Assets; Tools; Imagery; Cards	86	351
Folder	Sub Folders	Document Count	Total Pages
Contract Staffing	Benefits; Travel; Experience; Contracts; Contractors; Screening; International; Marketing; Owner Resources; People 2.0; Pricing; Scripts; Overview	51	135
Vendor Services	Vendor Listings; Program Overview; Business Services; Tech Resources; Candidate Resources	139	382

EXHIBIT D1 TO THE FRANCHISE DISCLOSURE DOCUMENT

MRI OUTLETS AS OF DECEMBER 31, 2021



<b>Company</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zipcode</b>	<b>Phone</b>
Management Recruiters of Auburn-Opelika, LLC	500 S. 7th St. #2191	Opelika	AL	36803	(334) 749-4941
Management Recruiters of Rogers	5306 Village Parkway	Rogers	AR	72758	(479) 268-4091
JJR Partners	P O Box 70088	Oro Valley	AZ	85737	(520) 229-8882
Govig & Associates	7150 E Camelback Road	Scottsdale	AZ	85251	(480) 941-5627
Management Recruiters of Templeton	7350 El Camino Real	Atascadero	CA	93422	(805) 460-0800
Management Recruiters of Chico	2060 Talbert Drive	Chico	CA	95928	(530) 892-9898
Healthcare IS	130 West A Street	Dixon	CA	95620	(707) 410-8829
Xpedian Talent Services	5211 Salerno Drive	Dublin	CA	94568	(510) 857-5856
Peak Demand	11 Natoma Street, Ste 120	Folsom	CA	95630	(916) 565-2700
Reid & Associates	12812 Valley View Street	Garden Grove	CA	92845	(562) 432-5905
Empire Search Group	724 N Louise St	Glendale	CA	91206	(616) 204-0406
MRINetwork Sacramento*	5925 Granite Lake Drive	Granite Bay	CA	95746	(916) 850-2430
PrincetonOne Grass Valley	426 Sutton Way	Grass Valley	CA	95945	(530) 204-5620
Express Recruiting	23200 S Western Ave #310	Harbor City	CA	90710	(253) 441-0432
Management Recruiters of Crown Valley	28052 Camino Capistrano	Laguna Niguel	CA	92677-1107	(949) 429-8813
Management Recruiters of San Francisco Bay	3049 Independence Drive	Livermore	CA	94551	(650) 548-4800
Sales Consultants of Palo Alto	2680 Bayshore Pkwy.	Mountain View	CA	94043	(650) 530-9011
Sales Consultants of Newport Beach	3 Amador	Newport Coast	CA	92657	(949) 622-0232
Management Recruiters of San Clemente	501 N El Camino Real	San Clemente	CA	92672	(949) 366-4140
Sales Consultants of San Francisco Bay	3 Waters Park Drive	San Mateo	CA	94403	(650) 548-4800
Management Recruiters of Redlands	P O Box 1271	Simi Valley	CA	93063	(909) 335-2055
The HealthCare Initiative	9250 E. Costilla Ave. Suite 655	Centennial	CO	80112	(303) 799-8188
JBL Sourcing	7444 S. Dexter Way	Centennial	CO	80122	(303) 951-6375
Management Recruiters of Colorado Springs	4935 North 30th Street	Colorado Springs	CO	80919	(719) 575-0500
Management Recruiters of Evergreen	1508 Alpenglow Road, Suite 100	Evergreen	CO	80439	(800) 933-5250
Pivotal Partners Group	101 Merritt 7 Corporate Park	Norwalk	CT	06851	(203) 652-8283
Management Recruiters of Bonita Springs	9240 Bonita Beach Road, STE 3307	Bonita Springs	FL	34135	(239) 495-7885
The Dentz Group	1201 6th Ave W., STE. 321	Bradenton	FL	34205	(941) 744-0944
Executive Staffing	2525 Ponce de Leon Blvd.	Coral Gables	FL	33134	(786) 441-5272
H&CO Staffing Advisors, LLC	2320 Ponce de Leon Blvd	Coral Gables	FL	33134	(305) 444-8800

<b>Company</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zipcode</b>	<b>Phone</b>
Allied Search Partners*	1206 Thompson Pl	Daytona Beach	FL	32118	(407) 697-1175
Ace Talent Curators, LLC	190 Congress Park Drive	Delray Beach	FL	33445	(305) 602-9910
Protis Global*	190 Congress Park Drive	Delray Beach	FL	33445	(305) 424-8510
The Mullings Group*	190 Congress Park Drive	Delray Beach	FL	33445	(561) 243-8883
Management Recruiters of Miami-North	815 Northwest 57th Ave.	Miami	FL	33126	(305) 264-4212
Oris Search Group	8060 NW 155th Street	Miami Lakes	FL	33016	(305) 676-2140
MRC Staffing Solutions	1689 Tarpin Bay Dr South	Naples	FL	34119	(937) 438-0042
Morisey-Dart Group*	950 Encore Way	Naples	FL	34110	(239) 596-7280
Park Avenue Group*	4625 Halder Lane	Orlando	FL	32814	(407) 629-2424
Biledo Associates	8008 Links Way.	Port St Lucie	FL	34986	(815) 524-2345
Management Recruiters of Clearwater	143 8th Ave N	Safety Harbor	FL	34695	(727) 791-3277
The Beneva Group	1990 Main Street	Sarasota	FL	34236	(941) 953-3500
The Mattran Group	1549 Ringling Blvd	Sarasota	FL	34236	(941) 365-5151
CA Partners	624 Quintana Place NE	St. Petersburg	FL	33703	(727) 828-9021
Search Max, Inc.*	1401 NW 136 <sup>th</sup> Avenue	Sunrise	FL	33323	(954) 382-8856
Management Recruiters of Tallahassee	2333 Hansen Lane, Suite 2	Tallahassee	FL	32301	(850) 656-8444
Bayside Search Group*	3401 Bayshore Blvd.	Tampa	FL	33629	(813) 228-0258
PrincetonOne Tampa	1408 N. Westshore Blvd.	Tampa	FL	33607	(813) 418-7370
Sales Consultants of Jacksonville	16592 SE 77th Northridge Court	The Villages	FL	32162	(954) 849-5892
The Kenzak Group	700 S. Rosemary Avenue	West Palm Beach	FL	33401	(561) 512-6363
Management Recruiters of Weston	2645 Executive Park Drive	Weston	FL	33331	(954) 385-3122
Exemplar 360	11140 Brookhollow Trl	Alpharetta	GA	30022	(678) 782-2444
JNX Partners	1777 Boulder Walk Ln SE	Atlanta	GA	30316	(770) 982-0043
Management Recruiters of Cartersville	767 West Ave	Cartersville	GA	30120	(770) 607-6630
Quest Talent Solutions	4625 Wood Cove Trail	Cumming	GA	30041	(678) 782-2573
The Dunwoody Group	1711 Brandywine Court	Dunwoody	GA	30338	(770) 455-1958
Management Recruiters of Hall County	5272 Bowman Springs	Flowery Branch	GA	30542	(770) 965-6750
The Roswell Group, Inc.	4973 Leifs Landing	Marietta	GA	30068	(770) 645-6009
Polikov Recruitment Solutions*	555 Sun Valley Drive	Roswell	GA	30076	(770) 642-1230
Management Recruiters of Woodstock	12195 Hwy 92	Woodstock	GA	30188	(770) 592-9550

<b>Company</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zipcode</b>	<b>Phone</b>
Sales Consultants of Honolulu	850 Richards Street	Honolulu	HI	96813	(808) 533-3282
Management Recruiters of Honolulu	850 Richards Street	Honolulu	HI	96813	(808) 533-3282
Brown Davis Executive Search Partners, LLC*	305 2nd Street SE	Cedar Rapids	IA	52401	(319) 286-4734
Harrison Group, Inc.	305 2nd Street SE	Cedar Rapids	IA	52401	(319) 366-8441
Sales Consultants of Riverside	300 West Broadway	Council Bluffs	IA	51503	(712) 325-6884
JW Industrial Partners	Po Box 813	Okoboji	IA	51355	(712) 332-2011
Management Recruiters of Iowa City	Po Box 5, 600 Court Street	Williamsburg	IA	52361	(319) 499-5200
Management Recruiters of Treasure Valley	2551 W. Breneman Street	Boise	ID	83702	(208) 425-6555
Management Recruiters of Coeur d'Alene	1621 N. 3rd Street	Coeur D'Alene	ID	83814	(208) 667-7555
Sales Consultants of Bloomington	513 E. Locust St.	Bloomington	IL	61701	(309) 829-6000
M-Works Search	1038 North Ashland Ave.	Chicago	IL	60622	(312) 226-4916
Protis Global - Chicago*	540 North Street, Suite 4108	Chicago	IL	60654	(305) 424-8510
hireneXus*	472 N. McLean Blvd.	Elgin	IL	60123	(847) 697-2201
Miller Resource Group	701 E. 22nd Street	Lombard	IL	60441	(630) 990-8233
Management Recruiters of Lake Geneva	4610 Moorlands Drive	Loves Park	IL	61111	(262) 348-0100
Management Recruiters of Mattoon	1421 Wabash Avenue	Mattoon	IL	61938	(217) 235-9393
The Kenner Group	9704 Falcon Drive	Richmond	IL	60071	(815) 322-9150
MRA Global Sourcing*	1933 N. Meacham Road	Schaumburg	IL	60173	(847) 278-2120
Management Recruiters of St Charles, IL	310 S 1st Street	St Charles	IL	60174	(630) 443-5200
Iris Recruiting Solutions	11611 North Meridian Street	Carmel	IN	46032	(317) 582-0202
Shurig Solutions, Inc.	6814 S. Country Road 100 W	Clayton	IN	46118	(317) 983-4473
Tellis Executive Search	6369 Kelsey Drive	Indianapolis	IN	46268	(317) 983-5339
PrincetonOne Indianapolis	135 North Pennsylvania Street	Indianapolis	IN	46204	(317) 257-5411
Protis Global - Indianapolis*	101 W. Ohio Street	Indianapolis	IN	46204	(305) 424-8510
Clearfield Talent, LLC	3155 Brookfield Drive	Newburgh	IN	47630	(812) 803-2662
Manta Resources, Inc.	15229 Herriman Blvd.	Noblesville	IN	46060	(317) 773-4323
Management Recruiters of Richmond	1600 Buttermilk Road	Richmond	IN	47374	(765) 935-3356
Management Recruiters of Zionsville (Indianapolis)	1455 West Oak Street	Zionsville	IN	46077	(317) 733-9644
Balanced Workforce Group	1077 Brayden Court	Hebron	KY	41048	(859) 287-3408
Sales Consultants of Alexandria	618b Murray Street	Alexandria	LA	71301	(318) 561-2882

<b>Company</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zipcode</b>	<b>Phone</b>
Crescent Search Inc.*	321 N Vermont Suite 201	Covington	LA	70433	(800) 569-2941
Omega Point Partners	18827 Bienville Ct.	Prairieville	LA	70769	(724) 741-6060
Magee Resource Group	620 Texas Street	Shreveport	LA	71101	(318) 865-8411
Boston Group Executive Offices	31 St. James Ave	Boston	MA	02116	(617) 262-5050
MoldingSearch.com	149 Whatley Road	Conway	MA	01341	(413) 824-6447
Management Recruiters of Westborough	1700 West Park Drive	Westborough	MA	01581	(508) 366-9900
LifeWork Search	519 American Legion Hwy, 12	Westport	MA	02790	(508) 636-8418
Search Consultants International	400 E. Pratt St.	Baltimore	MD	21202	(410) 727-5750
The Plastic Job Source	8850 Columbia 100 Pkwy	Columbia	MD	21045	(410) 740-5501
The Meyers Group	11700 Old Georgetown Rd	N. Bethesda	MD	20852	(301) 625-5600
MRIGlobalSearch (Management Recruiters)	9515 Deereco Road	Timonium	MD	21093	(410) 252-6616
MRIGlobalSearch (Sales Consultants)	9515 Deereco Road	Timonium	MD	21093	(410) 252-6616
MRIGlobalSearch (OfficeMates5)	9515 Deereco Road	Timonium	MD	21093	(410) 252-6616
Epic Search Partners*	57 Southgate Rd.	Kennebunk	ME	04043	(973) 635-3745
Vector Search Group	PO Box 2542	Kennebunkport	ME	04046	(207) 226-0942
Sales Consultants of Auburn Hills	2180 Lake Angelus Shrs	Auburn Hills	MI	48326	(248) 373-7177
Variant Partners	6363 Dakota Circle	Bloomfield Hills	MI	48301	(734) 769-1720
Management Recruiters of Detroit/Farmington Hills	32455 West 12 Mile Road #3506	Farmington Hills	MI	48333	(248) 324-2100
Management Recruiters of Ottawa County	233 Washington Avenue, 100c	Grand Haven	MI	49417	(616) 844-0073
The Judson Group*	1059 Wealthy Street Se	Grand Rapids	MI	49506	(616) 336-8484
SCN	41875 West Eleven Mile Road	Novi	MI	48375	(248) 305-9727
Angott Search Group	101 South Main Street	Rochester	MI	48307	(248) 650-4800
Management Recruiters of Traverse City	104 South Union St	Traverse City	MI	49684	(231) 947-8000
Flory Group	6586 Torybrooke Circle	West Bloomfield	MI	48323	(513) 282-0900
PointsNorth Search Group	Po Box 868	Crosslake	MN	56442	(763) 244-1454
Cyber Security Recruiters	637 Main St NW	Elk River	MN	55330	(763) 515-0088
Winona Search Group*	111 Riverfront, Ste. 205	Winona	MN	55987	(507) 474-4820
Management Recruiters of Kansas City	P.O. Box 480138	Kansas City	MO	64148-0138	(913) 642-6300
Westport One	1170 Borman Drive	St. Louis	MO	63146	(314) 991-4355
Westport One - West	1170 Borman Drive	St. Louis	MO	63146	(314) 991-4355

<b>Company</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zipcode</b>	<b>Phone</b>
Goede Premier Recruitment	11188 Tesson Ferry Road	St. Louis	MO	63123	(314) 843-2727
Management Recruiter of Cedar Rapids	401 Pine Street	St. Louis	MO	63102	(319) 366-8441
KR Hugill Associates	7045 Shiny Penny Way	Billings	MT	59106	(720) 924-8203
The Chatham Group	50101 Governors Drive	Chapel Hill	NC	28266	(919) 957-2270
Stay Gold Solutions	7400 Carmel Executive Park Dr	Charlotte	NC	28266	(704) 594-2386
Management Recruiters of Davidson	710 Northeast Drive	Davidson	NC	28036	(704) 896-8890
The Photonics Group	6015 Fayetteville Road	Durham	NC	27713	(919) 572-2292
The Photonics Group	6015 Fayetteville Road	Durham	NC	27713	(919) 572-2292
MR of Fayetteville	951 S. McPherson Church Road	Fayetteville	NC	28303	(910) 483-2555
Management Recruiters of Gastonia North	3816 South New Hope Road, 8	Gastonia	NC	28056	(704) 215-5968
Sales Consultants of Gastonia North	3816 South New Hope Road, 8	Gastonia	NC	28056	(704) 215-5968
The Hickory Group	835 Highland Avenue S.E.	Hickory	NC	28602	(828) 324-2020
Management Recruiters of Kinston	600 Plaza Blvd	Kinston	NC	28501	(252) 527-9191
PKaza - Critical Facilities Recruiting*	1013 Chestnut Lane	Matthews	NC	28104	(973) 895-5200
Carolina Plastics Recruiters, Inc.	221 Beauregard Lane	Mebane	NC	27302	(336) 597-4000
Management Recruiters of Raleigh	5171 Glenwood Avenue	Raleigh	NC	27612	(919) 781-0400
Mackenzie Ryan, LLC*	416 S. Dawson Street	Raleigh	NC	27061	(919) 460-9595
Management Recruiters of Bethlehem	174 Bolick Lane	Taylorsville	NC	28681	(828) 495-8233
Northstar Search Group	1213 Culbreth Dr.	Wilmington	NC	28405	(910) 509-7129
The Port City Group	5744 Marguerite Drive	Wilmington	NC	28403	(910) 395-5516
The Siena Group, Inc.	PO Box #984	Youngsville	NC	27596	(919) 813-0778
JJM Search	980 County Road W	Fremont	NE	68025	(402) 721-6590
The Elam Group	9148 Keystone Drive	Lincoln	NE	68516	(402) 328-0400
WorldBridge Partners	13750 Millard Avenue	Omaha	NE	68137	(402) 397-8320
Management Recruiters of Bedford	2 Bedford Farms Drive	Bedford	NH	03110	(603) 669-9800
Affinity North*	1442 Broad Street	Bloomfield	NJ	07003	(973) 866-5800
LS Alliance	800 Riverview Drive	Brielle	NJ	08730	(855) 572-4473
Management Recruiters of Edison	6 Gooding Court	Edison	NJ	08820	(732) 767-1025
Office Mates 5 Englewood Cliffs	560 Sylvan Avenue	Englewood Cliffs	NJ	07632	(201) 871-2203
Stascom Technologies	21 Bowling Green Pkwy	Lake Hopatcong	NJ	07849	(973) 729-5220

<b>Company</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zipcode</b>	<b>Phone</b>
Management Recruiters of Union County	1100 Springfield Avenue	Mountainside	NJ	07092	(908) 789-9400
Starboard Consultants	364 Parsippany Road	Parsippany	NJ	07054	(973) 887-3838
The Bluestone Group	1130 Rt 202 South Bldg. D7	Raritan	NJ	08869	(908) 541-9600
PrincetonOne Headquarters	23 Orchard Road	Skillman	NJ	08558	(609) 924-3444
Management Recruiters of Albuquerque	8405 Vineyard Ridge Ct Ne	Albuquerque	NM	87122	(505) 346-4700
Consiglio-Mattei Executive Search Group LLC	515 Gusdorf Road	Taos	NM	87571	(505) 263-6477
Jacobs Executive Advisors	672 Dogwood Avenue	Franklin Square	NY	11010	(516) 599-5824
Management Recruiters of St. Lawrence County	23 East Main Street	Gouverneur	NY	13642	(315) 393-9460
Elite Search Professionals	8258 Main Street	Hunter	NY	12442	(646) 838-4889
MedLeaders Group	534 Broad Hollow Road	Melville	NY	11747	(516) 882-5446
PrincetonOne New York	510 Broadhollow Road	Melville	NY	11747	(631) 777-2710
The Park West Group	711 Amsterdam Avenue	New York	NY	10025	(646) 930-2016
The Ottohahn Group	1140 Crosspointe Lane, Suite 8	Webster	NY	14580	(585) 302-4703
StraussGroup, Inc.	6790 Main Street	Williamsville	NY	14221	(716) 631-3200
Acuity Search Solutions, Inc.	9916 Carver Road, Suite 104	Blue Ash	OH	45242	(513) 206-9873
Management Recruiters of Fairfield	621 Mehring Way	Cincinnati	OH	45202	(513) 682-4020
Oxford Search Group	1101 St. Gregory St.	Cincinnati	OH	45202	(513) 322-1717
Management Recruiters of University Circle	12107 Mayfield Road	Cleveland	OH	44106	(216) 561-6776
PrincetonOne Cleveland	7550 Lucerne Drive	Cleveland	OH	44130	(440) 243-5151
PrincetonOne Columbus	2 Miranova Place	Columbus	OH	43215	(614) 252-6200
Management Recruiters of Dayton	10 North Ludlow	Dayton	OH	45402	(937) 228-8271
Management Recruiters of Akron	3490 Ridgewood Road	Fairlawn	OH	44333	(330) 867-2900
Management Recruiters of Hudson	P.O. Box 464	Hudson	OH	44236-0464	(330) 357-4335
Connor   Caitlin Talent Solutions	44 Public Square	Medina	OH	44256	(614) 493-7031
Management Recruiters of Cleveland-Independence*	6785 Wallings Rd.	North Royalton	OH	44133	(440) 582-2267
The Greenwood Group	69 Royal Birkdale Dr	Springboro	OH	45066	(513) 290-7752
Management Recruiters of Lake County	4082 Erie Street	Willoughby	OH	44094	(440) 946-2355
Earth Resource Network, LLC	501 E. 15th Street	Edmond	OK	73013	(405) 715-1117
The Lakewood Group	532 SW 13th Street	Bend	OR	97702	(253) 582-8488
Management Recruiters of Portland	19920 Blue Grass Circle	West Linn	OR	97068	(503) 287-8701
Sales Consultant of Portland	19920 Blue Grass Circle	West Linn	OR	97068	(503) 287-8701

<b>Company</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zipcode</b>	<b>Phone</b>
GEM Global Search and Consulting Group, LLC	1900 Main Street	Canonsburg	PA	15317	(412) 515-0587
Insight Growth Strategies*	5018 West Grove Lane	Gibsonia	PA	15044	(717) 598-8449
Highland Consulting Group, Inc.	2000 Tower Way	Greensburg	PA	15601	(724) 837-6335
Management Recruiters of Lancaster	2233 Dutch Gold Dr	Lancaster	PA	17601-1941	(717) 299-6222
Management Recruiters of Westmoreland County	3925 Reed Blvd	Murrysville	PA	15668-1848	(724) 325-4011
The Bishop Group	3553 W. Chester Pike #314	Newtown Square	PA	19073	(610) 353-2705
Protis Global - Philadelphia*	1735 Market Street, Suite 200	Philadelphia	PA	19103	(305) 424-8510
PrincetonOne Philadelphia	1835 Market Street	Philadelphia	PA	19103	(215) 789-3450
PrincetonOne Pittsburgh	1501 Reedsdale St	Pittsburgh	PA	15233	(412) 566-2100
Management Recruiters of Quakertown	1408 Fels Road	Quakertown	PA	18951	(267) 373-9455
Management Recruiters of Providence	101 Dyer Street	Providence	RI	02903	(401) 274-2810
E3NJ Executive Search, LLC	308 Verdana Court	Boiling Springs	SC	29316	(864) 501-2202
Management Recruiters of Lowcountry	1333 Pinnacle Lane	Charleston	SC	29412	(843) 628-5021
Touchpoint Search	162 Seven Farms Drive, 235	Charleston	SC	29492	(339) 224-6010
The Q Works Group	1057 Red Ventures Dr	Fort Mill	SC	29707	(803) 548-8140
Management Recruiters of Greenville	150 Executive Center Drive	Greenville	SC	29615	(864) 370-2600
The Newell Group*	2082 Woodruff Road	Greenville	SC	29607	(864) 288-0011
BASI Solutions, LLC	2010 Gregory Lake Road	North Augusta	SC	29860	(678) 480-4086
Management Recruiters of Chattanooga-Brainerd	6005 Century Oaks Drive	Chattanooga	TN	37416	(423) 894-5500
Sales Consultants of Chattanooga-Brainerd	6005 Century Oaks Drive	Chattanooga	TN	37416	(423) 894-5500
The North Lake Group	3934 Hilltop Drive	Cookeville	TN	38506	(931) 341-9145
The Trevi Group	1113 Murfreesboro Rd.	Franklin	TN	37064	(615) 815-1961
Management Recruiters of Chattanooga-North	4808 Hixson Pike	Hixson	TN	37343	(423) 877-4040
Management Recruiters of Cordova	1176 Vickery Lane	Memphis	TN	38016	(901) 432-1674
Management Recruiters of Nashville	4751 Trousdale Drive	Nashville	TN	37220	(615) 333-6067
Emerge Talent Advisors	222 2nd Avenue South, 1700	Nashville	TN	37201	(615) 751-0278
Chandler Recruiting Services Inc.	4300 Pecan Orchard Drive	Allen	TX	75002	(214) 383-8330
Siter-Neubauer & Associates	1250 E. Copeland Road, 740	Arlington	TX	76011	(817) 989-9700
PrincetonOne Austin	8140 N. Mopac Expy	Austin	TX	78759	(512) 327-8292

<b>Company</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zipcode</b>	<b>Phone</b>
3D Executive Search Partners	4418 Holland Avenue	Dallas	TX	75219	(972) 402-5701
Zenith Search Partners	310 Morningside Drive	Friendswood	TX	77549	(281) 482-6575
Parkwood International	7460 Warren Parkway, 320	Frisco	TX	75034	(972) 668-9855
The Fassino Group	10480 Grant Road	Houston	TX	77070	(281) 571-3797
Management Recruiters of Champions	3220 Fm 1960 West	Houston	TX	77068	(281) 580-6020
CP & Krell Group	809 Brookstone Ct	Keller	TX	76248	(817) 484-0187
The Jacob Group	6190 Virginia Parkway	McKinney	TX	75071	(214) 544-9030
Sales Consultants of San Antonio	8626 Tesoro Dr.	San Antonio	TX	78217	(210) 805-0900
River Walk Executive Search	246 Early Trail	San Antonio	TX	78228	(210) 732-6400
The SearchWorks Group	300 State St #93293	Southlake	TX	76092	(940) 580-2677
Odin Search Group	2859 Earl Drive	Trophy Club	TX	76262	(817) 348-8900
Management Recruiters of Highland Village	4022 New Copeland Road	Tyler	TX	75701	(214) 945-2845
Sales Consultants of Provo*	1428 East 840 North	Orem	UT	84097	(801) 434-9265
Jamison Search International	1428 East 840 North	Orem	UT	84097	(801) 434-9265
Connector Team Recruiting	632 Jonna Street	Crozet	VA	22932	(801) 251-1557
ETS Recruit	2840 Hershberger Road	Roanoke	VA	24017	(540) 563-1688
Management Recruiters of Fairfax	2971 Valley Avenue	Winchester	VA	22601	(703) 395-3466
Julison Sell Search Team	2715 Meridian St #201	Bellingham	WA	98225-2410	(360) 684-1578
Management Recruiters of Tacoma	9023 Allen Point Rd NW	Gig Harbor	WA	98332	(253) 858-9991
Management Recruiters of Kirkland	218 Main Street #913	Kirkland	WA	98033	(425) 778-1212
Management Recruiters of Lynden	1610 Grover St.	Lynden	WA	98264	(360) 354-1100
Domer Recruiting Group, Inc.	5920 Highway 291	Nine Mile Falls	WA	99026	(425) 336-2447
The Zbitnoff Group	8195 166th Avenue N.E.	Redmond	WA	98052	(425) 883-1313
Management Recruiters of Mercer Island	4580 Klahanie Drive SE	Sammamish	WA	98029	(206) 232-0204
Management Recruiters of Shoreline	19826 11th Ave NW.	Shoreline	WA	98177	(206) 533-8000
Management Recruiters of Spokane	1131 E Westview Ct	Spokane	WA	99218	(509) 324-3333
Employment Resource Group	3100 N. Ballard Road.	Appleton	WI	54911	(920) 996-9700
Sales Consultants of Brookfield	16800 W Greenfield Ave	Brookfield	WI	53005	(262) 754-0600
Management Recruiters of Janesville	7815 Longview Court	Edgerton	WI	53534	(608) 752-2125
MR Dominion*	13300 Wrayburn Road	Elm Grove	WI	53122	(262) 754-3202



<b>Company</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zipcode</b>	<b>Phone</b>
Management Recruiters of Milwaukee-West	N160W18842 Kirsten Court	Jackson	WI	53037	(262) 797-7500
The Dentz Group	285 Forest Grove Drive	Pewaukee	WI	53072	(941) 744-0944
PointOne Recruiting Solutions*	8411 Corporate Drive	Racine	WI	53406	(262) 886-8000
Management Recruiters of Wausau	200 Washington Street	Wausau	WI	54403	(715) 842-1750
The Brooke Group	529 Ashebrooke Square	Morgantown	WV	26508	(304) 594-1890
Constructive Hire	769 N 4th St	Laramie	WY	82072	(307) 223-4199

Companies with an asterisk (\*) at the end of their names are parties to an Established Firm Franchise Agreement offered by MRI.

## EXHIBIT D2 TO THE FRANCHISE DISCLOSURE DOCUMENT

### FORMER MRI FRANCHISEES FOR THE PERIOD JANUARY 1, 2021 THROUGH DECEMBER 31, 2021

The chart below is a list of members who had an outlet terminated, cancelled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the period January 1, 2021 through December 31, 2021 or who have not communicated with us within ten weeks of the disclosure document issuance date.

<b>Former Member</b>	<b>City</b>	<b>State</b>	<b>Phone</b>
Kimmel Arn	Hilton Head Island	SC	(937) 435-1854
Toni Turnbaugh	Frederick	MD	(301) 663-0600
Doug Welker	Manlius	NY	(315) 692-4801
Crystal Nygard	Wasilla	AK	(907) 313-6859
Denver Wilson	Fayetteville	AR	(479) 521-9700
Craig Alexander	Boise	ID	(208) 336-6770
Jim Essington	Kansas City	MO	(913) 642-6300
Robert Joseph	Cranberry Township	PA	(412) 274-0659
Jack Harris	Higgins Lake	MI	(989) 821-1125
Gary King	Odessa	FL	(813) 264-7165
Peggy Quinn	Charlotte	NC	(704) 849-9200
Sandhya Patel	McKinney	TX	(469) 907-5030
Felicia Otterbourg	Jacksonville	FL	(904) 655-2400
Robert Keen	Columbia	SC	(803) 254-1334
Steve Komarek	Mason	OH	(513) 273-4222
Timothy Lawler	Thiensville	WI	(262) 510 3236
Roger Holloway	Mount Dora	FL	(352) 383-7101
Thomas Damewood	Hopewell Junction	NY	(845) 227-3161
Brian Gavie	Aurora	OH	(973) 218-8800

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

EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT

MRINETWORK CODE OF CONDUCT



## MRINETWORK CODE OF CONDUCT

Everyone at MRI is expected to foster a culture in which legal and ethical conduct is recognized, practiced and valued by all – at all times. As part of this commitment, everyone connected with the MRINetwork is required to:

- Obey all laws, rules and regulations that apply to the business.
- Avoid all conflicts of interest between work and personal interests.
- Treat all employees in accordance with fair employment practices.
- Be honest and fair in all business activities with customers, vendors and competitors.
- Endeavor to have all employees work in a safe environment.

This Code of Conduct is intended to set forth obligations of all persons within the MRINetwork. This Code of Conduct does not create any legal obligations on the part of MRI or the MRI members to third parties. MRI has the right, but not the obligation, to enforce this Code and to investigate claimed violations of its provisions and may do so with the assistance of the MRI Representative Council. This Code may be modified by MRI as it may determine, from time to time.

### 1. General Application

- a. All communications with candidates, clients, other MRINetwork offices, and Franchisor shall be honest and truthful.
- b. All laws and regulations relating to equal employment opportunity must be obeyed.
- c. Candidate employment background and qualifications must be accurately presented.
- d. No promises or guarantees will be made to candidates or clients that are not intended to be kept.
- e. You must not defame or disparage any other office or its employees in any communications with anyone.
- f. You must not misrepresent your credentials to anyone.
- g. Your office must not knowingly misrepresent its capabilities or its relationship with MRI or other MRINetwork offices.

### 2. Candidate Relations

- a. A candidate who is also considering an opportunity with another company will not be given false or misleading information about the other company to dissuade the candidate from accepting the position with the other company or to motivate the candidate to accept the position with your client. It is improper to give the other company false or misleading information about the candidate for the same purpose.
- b. Reference checks will not be conducted without the candidate's permission, as required by the Fair Credit Reporting Act.
- c. Candidate information will be used only in connection with your activities related to the possible placement of the candidate. Confidential information will be treated with care and not distributed or used in a manner other than for which the information was collected.
- d. Presentations made to candidates about positions will be made from the best knowledge of the office's account executive and/or project coordinator.
- e. Candidates must not be involved in fee disputes other than asking them to provide information, including testimony, where necessary.

- f. A candidate will be counseled to not tender his or her resignation from the candidate's current position until such time as the candidate has accepted a Recruiter, unconditional offer from a prospective employer.
- g. Resumes or CVs must not be sent without the candidate's permission, unless the candidate is not identified in the resume or CV.
- h. No fee will be shared with a candidate when doing so would violate applicable laws or regulations.

### **3. Client Relations**

- a. An MRINetwork office must inform its client companies of its service charges before accepting an assignment.
- b. An MRINetwork office will not recruit a candidate from a client company where the office placed the candidate, either directly or indirectly through another office. If such a candidate initiates a request to be placed elsewhere, you may discuss the reasons for the request in an attempt to resolve any problem between the candidate and the client. If the problem cannot be resolved, the candidate must only be provided placement assistance after the candidate has provided you with a signed acknowledgement that the candidate initiated the contact and requested your office's service. A copy of the acknowledgement is included in the Forms Section of the Appendix with a link to an electronic version online in The Resource.
- c. Unsolicited resumes or CVs will not be sent to prospective clients or other offices. An unsolicited resume or CV may be sent to an actual client only when the prior course of dealing with that client establishes that the receipt of such resume would be welcome.
- d. Confidential information will be treated with care and not distributed or used in a manner other than for which the information was collected.
- e. All relevant and reliable reference information, favorable and unfavorable, will be shared with the client. Information protected from disclosure by law will not be shared with a client.
- f. An office will not present a candidate to a client until it or its IOR partner has interviewed the candidate.

### **4. Ethical Relations with other MRINetwork Offices, Account Executives and Project Coordinators**

- a. The IOR Rules will be honored at all times. All agreements between MRINetwork offices, including those not subject to the IOR Rules, will be honored in all respects, including agreements relating to referrals.
- b. If a service fee is received from a company by mistake on an invoice issued by another office, the service fee will immediately be sent to the office which issued the invoice or returned to the issuing company in the even the payment does not bear the name of the correct office. Such payment will not be deposited or retained, even if the office has a claim against the company for a fee.
- c. Clients and candidates will not be involved in any IOR disputes, except for the solicitation of information and statements which may be relevant to the resolution of the dispute.
- d. Each office must respect the contractual, statutory, and common law rights which govern and protect the relationships between other offices and the other offices' employees. When an office is approached by an employee of another office about prospective employment, it is required that you consult with the other office to ensure that the other office's rights are not being violated. Offices are encouraged to resolve such situations by agreement, including compensation when appropriate. In no event will any office attempt to solicit or recruit for employment the employees of another MRI office at any activity or meeting sponsored by MRI or any group of MRI offices.
- e. An office will not assist or permit persons who are not their employees or agents to gain access to or utilize materials, databases, intranet websites, or services which are designated or intended for use only by MRI offices.

## EXHIBIT F TO THE FRANCHISE DISCLOSURE DOCUMENT

### MEMBER ASSOCIATION

The following are the member associations MRI has created, sponsors, or endorses.

#### **MRINetwork Representative Council**

The MRINetwork Representative Council, which was created by MRI, has been in existence for almost 42 years.

Representation is based on geographical location. The Representative Council is comprised of six member representatives. Each Council member is a current active franchisee representing six regions: West, Northeast, Central, Southeast, Midwest, and International.

The contact for Representative Council is:

Gary Miller, Chairman  
Miller Resource Group  
701 E. 22<sup>nd</sup> Street, Suite 250  
Lombard, IL 60441  
(630) 990-8233 ext. 5370  
[garym@millerresource.com](mailto:garym@millerresource.com)

## EXHIBIT G TO THE FRANCHISE DISCLOSURE DOCUMENT

### SAMPLE RELEASE LANGUAGE

Releasor, on behalf of itself and its affiliates, officers, directors, shareholders, employees, agents, successors and assigns (“Member Releasors”) hereby releases MRI and the Subsidiaries and their affiliates, officers, directors, shareholders, employees, agents, successors and assigns (“Franchisor Releasees”) from all claims and causes of action which Member Releasors have or may have, whether known or unknown, against them relating to any occurrence or transaction up to and including the Termination Date, including any claims arising out of Member’s purchase of the franchise, the acts of the parties during the term of the Franchise Agreement, the termination of the Franchise Agreement, or the acts of any other member of MRI, including any claim for breach of contract, fraud, unfair competition, violation of any federal or state antitrust, franchise, securities, or other law or regulation.

MEMBER RELEASORS HEREBY WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE MEMBER RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT TIME OF EXECUTION OF THIS AGREEMENT. THE MEMBER RELEASORS ALSO COVENANT NOT TO BRING ANY SUIT, ACTION, OR PROCEEDING, OR MAKE ANY DEMAND OR CLAIM OF ANY TYPE, AGAINST FRANCHISOR RELEASEES WITH RESPECT TO ANY MEMBER RELEASED CLAIM.

EXHIBIT H TO THE FRANCHISE DISCLOSURE DOCUMENT  
FINANCIAL STATEMENTS





**DASZKALBOLTON**  
accountants & advisors

# Management Recruiters International, Inc. and Subsidiaries

## Consolidated Financial Statements

December 31, 2021

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## Independent Auditors' Report

Board of Directors  
Management Recruiters International, Inc. and Subsidiaries

### *Opinion*

We have audited the accompanying consolidated financial statements of Management Recruiters International, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets at December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Management Recruiters International, Inc. and its subsidiaries at December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Management Recruiters International, Inc. and its subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Management Recruiters International, Inc. and its subsidiaries ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

*Continued from previous page*

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion, on the effectiveness of Management Recruiters International, Inc. and its subsidiaries internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Management Recruiters International, Inc. and its subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Prior Period Consolidated Financial Statements***

The consolidated financial statements of the Company at December 31, 2020 and for the year then ended, were audited by other auditors whose report, dated March 23, 2021, expressed an unmodified opinion on those statements.



Boca Raton, Florida  
March 11, 2022

**Management Recruiters International, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2021 and 2020**

**Assets**

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 2,429	\$ 332
Accounts receivable, net of allowances of \$317 and \$82	9,939	10,086
Due from affiliate	479	109
Prepaid expenses and other current assets	401	624
Current income tax receivable	-	5
Right of use asset - current	140	94
Total current assets	<u>13,388</u>	<u>11,250</u>
Right of use asset - noncurrent	176	414
Property and equipment, net of accumulated depreciation and amortization of \$235 and \$135	201	263
Intangible assets, net of accumulated amortization of \$47 and \$25	173	195
Deferred income taxes - noncurrent	935	1,542
Total assets	<u>\$ 14,873</u>	<u>\$ 13,664</u>

**Liabilities and Stockholders' Equity**

Current liabilities:		
Accounts payable	\$ 2,422	\$ 2,820
Accrued compensation and related expenses	2,801	1,576
Operating lease - current	140	94
Unearned revenue	33	96
Other accrued expenses and other current liabilities	1,082	334
Total current liabilities	<u>6,478</u>	<u>4,920</u>
Long-term debt:		
Long-term debt	4,614	4,614
Operating lease - noncurrent	176	414
Unearned income - noncurrent	174	129
Total long-term debt	<u>4,964</u>	<u>5,157</u>
Total liabilities	<u>11,442</u>	<u>10,077</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$1 par value, 1,000 shares authorized, issued and outstanding	1	1
Additional paid-in capital	1,165	3,190
Retained earnings	2,368	425
Accumulated other comprehensive loss	(103)	(29)
Total stockholders' equity	<u>3,431</u>	<u>3,587</u>
Total liabilities and stockholders' equity	<u>\$ 14,873</u>	<u>\$ 13,664</u>

See accompanying notes to the consolidated financial statements.

Management Recruiters International, Inc. and Subsidiaries  
Consolidated Statements of Income  
December 31, 2021 and 2020

(Dollars in thousands)	<u>2021</u>	<u>2020</u>
Revenue	\$ 75,433	\$ 46,706
Cost of services	<u>46,055</u>	<u>28,000</u>
Gross profit	29,378	18,706
Operating and administrative expenses	<u>26,615</u>	<u>19,419</u>
Operating income (loss)	<u>2,763</u>	<u>(713)</u>
Other income (expense):		
Gain on the extinguishment of debt	-	1,104
Other expenses	(20)	-
Interest expense	(1)	(41)
Income before income taxes	<u>2,742</u>	<u>350</u>
Income tax (expense) benefit	<u>(799)</u>	<u>235</u>
Net income	<u>\$ 1,943</u>	<u>\$ 585</u>

See accompanying notes to the consolidated financial statements.

Management Recruiters International, Inc. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
December 31, 2021 and 2020

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(Dollars in thousands)	<u>2021</u>	<u>2020</u>
Net income	\$ 1,943	\$ 585
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of tax of \$0	<u>(74)</u>	<u>(5)</u>
 Total comprehensive income	 <u>\$ 1,869</u>	 <u>\$ 580</u>

See accompanying notes to the consolidated financial statements.

Management Recruiters International, Inc. and Subsidiaries  
 Consolidated Statements of Stockholders' Equity  
 December 31, 2021 and 2020

(Dollars in thousands)	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value				
Balance, December 31, 2019	1	\$ 1	\$ 3,190	\$ (160)	\$ (24)	\$ 3,007
Net income	-	-	-	585	(5)	580
Balance, December 31, 2020	1	1	3,190	425	(29)	3,587
Distributions	-	-	(2,000)	-	-	(2,000)
Net income	-	-	(25)	1,943	(74)	1,844
Balance, December 31, 2021	<u>1</u>	<u>\$ 1</u>	<u>\$ 1,165</u>	<u>\$ 2,368</u>	<u>\$ (103)</u>	<u>\$ 3,431</u>

See accompanying notes to the consolidated financial statements.



**Management Recruiters International, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**December 31, 2021 and 2020**

(Dollars in thousands)	2021	2020
Cash flows from operating activities:		
Net income	\$ 1,943	\$ 585
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	120	116
Amortization of right of use asset	192	66
Deferred income taxes	791	(291)
Increase (decrease) in allowance for doubtful accounts	235	(78)
Gain on extinguishment of debt	-	(1,105)
Changes in operating assets and liabilities:		
Accounts receivable	(85)	(1,882)
Prepaid expenses and other current assets	220	(288)
Accounts payable	(398)	1,319
Due from affiliate	(395)	(109)
Accrued compensation and related expenses	1,225	547
Unearned revenue - current and noncurrent	(18)	168
Accrued expenses and other current liabilities	564	(1,278)
Income tax receivable	5	4
Operating cash flows from operating leases	(192)	(66)
Deferred compensation	-	(13)
Net cash provided by (used in) operating activities	4,207	(2,305)
Cash flows from investing activities:		
Additions to property and equipment	(36)	(124)
Net cash used in investing activities	(36)	(124)
Cash flows from financing activities:		
Distributions	(2,000)	-
Proceeds from line of credit, net	-	(2,953)
Proceeds from PPP loans	-	5,719
Net cash (used in) provided by financing activities	(2,000)	2,766
Net increase in cash and cash equivalents	2,171	337
Effects of exchange rates on cash	(74)	(5)
Cash and cash equivalents, beginning of year	332	-
Cash and cash equivalents, end of year	\$ 2,429	\$ 332
<b><u>Supplemental disclosure of cash flow information:</u></b>		
Cash paid during the year for interest	\$ 1	\$ 47

**Supplemental non-cash investing and financing activities:**

The Company entered into a new lease for office space that is classified as an operating lease and resulted in a right-of-use asset and lease liability in the initial amount of \$585,198

See accompanying notes to the consolidated financial statements.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to the Consolidated Financial Statements

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#### Note 1 – Nature of Business

Management Recruiters International, Inc. (“MRI”) is a global franchisor that does business as MRINetwork® and provides the use of its trademarks, business systems and training and support services to its franchisees who engage in the search and recruitment of executive, technical, professional and managerial personnel for employment by their clients. The MRI franchisees provide permanent placement services primarily under the brand names MRINetwork®, Management Recruiters® and Sales Consultants®. MRI also provides training and support, implementation and back-office services to enable franchisees to pursue contract staffing opportunities.

#### Note 2 – Summary of Significant Accounting Policies

##### *Basis of Presentation*

The consolidated financial statements of MRI and Subsidiaries (collectively, the “Company”) and the accompanying notes are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”).

##### *Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts disclosed in the consolidated financial statements and accompanying notes. Estimates, by their nature, are based on judgment and available information. Actual results could differ materially from those estimates. Significant estimates inherent in the preparation of the accompanying consolidated financial statements include the allowance for doubtful accounts receivable, determination of the recoverability of long-lived assets, assessment of legal contingencies and calculation of income taxes.

##### *Principles of Consolidation*

The consolidated financial statements include the accounts of MRI and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

##### *Revenue recognition*

The Company recognizes revenue in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers* (“Topic 606”).

Topic 606 prescribes a five-step model that focuses on transfer of control and entitlement to payment when determining the amount of revenue to be recognized. Under Topic 606, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

**Note 2 – Summary of Significant Accounting Policies, continued**

***Revenue recognition, continued***

The Company derives its significant revenue from the following sources:

***Franchise Royalties***

MRI's rights to franchise royalties are governed by the provisions of its franchise contracts. Under the franchise contracts, the franchisees remit to the Company a contractual percentage of fees collected from their customers or a fixed monthly fee. The Company records franchise royalty revenue as fees are collected by the franchisee and they become a receivable due from the franchisee.

***Franchise Fees***

The Franchise Agreement provides for an initial franchise fee, which requires payment upon execution of the Franchise Agreement. The Company determined that the services provided in exchange for these initial fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, the initial franchise fee is recognized on a straight-line basis over the term of each respective agreement, which is consistent with the franchisee's right to use and benefit from the exclusivity of territory and operational support.

***Contract Staffing Services***

The Company recognizes revenue from contract staffing services based on the gross amount billed. The Company typically bills its customers once services are performed and associated costs have been incurred. In these circumstances, the Company assumes the risk of acceptability of its employees to its customers. The Company will also at times use unaffiliated companies (supplier associates) and their employees to fulfill a customer's staffing requirements, either in whole or in part. Under these arrangements, these firms serve as subcontractors. When utilizing supplier associates, the Company records the difference between its gross billings and the amount paid to the supplier associate as revenue, which is generally referred to as an administrative fee.

Revenue from royalties and contract staffing services is recognized at a point in time, whereas revenue from franchise fees are recognized over time. Total revenue recognized at a point in time and over time was as follows for the years ended December 31, (in thousands):

	<u>2021</u>	<u>2020</u>
Revenue recognized over time	\$ 75	\$ 18
Revenue recognized at a point in time	75,358	46,688
	<u>\$ 75,433</u>	<u>\$ 46,706</u>

***Advertising Costs***

The Company participates in various advertising programs. All costs related to advertising are included in operating and administrative expenses and are expensed in the period incurred. Advertising costs were \$530,647 and \$348,479 for years ended December 31, 2021 and 2020, respectively.

**Note 2 – Summary of Significant Accounting Policies, continued**

***Foreign Currency***

Foreign franchisees of the Company use local currency as the functional currency. Net assets are translated at year-end exchange rates while revenue and expenses are translated at average monthly exchange rates. Adjustments resulting from these translations are reflected in accumulated other comprehensive loss in the equity section of the consolidated balance sheets.

***Concentrations of Credit Risk***

The Company's principal asset is its accounts receivable. Substantially, all of the Company's customers are provided trade credit. Credit risk with respect to receivables is limited due to the number of companies comprising the Company's customer base. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. The Company considers several factors in determining the allowance for doubtful accounts receivable, including an assessment of customer-specific information, the Company's historical experience, the age of the receivable and current market and economic conditions.

The Company maintains cash deposits in financial institutions in excess of federally insured limits. Management believes the risk is mitigated by maintaining all deposits in high quality financial institutions in the U.S.

During the years ended December 31, 2021 and 2020, the Company had approximately 15% and 28% of its sales from one (1) customer and two (2) customers, respectively. Accounts receivable from these customers were approximately 1% and 29% at December 31, 2021 and 2020, respectively.

***Income Taxes***

The Company accounts for income taxes using the asset and liability method. Under this method, income taxes are recorded for amounts currently payable and for amounts deferred based on differences between the financial statement carrying amounts and tax basis of its assets and liabilities. In establishing its deferred income tax assets and liabilities, the Company makes judgments and interpretations based on the enacted tax laws and published tax guidance. The Company records deferred tax assets and liabilities and evaluates the need for valuation allowances to reduce the deferred tax assets to realizable amounts. The likelihood of a material change in the Company's expected realization of these assets is dependent on future taxable income, its ability to use tax credit carry forwards and carry backs, final tax settlements and the effectiveness of its tax planning strategies in the various tax jurisdictions in which it operates. The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

***Intangible Assets***

The Company evaluates the useful lives of intangible assets. Reaching a determination on useful life requires significant judgements and assumptions. Intangible assets include trade names and trademarks, which are amortized on a straight-line basis over their useful life of twelve (12) years.

**Note 2 – Summary of Significant Accounting Policies, continued**

***Fair Value of Financial Instruments***

The net carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and line of credit approximate their fair value due to the short-term nature of these instruments.

***Property and Equipment***

Property and equipment are recorded at cost. Depreciation and amortization expense for financial reporting purposes is computed using the straight-line method over the following useful lives:

Computer software and hardware	3 - 4 years
Equipment and furniture	4 - 10 years
Software	4 - 7 years
Leasehold improvements	Shorter of lease term or useful life

***Long-Lived Assets***

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When it is probable that undiscounted future cash flows will not be sufficient to recover an asset's carrying amount, the asset is written down to its fair value. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less cost to sell. There were no triggering events during the years ended December 31, 2021 and 2020.

***Recent Accounting Pronouncements***

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for the Company beginning on January 1, 2022. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

**Note 2 – Summary of Significant Accounting Policies, continued**

***Date of Management's Review***

Management evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through March 11, 2022, the day the consolidated financial statements were approved and authorized for issuance.

**Note 3 – Property and Equipment**

Property and equipment, net was comprised of the following (in thousands):

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 414	\$ 380
Equipment and furniture	22	18
Total property and equipment	<u>\$ 436</u>	<u>\$ 398</u>
Accumulated depreciation and amortization	<u>(235)</u>	<u>(135)</u>
Property and equipment, net	<u>\$ 201</u>	<u>\$ 263</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020, was approximately \$124,000 and \$110,000, respectively.

**Note 4 – Line of Credit**

On May 28, 2019, the Company entered into a revolving credit loan agreement (“Revolving Credit Loan”) to fund a previous acquisition that occurred. The Revolving Credit Loan has a maximum availability of \$7,000,000, originally maturing on May 28, 2022, and carries interest at a per annum rate equal to the LIBOR rate plus 2.75%. Interest is payable in arrears on the first day of each month. The line was subsequently amended on October 19, 2021 to permit the specified owner distribution in 2021, extended the maturity date to May 28, 2025, along with modifications to the certain financial covenants, all other material terms of the agreement remained the same. At December 31, 2021 and 2020, the Company had borrowings outstanding of \$0.

The line of credit is subject to certain financial covenants, as defined. The Company was in compliance with the financial covenants at December 31, 2021. The Company was not in compliance with the financial covenants at December 31, 2020. In February 2021, the lender provided a waiver for the covenant violation as of December 31, 2020.

**Note 5 – Long-Term Debt**

On April 10, 2020, the Company received a \$1,104,200 term note with a bank pursuant to the Paycheck Protection Program (“PPP”) of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, administered by the U.S. Small Business Administration (“SBA”). In accordance with the requirements of the CARES Act, the borrower used the proceeds from the note in accordance with the requirements of the PPP to cover certain qualified expenses, including payroll costs and other eligible costs. Interest accrued on the note at the rate of 1.00% per annum. The borrower did not provide any collateral or guarantees for the note. On December 15, 2020, the Company received formal approval to forgive the loan from the SBA and has recognized a gain on extinguishment of debt in the amount of \$1,104,200.

On April 20, 2020, the Company received a \$4,614,400 term note with a bank pursuant to the Paycheck Protection Program (“PPP”) of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, administered by the U.S. Small Business Administration (“SBA”). In accordance with the requirements of the CARES Act, the borrower used the proceeds from the note in accordance with the requirements of the PPP to cover certain qualified expenses, including payroll costs and other eligible costs. Interest accrued on the note at the rate of 1.00% per annum. The borrower is applying for forgiveness of the amount due under the respective note. The borrower did not provide any collateral or guarantees for the note. At December 31, 2021, the note has not been forgiven and the principal is included in long-term debt.

**Note 6 – Intangible Assets**

Intangible assets consist of the following at December 31, (in thousands):

	2021			
	Cost	Accumulated Amortization	Net Book Value	Estimated Useful Life
Trade names and trademarks	\$ 220	\$ 47	\$ 173	12 years
	2020			
	Cost	Accumulated Amortization	Net Book Value	Estimated Useful Life
Trade names and trademarks	\$ 220	\$ 25	\$ 195	12 years

Management Recruiters International, Inc. and Subsidiaries  
Notes to the Consolidated Financial Statements

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Note 6 – Intangible Assets, continued

Amortization of amortizable intangible assets is as follows at December 31, 2021 (in thousands):

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 18
2023	18
2024	18
2025	18
2026	18
Thereafter	83
	<u>\$ 173</u>

Amortization expense for intangible assets was \$22,480 and \$15,714 for the years ended December 31, 2021 and 2020, respectively.

Note 7 – Income Taxes

Income before income taxes was as follows for the years ended December 31, (in thousands):

	<u>2021</u>	<u>2020</u>
United States	\$ 2,738	\$ 443
Foreign	-	(93)
Income before income taxes	<u>\$ 2,738</u>	<u>\$ 350</u>



Management Recruiters International, Inc. and Subsidiaries  
Notes to the Consolidated Financial Statements

**Note 7 – Income Taxes, continued**

Income tax expense was comprised of the following for the years ended December 31, (in thousands):

	<u>2021</u>	<u>2020</u>
Current:		
Federal	\$ (99)	\$ -
State	(94)	(49)
Total current income tax expense	<u>\$ (193)</u>	<u>\$ (49)</u>
Deferred:		
Federal	\$ (471)	\$ 165
State	(135)	119
Total current income tax benefit	<u>\$ (606)</u>	<u>\$ 284</u>
Income tax (expense) benefit	<u>\$ (799)</u>	<u>\$ 235</u>

The significant temporary differences and carryforwards that impact the Company's deferred tax accounts were accrued compensation, net operating loss carryforwards and depreciation of fixed assets.

As of December 31, 2020, the Company had no material unrecognized tax benefits that, if recognized, would impact the effective tax rate.

As of December 31, 2021 and 2020, the Company has available for carryforward, federal and state net operating losses, of approximately \$6.06 million and \$10.6 million, respectively, to be applied against future U.S. federal and state taxable income. Such state carryforwards expire according to individual state regulations. Carryforwards generated in tax years beginning after December 31, 2017, do not expire.

(in thousands)	<u>2021</u>	<u>2020</u>
Fixed assets	\$ (21)	\$ 22
Accrued expenses and other	2	(66)
Accrued compensation	42	143
NOL's - federal, state and foreign	912	1,443
Total deferred assets	<u>935</u>	<u>1,542</u>
Less: total valuation allowance recognized	-	-
Net deferred tax assets	<u>\$ 935</u>	<u>\$ 1,542</u>

### Note 7 – Income Taxes, continued

The Tax Reform Act of 1986 contains provisions that may limit the yearly utilization of net operating loss and credits carryforwards if there has been a ownership change. An ownership change is defined as a greater than 50% change in ownership over a three-year period. Such an ownership change, as described in Section 382 of the Internal Revenue Code, may limit the Company's ability to utilize its net operating loss and credit carryforwards on a yearly basis. As a result, to the extent that any single-year limitation is not utilized to the full amount of the limitation, such unused amounts are carried over to subsequent years until the earlier of its utilization or the expiration of the carryforward period. Due to the Company's prior equity transactions, its net operating loss may be subject to an annual limitation.

The Company accounts for uncertain tax positions in accordance with Accounting Standards Codification ("ASC") 740-10, Income Taxes. The recognition criteria under ASC 740-10 requires the Company to recognize the consolidated financial statements effect of a tax position when it is more likely than not that the position will be sustained upon examination. Management has evaluated the positions taken by the Company and has concluded that no material reserves are required for tax exposures. The Company's federal and state returns since 2017 are open to examination by the federal tax authorities.

### Note 8 – Commitments, Contingencies and Legal Proceedings

#### Lease Commitments

The Company leases buildings for its operating locations under noncancelable agreements that expire on various dates through 2024. In conjunction with the new guidance for leases contained in ASU 2016-02, *Leases (Topic 842)*, a lease is defined as any contract that conveys the right to use a specific asset for a period of time in exchange for consideration. Leases are classified as a finance lease, formerly called a capital lease, if certain criteria are met. For any leases that do not meet the criteria identified for finance leases, the Company treats such leases as operating leases. As of December 31, 2021 and 2020, the Company's lease is classified as an operating lease.

The Company determines if a contract is a lease at the inception of the arrangement. The Company reviews all options to extend, terminate or purchase its right-of-use assets at the inception of the lease and accounts for these options when they are reasonably certain to be exercised. Certain leases contain non-lease components, such as common area maintenance, which are generally accounted for separately. In general, the Company will assess if non-lease components should be included in the lease liability. For purposes of calculating the present value of the lease obligation the company utilizes the private company practical expedient of discounting the future value of lease payments to present value, using the risk-free rate.

As of December 31, 2021 and 2020, the Company has recorded right-of-use assets of \$316,094 and \$508,628, respectively, of which \$140,486 and \$94,182 is reported as a current asset and a lease liability of \$316,094 and \$508,628, of which \$140,486 and \$94,182 is reported as a current liability.

**Note 8 – Commitments, Contingencies and Legal Proceedings, continued**

*Lease Commitments, continued*

Future maturities of the operating lease liability are as follows as of December 31:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 146
2023	150
2024	<u>20</u>
Total minimum lease payments	<u>\$ 316</u>

As of December 31, 2021, the weighted-average remaining lease term of the Company's operating leases is 0.75 years, and the weighted-average remaining discount rate is 0.29%.

Rent expense for the years ended December 31, 2021 and 2020 was \$170,611 and \$198,776, respectively.

*Meeting Commitments*

The Company has contracted with various venues for franchise meetings in 2022. The contracted payments due related to these meetings totaled approximately \$775,113. The Company contracted with various venues for franchise meetings in 2023, contracted payments totaling approximately \$975,000. Franchisees attending these meetings reimburse the Company for a portion of the cost of each event.

*Job Board Commitments*

During 2020, the Company entered into an agreement with a job board provider for a \$1.61 million purchase commitment for the period from June 2021 to May 2022. A final payment amount of \$632,000 is due in May 2022. During 2021, the Company entered into an agreement with a marketing tool provider for approximately \$300,000 for the period through December 2022. The agreement enables the Company and franchisees to access the job board. The job board provider is paid directly by the Company who in turns bills other members of the franchise group for their share of the cost.

*Technology Commitments*

During 2021, the Company entered into multiple agreements with technology software providers for purchase commitments totaling approximately \$210,000 for periods through September 2024. The service provider is paid directly by the Company which in turn bills other members of the franchise group for their respective share of the cost.

## **Note 8 – Commitments, Contingencies and Legal Proceedings, continued**

### **Legal Proceedings and Claims**

The Company is subject to various legal proceedings and claims that have arisen in the ordinary course of business. The Company records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Although management cannot predict the timing or outcome of these matters with certainty, management does not believe that the final resolution of these matters, individually or in the aggregate, would have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

## **Note 9 – Retirement Plan**

Through December 5, 2020, the Company participated in the CDI Corporation 401(k) Saving Plan (the "Plan"). The Plan is a defined contribution retirement plan maintained for the benefit of eligible employees and qualified under section 401(k) of the Internal Revenue Code. Eligible employees may make voluntary tax deferred contributions to the Plan and the Company, at its discretion, may make matching contributions subject to certain limitations. Participants are fully vested in their contributions and in the Company's matching contributions at all times, except in certain limited instances.

Effective December 6, 2020, the Company created a new 401(k) plan (the "New Plan"). The New Plan is a defined contribution plan maintained for the benefit of eligible employees and qualified under section 401(k) of the Internal Revenue Code. Eligible employees may make voluntary tax deferred contributions to the New Plan and the Company, at its discretion, may make matching contributions subject to certain limitations. Participants are fully vested in their contributions and in the Company's matching contributions at all times, except in certain limited instances.

Between the Plan and the New Plan, the Company recorded expenses of \$68,736 and \$59,612 in their consolidated statements of operations for the years ended December 31, 2021 and 2020, respectively. Plan expenses are based on a formula using a percentage of compensation or an amount determined by the Board of Directors.

## **Note 10 – Market Conditions**

During the year ended December 31, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a pandemic. The impact of COVID-19 could negatively impact the Company's operations. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among other factors.

# **Management Recruiters International, Inc. and Subsidiaries**

Consolidated Financial Report  
December 31, 2020

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Management Recruiters International, Inc. and Subsidiaries

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Management Recruiters International, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2020 (Successor) and December 31, 2019 (Successor), the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the year ended December 31, 2020 (Successor) and for the periods from May 29, 2019 to December 31, 2019 (Successor) and January 1, 2019 to May 28, 2019 (Predecessor), and the related notes to the consolidated financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Management Recruiters International, Inc. and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the year ended December 31, 2020 (Successor) and for the periods from May 29, 2019 to December 31, 2019 (Successor) and January 1, 2019 to May 28, 2019 (Predecessor) in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Blue Bell, Pennsylvania  
March 23, 2021



## Management Recruiters International, Inc. and Subsidiaries

### Consolidated Balance Sheets December 31, 2020 (Successor) and 2019 (Successor) (Dollars in thousands, except stock data)

	2020 (Successor)	2019 (Successor)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 332	\$ -
Accounts receivable, net of allowances of \$82 and \$86	10,086	8,126
Due from affiliate	109	-
Prepaid expenses and other current assets	624	336
Current income tax receivable	5	9
Right of use asset – current	94	-
<b>Total current assets</b>	<b>11,250</b>	<b>8,471</b>
Right of use asset – noncurrent	414	-
Property and equipment, net of accumulated depreciation and amortization of \$135 and \$35	263	239
Intangible assets, net of accumulated amortization of \$25 and \$9	195	211
Deferred income taxes – noncurrent	1,542	1,251
<b>Total assets</b>	<b>\$ 13,664</b>	<b>\$ 10,172</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,820	\$ 1,501
Accrued compensation and related expenses	1,576	1,029
Line of credit	-	2,953
Operating lease – current	94	-
Unearned revenue	96	12
Other accrued expenses and other current liabilities	334	1,612
Deferred compensation	-	13
<b>Total current liabilities</b>	<b>4,920</b>	<b>7,120</b>
Long-term debt	4,614	-
Operating lease – noncurrent	414	-
Unearned revenue – noncurrent	129	45
<b>Total liabilities</b>	<b>10,077</b>	<b>7,165</b>
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock, \$1 par value, 1,000 shares authorized, issued and outstanding	1	1
Additional paid-in capital	3,190	3,190
Retained earnings (deficit)	425	(160)
Accumulated other comprehensive loss	(29)	(24)
<b>Total stockholders' equity</b>	<b>3,587</b>	<b>3,007</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 13,664</b>	<b>\$ 10,172</b>

See notes to consolidated financial statements.

**Management Recruiters International, Inc. and Subsidiaries**

**Consolidated Statements of Operations**  
**For the Year Ended December 31, 2020 (Successor), and for the**  
**Periods from May 29 to December 31, 2019 (Successor)**  
**and January 1, 2019 to May 28, 2019 (Predecessor)**  
*(Dollars in thousands)*

	2020 (Successor)	Period from May 29, 2019 to December 31, 2019 (Successor)	Period from January 1, 2019 to May 28, 2019 (Predecessor)
Revenue	\$ 46,706	\$ 22,613	\$ 16,996
Cost of services	28,000	12,452	9,354
<b>Gross profit</b>	<b>18,706</b>	<b>10,161</b>	<b>7,642</b>
Operating and administrative expenses	19,419	10,258	9,019
<b>Operating loss</b>	<b>(713)</b>	<b>(97)</b>	<b>(1,377)</b>
Other income (expense):			
Gain on the extinguishment of debt	1,104	-	-
Interest expense	(41)	(108)	-
<b>Income (loss) before income taxes</b>	<b>350</b>	<b>(205)</b>	<b>(1,377)</b>
Income tax benefit	235	45	281
<b>Net income (loss)</b>	<b>\$ 585</b>	<b>\$ (160)</b>	<b>\$ (1,096)</b>

See notes to consolidated financial statements.

**Management Recruiters International, Inc. and Subsidiaries**

**Consolidated Statements of Comprehensive Income (Loss)  
For the Year Ended December 31, 2020 (Successor) and for the  
Periods from May 29 to December 31, 2019 (Successor)  
and January 1, 2019 to May 28, 2019 (Predecessor)  
(Dollars in thousands)**

	<b>2020 (Successor)</b>	Period from May 29, 2019 to December 31, 2019 (Successor)	Period from January 1, 2019 to May 28, 2019 (Predecessor)
Net income (loss)	\$ 585	\$ (160)	\$ (1,096)
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of tax of \$0	(5)	(24)	(21)
<b>Total comprehensive income (loss)</b>	<b>\$ 580</b>	<b>\$ (184)</b>	<b>\$ (1,117)</b>

See notes to consolidated financial statements.

**Management Recruiters International, Inc. and Subsidiaries**

**Consolidated Statements of Stockholders' Equity**  
**For the Year Ended December 31, 2020 (Successor) and for the**  
**Periods from May 29, 2019 to December 31, 2019 (Successor)**  
**and January 1, 2019 to May 28, 2019 (Predecessor)**  
*(Dollars in thousands, except stock data)*

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances, December 31, 2019 (Successor)	1	\$ 1	\$ 3,190	\$ (160)	\$ (24)	\$ 3,007
Net Income	-	-	-	585	(5)	580
<b>Balances, December 31, 2020 (Successor)</b>	<b>1</b>	<b>\$ 1</b>	<b>\$ 3,190</b>	<b>\$ 425</b>	<b>\$ (29)</b>	<b>\$ 3,587</b>

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances, May 29, 2019 (Successor)	-	\$ -	\$ -	\$ -	\$ -	\$ -
Application of pushdown accounting	1	1	3,190	-	-	3,191
Net loss	-	-	-	(160)	-	(160)
Translation adjustments	-	-	-	-	(24)	(24)
<b>Balances, December 31, 2019 (Successor)</b>	<b>1</b>	<b>\$ 1</b>	<b>\$ 3,190</b>	<b>\$ (160)</b>	<b>\$ (24)</b>	<b>\$ 3,007</b>

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances, December 31, 2018 (Predecessor)	1	\$ 1	\$ -	\$ 5,607	\$ (562)	\$ 5,046
Adoption of Topic ASC 606	-	-	-	(1,381)	-	(1,381)
Net loss	-	-	-	(1,096)	-	(1,096)
Translation adjustments	-	-	-	-	(21)	(21)
<b>Balances, May 28, 2019 (Predecessor)</b>	<b>1</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ 3,130</b>	<b>\$ (583)</b>	<b>\$ 2,548</b>

See notes to consolidated financial statements.

## Management Recruiters International, Inc. and Subsidiaries

### Consolidated Statements of Cash Flows For the Year Ended December 31, 2020 (Successor) and for the Periods from May 29 to December 31, 2019 (Successor) and January 1, 2019 to May 28, 2019 (Predecessor) (Dollars in thousands)

	2020 (Successor)	Period from May 29, 2019 to December 31, 2019 (Successor)	Period from January 1, 2019 to May 28, 2019 (Predecessor)
Cash flows from operating activities:			
Net income (loss)	\$ 585	\$ (160)	\$ (1,096)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Depreciation and amortization	116	44	20
Amortization of right-of-use asset	66	-	-
Deferred income taxes	(291)	(30)	(199)
Increase (decrease) in allowance for doubtful accounts	(78)	86	(54)
Gain on extinguishment of debt	(1,105)		
Changes in operating assets and liabilities:			
Accounts receivable	(1,882)	(92)	(116)
Prepaid expenses and other current assets	(288)	158	(257)
Accounts payable	1,319	101	143
Due to (from) affiliate	(109)	-	3,073
Accrued compensation and related expenses	547	75	(854)
Unearned revenue – current and noncurrent	168	57	-
Accrued expenses and other current liabilities	(1,278)	707	(322)
Income tax receivable	4	-	-
Operating cash flows from operating leases	(66)	-	-
Deferred compensation	(13)	13	-
<b>Net cash (used in) provided by operating activities</b>	<b>(2,305)</b>	<b>959</b>	<b>338</b>
Cash flows from investing activities:			
Additions to property and equipment	(124)	(95)	(110)
<b>Net cash used in investing activities</b>	<b>(124)</b>	<b>(95)</b>	<b>(110)</b>
Cash flows from financing activities:			
Repayment of line of credit	(2,953)	(1,047)	-
Proceeds from PPP Loans	5,719	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>2,766</b>	<b>(1,047)</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>337</b>	<b>(183)</b>	<b>228</b>
Effects of exchange rates on cash	(5)	(24)	(21)
Cash and cash equivalents, beginning	-	207	-
Cash and cash equivalents, ending	<b>\$ 332</b>	<b>\$ -</b>	<b>\$ 207</b>
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	<b>\$ 47</b>	<b>\$ 111</b>	<b>\$ -</b>
Supplemental non-cash investing and financing activities:			
The Company entered into a new lease for office space that is classified as a operating lease and resulted in a right-of-use asset and lease liability in the initial amount of \$585,198			
Supplemental non-cash investing and financing activities:			
Acquisition of business (Note 2)			
<b>Total identifiable net assets acquired, net of cash</b>	<b>\$ -</b>	<b>\$ 7,191</b>	
Less bargain purchase	-	(1,941)	
<b>Total acquisition of business</b>	<b>\$ -</b>	<b>\$ 5,250</b>	

See notes to consolidated financial statements.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Organization and Significant Accounting Policies

**Principal business activity:** Management Recruiters International, Inc. (MRI) is a global franchisor that does business as MRINetwork® and provides the use of its trademarks, business systems and training and support services to its franchisees who engage in the search and recruitment of executive, technical, professional and managerial personnel for employment by their clients. The MRI franchisees provide permanent placement services primarily under the brand names MRINetwork®, Management Recruiters® and Sales Consultants®. MRI also provides training and support, implementation and back-office services to enable franchisees to pursue contract staffing opportunities.

**Basis of presentation:** The consolidated financial statements of MRI and subsidiaries (collectively, the Company) and the accompanying notes are prepared in accordance with U.S. generally accepted accounting principles (GAAP).

In 2019, for the period prior to the acquisition date (see Note 2), the Company is referred to as the Predecessor. For the subsequent period, it is referred to as the Successor. Due to the acquisition of the Company and the application of push down accounting, different basis of accounting have been used to prepare the Predecessor and Successor financial statements. The effects of such change in the accounting basis have not been calculated, but intangible assets and amortization are the most significant areas with differences. A heavy black line separates the Predecessor and Successor financial statements to highlight the lack of comparability between these two periods.

**Principles of consolidation:** The consolidated financial statements include the accounts of MRI and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

**Use of estimates:** The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts disclosed in the consolidated financial statements and accompanying notes. Estimates, by their nature, are based on judgment and available information. Actual results could differ materially from those estimates. Significant estimates inherent in the preparation of the accompanying consolidated financial statements include the allowance for doubtful accounts receivable, determination of the recoverability of long-lived assets, assessment of legal contingencies and calculation of income taxes.

**Revenue recognition:** The Company derives its significant revenue from the following sources:

**Franchise royalties:** MRI's rights to franchise royalties are governed by the provisions of its franchise contracts. Under the franchise contracts, the franchisees remit to the Company a contractual percentage of fees collected from their customers or a fixed monthly fee. The Company records franchise royalty revenue as fees are collected by the franchisee and they become a receivable due from the franchisee.

**Franchise fees:** The Franchise Agreement provides for an initial franchise fee, which requires payment upon execution of the Franchise Agreement. The Company determined that the services provided in exchange for these initial fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, the initial franchise fee is recognized on a straight-line basis over the term of each respective agreement, which is consistent with the franchisee's right to use and benefit from the exclusivity of territory and operational support.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Organization and Significant Accounting Policies (Continued)

**Contract staffing services:** The Company recognizes revenue from contract staffing services based on the gross amount billed. The Company typically bills its customers once services are performed and associated costs have been incurred. In these circumstances, the Company assumes the risk of acceptability of its employees to its customers. The Company will also at times use unaffiliated companies (supplier associates) and their employees to fulfill a customer's staffing requirements, either in whole or in part. Under these arrangements, these firms serve as subcontractors. When utilizing supplier associates, the Company records the difference between its gross billings and the amount paid to the supplier associate as revenue, which is generally referred to as an administrative fee.

Revenue from royalties and contract staffing services is recognized at a point in time, whereas revenue from franchise fees are recognized over time. Total revenue recognized at a point in time and over time was as follows for the year ended December 31, 2020 (Successor) and for the periods from May 29, 2019 to December 31, 2019 (Successor) and January 1, 2019 to May 28, 2019 (Predecessor) (in thousands):

	Year Ended December 31, 2020 (Successor)	Period from May 29, 2019 to December 31, 2019 (Successor)	Period from January 1, 2019 to May 28, 2019 (Predecessor)
Revenue recognized over time	\$ 18	\$ -	\$ 179
Revenue recognized at a point in time	46,688	22,613	16,817
	<u>\$ 46,706</u>	<u>\$ 22,613</u>	<u>\$ 16,996</u>

**Advertising costs:** The Company participates in various advertising programs. All costs related to advertising are included in operating and administrative expenses and are expensed in the period incurred. Advertising costs were \$348,479, \$1,477 and \$8,073 for year ended December 31, 2020 (Successor) and the periods from May 29, 2019 to December 31, 2019 (Successor) and January 1, 2019 to May 28, 2019 (Predecessor), respectively.

**Foreign currency:** Foreign subsidiaries of the Company use local currency as the functional currency. Net assets are translated at year-end exchange rates while revenue and expenses are translated at average monthly exchange rates. Adjustments resulting from these translations are reflected in accumulated other comprehensive loss in the equity section of the consolidated balance sheets.

**Concentrations of credit risk:** The Company's principal asset is its accounts receivable. Substantially all of the Company's customers are provided trade credit. Credit risk with respect to receivables is limited due to the number of companies comprising the Company's customer base. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. The Company considers a number of factors in determining the allowance for doubtful accounts receivable, including an assessment of customer-specific information, the Company's historical experience, the age of the receivable and current market and economic conditions.

The Company maintains cash deposits in financial institutions in excess of federally insured limits. Management believes the risk is mitigated by maintaining all deposits in high quality financial institutions in the U.S.

During the year ending December 31, 2020, the Company had approximately 28% of its sales from two customers. Accounts receivable from these customers was approximately 29% at December 31, 2020.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Organization and Significant Accounting Policies (Continued)

**Income taxes:** The Company accounts for income taxes using the asset and liability method. Under this method, income taxes are recorded for amounts currently payable and for amounts deferred based on differences between the financial statement carrying amounts and tax basis of its assets and liabilities. In establishing its deferred income tax assets and liabilities, the Company makes judgments and interpretations based on the enacted tax laws and published tax guidance. The Company records deferred tax assets and liabilities and evaluates the need for valuation allowances to reduce the deferred tax assets to realizable amounts. The likelihood of a material change in the Company's expected realization of these assets is dependent on future taxable income, its ability to use tax credit carry forwards and carry backs, final tax settlements and the effectiveness of its tax planning strategies in the various tax jurisdictions in which it operates. The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

**Intangible assets:** The Company evaluates the useful lives of intangible assets. Reaching a determination on useful life requires significant judgements and assumptions. Intangible assets include trade names and trademarks, which are amortized on a straight-line basis over their useful life of 12 years.

**Fair value of financial instruments:** The net carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and line of credit approximate their fair value due to the short-term nature of these instruments.

**Property and equipment:** Property and equipment are recorded at cost. Depreciation and amortization expense for financial reporting purposes is computed using the straight-line method over the following useful lives:

Computer equipment	3-4 years
Equipment and furniture	4-10 years
Software	4-7 years
Leasehold improvements	Shorter of lease term or useful life

**Long-lived assets:** The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When it is probable that undiscounted future cash flows will not be sufficient to recover an asset's carrying amount, the asset is written down to its fair value. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less cost to sell. There were no triggering events during the year ended December 31, 2020 (Successor) and during the periods from May 29, 2019 to December 31, 2019 (Successor) and January 1, 2019 to May 28, 2019 (Predecessor).



## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Organization and Significant Accounting Policies (Continued)

**Recent accounting pronouncements:** In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for the Company beginning on January 1, 2022. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2. Acquisition

On May 28, 2019, 100% of the Company was acquired by MRI Network Holdings, LLC (Holdings) for a cash purchase price of \$5,250,000. The consideration transferred was funded through capital contributions to Holdings of \$1,250,000 and debt with a third-party lender of \$4,000,000, which is recorded on the Company's consolidated balance sheet as Line of credit. Holdings was formed to purchase all the stock of the Company, which is the only subsidiary of Holdings.

In accordance with pushdown accounting, the net assets of the Company were adjusted to their estimated fair values as of the date of acquisition which are summarized in the table below (in thousands):

Assets acquired:	
Cash	\$ 207
Accounts receivable	8,120
Other receivables	259
Prepaid expenses	94
Property and equipment	179
Current income tax receivable	9
Other current assets	141
Deferred income tax	1,221
Trademarks and trade name	220
Total assets acquired	<u>10,450</u>
Liabilities assumed:	
Accounts payable	1,400
Accrued expenses	905
Accrued compensation and costs	954
Total liabilities assumed	<u>3,259</u>
Bargain purchase	<u>(1,941)</u>
Consideration transferred	<u>\$ 5,250</u>

The Company elected ASU 2014-18, *Accounting for Identifiable Intangible Assets in a Business Combination*, which resulted in customer relationships not being recognized separately in the preceding table. The acquisition resulted in a bargain purchase for Holdings due to the Company's previous parent's difficulties in finding a buyer for the Company. The bargain purchase of \$1,941,362 was included within additional paid in capital as part of the application of pushdown accounting in the consolidated statement of stockholders' equity for the period from May 29, 2019 to December 31, 2019 (Successor).

The gross contractual accounts receivable were \$8,783,297 and the best estimate of the contractual cash flows that were not expected to be collected amounted to \$663,387.

#### Note 3. Related Party Transactions

Prior to the sale date of May 28, 2019, the Company obtained a variety of support services from CDI. These services include: executive oversight, finance and accounting, information technology, human resources, office space, billing, credit and collections, onboarding, payroll, accounts payable and cash application. The allocated cost of these services amounted to approximately \$1.9 million for the period from January 1, 2019 to May 28, 2019 (Predecessor).

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 4. Property and Equipment

Property and equipment, net was comprised of the following (in thousands):

	2020 (Successor)	2019 (Successor)
Computer equipment	\$ 380	\$ 263
Equipment and furniture	18	8
Leasehold improvements	-	3
Total property and equipment	398	274
Accumulated depreciation and amortization	(135)	(35)
Property and equipment, net	<u>\$ 263</u>	<u>\$ 239</u>

Depreciation and amortization expense for the year ended December 31, 2020 and for the periods from May 29, 2019 to December 31, 2019 (Successor) and January 1, 2019 to May 28, 2019 (Predecessor) was approximately \$100,000 \$35,000 and \$20,000, respectively.

#### Note 5. Line of Credit

On May 28, 2019, the Company entered into a revolving credit loan agreement (Revolving Credit Loan) to fund the acquisition that occurred (see Note 2). The Revolving Credit Loan has a maximum availability of \$7,000,000, maturing on May 28, 2022, and carries interest at a per annum rate equal to the LIBOR rate plus 2.75%. Interest is payable in arrears on the first day of each month. At December 31, 2020 (Successor) and 2019 (Successor), the Company had borrowings outstanding of \$0 and \$2,953,000, respectively.

The line of credit is subject to certain financial covenants, as defined. The Company was not in compliance with the financial covenants at December 31, 2020. In February 2021, the lender provided a waiver for the covenant violation as of December 31, 2020.

#### Note 6. Long-Term Debt

On April 10, 2020, the Company received a \$1,104,200 term note with a bank pursuant to the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, administered by the U.S. Small Business Administration (SBA). In accordance with the requirements of the CARES Act, the borrower used the proceeds from the note in accordance with the requirements of the PPP to cover certain qualified expenses, including payroll costs and other eligible costs. Interest accrued on the note at the rate of 1.00% per annum. The borrower did not provide any collateral or guarantees for the note. On December 15, 2020, the Company received formal approval to forgive the loan from the SBA and has recognized a gain on extinguishment of debt in the amount of \$1,104,200.

On April 20, 2020, the Company received a \$4,614,400 term note with a bank pursuant to the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, administered by the U.S. Small Business Administration (SBA). In accordance with the requirements of the CARES Act, the borrower used the proceeds from the note in accordance with the requirements of the PPP to cover certain qualified expenses, including payroll costs and other eligible costs. Interest accrued on the note at the rate of 1.00% per annum. The borrower is applying for forgiveness of the amount due under the respective note. The borrower did not provide any collateral or guarantees for the note. At December 31, 2020, the note has not been forgiven and the principal is included in long-term debt.

**Management Recruiters International, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Note 7. Intangible Assets**

**Intangible assets:** Intangible assets consist of the following at December 31, 2020 (Successor) and 2019 (Successor) (in thousands):

	2020 (Successor)			
	Cost	Accumulated Amortization	Net Book Value	Estimated Useful Life
Trade names and trademarks	\$ 220	\$ 25	\$ 195	12 years

  

	2019 (Successor)			
	Cost	Accumulated Amortization	Net Book Value	Estimated Useful Life
Trade names and trademarks	\$ 220	\$ 9	\$ 211	12 years

Amortization of amortizable intangible assets for each of the five years subsequent to December 31, 2020 (Successor), is as follows (in thousands):

Years ending December 31:	
2021	\$ 18
2022	18
2023	18
2024	18
2025	18
Thereafter	121
	<u>\$ 211</u>

Amortization expense for intangible assets was \$15,714, \$9,167 and \$0 for the year ended December 31, 2020 (Successor) and for the periods from May 29, 2019 to December 31, 2019 (Successor) and January 1, 2019 to May 28, 2019 (Predecessor), respectively.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 8. Income Taxes

Income before income taxes was as follows for the period (in thousands):

	Year Ended December 31, 2020 (Successor)	Period from May 29, 2019 to December 31, 2019 (Successor)	Period from January 1, 2019 to May 28, 2019 (Predecessor)
United States	\$ 443	\$ (246)	\$ (1,352)
Foreign	(93)	41	(25)
Income before income taxes	<u>\$ 350</u>	<u>\$ (205)</u>	<u>\$ (1,377)</u>

Income tax expense was comprised of the following for the period (in thousands):

	Year Ended December 31, 2020 (Successor)	Period from May 29, 2019 to December 31, 2019 (Successor)	Period from January 1, 2019 to May 28, 2019 (Predecessor)
Current:			
Federal	\$ -	\$ -	\$ -
State	49	(15)	-
Foreign	-	-	-
Total current income tax benefit	<u>\$ 49</u>	<u>\$ (15)</u>	<u>\$ -</u>
Deferred:			
Federal	(165)	(8)	(199)
State	(119)	(22)	(82)
Total deferred income tax benefit	<u>(284)</u>	<u>(30)</u>	<u>(281)</u>
Income tax benefit	<u>\$ (235)</u>	<u>\$ (45)</u>	<u>\$ (281)</u>

The significant temporary differences and carryforwards that impact the Company's deferred tax accounts were accrued compensation, net operating loss carryforwards and depreciation of fixed assets

As of December 31, 2020 (Successor), the Company had no material unrecognized tax benefits that, if recognized, would impact the effective tax rate.

As of December 31, 2020 (Successor) and 2019 (Successor), the Company has available for carryforward, federal and state net operating losses, of approximately \$10.6 million and \$8.9 million, respectively to be applied against future U.S. federal and state taxable income. Such state carryforwards expire according to individual state regulations. Carryforwards generated in tax years beginning after December 31, 2017, do not expire.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 8. Income Taxes (Continued)

	2020 (Successor) (in thousands)	2019 (Successor) (in thousands)
Fixed assets	\$ 22	\$ (53)
Accrued expenses and other	(66)	(71)
Accrued compensation	143	130
NOL's – federal, state and foreign	1,443	1,245
Total deferred tax assets	<u>1,542</u>	<u>1,251</u>
Less total valuation allowance recognized	-	-
Net deferred tax asset	<u>\$ 1,542</u>	<u>\$ 1,251</u>

The Tax Reform Act of 1986 contains provisions that may limit the yearly utilization of net operating loss and credits carryforwards if there has been a ownership change. An ownership change is defined as a greater than 50% change in ownership over a three-year period. Such an ownership change, as described in Section 382 of the Internal Revenue Code, may limit the Company's ability to utilize its net operating loss and credit carryforwards on a yearly basis, As a result, to the extent that any single-year limitation is not utilized to the full amount of the limitation, such unused amounts are carried over to subsequent years until the earlier of its utilization or the expiration of the carryforward period. Due to the Company's prior equity transactions, its net operating loss may be subject to an annual limitation.

The Company accounts for uncertain tax positions in accordance with Accounting Standards Codification (ASC) 740-10, Income Taxes. The recognition criteria under ASC 740-10 requires the Company to recognize the consolidated financial statements effect of a tax position when it is more likely than not that the position will be sustained upon examination. Management has evaluated the positions taken by the Company and has concluded that no material reserves are required for tax exposures. The Company's federal and state returns since 2017 are open to examination by the federal tax authorities.

#### Note 9. Commitments, Contingencies and Legal Proceedings

**Lease commitments:** The Company leases buildings for its operating locations under noncancelable agreements that expire on various dates through 2024. In conjunction with the new guidance for leases contained in ASU 2016-02, *Leases (Topic 842)*, a lease is defined as any contract that conveys the right to use a specific asset for a period of time in exchange for consideration. Leases are classified as a finance lease, formerly called a capital lease, if certain criteria are met. For any leases that do not meet the criteria identified for finance leases, the Company treats such leases as operating leases. As of December 31, 2020 (Successor), the Company's lease is classified as an operating lease.

The Company determines if a contract is a lease at the inception of the arrangement. The Company reviews all options to extend, terminate or purchase its right-of-use assets at the inception of the lease and accounts for these options when they are reasonably certain to be exercised. Certain leases contain non-lease components, such as common area maintenance, which are generally accounted for separately. In general, the Company will assess if non-lease components should be included in the lease liability. For purposes of calculating the present value of the lease obligation the company utilizes the private company practical expedient of discounting the future value of lease payments to present value, using the risk-free rate.

As of December 31, 2020 (Successor), the Company has recorded right-of-use asset of \$508,628, of which \$94,182 is reported as a current asset and a lease liability of \$508,628, of which \$94,182 is reported as a current liability.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 9. Commitments, Contingencies and Legal Proceedings (Continued)

Future maturities of the operating lease liability are as follows as of December 31:

Years ending December 31:	
2021	\$ 174
2022	146
2023	150
2024	39
Total minimum lease payments	<u>\$ 509</u>

As of December 31, 2020 (Successor), the weighted-average remaining lease term of the Company's operating leases is 3.25 years and the weighted-average remaining discount rate is 0.29%.

Rent expense for the year ended December 31, 2020 (Successor) and for the periods from May 29, 2019 to December 31, 2019 (Successor), and January 1, 2019 to May 28, 2019 (Predecessor) was \$198,776, \$106,783 and \$52,926, respectively.

**Meeting commitments:** The Company has contracted with various venues for franchise meetings through 2022. The contracted payments due related to these meetings total \$775,113. Franchisees attending these meetings reimburse the Company for a portion of the cost of each event.

**Job board commitments:** During 2020 the Company entered into an agreement with a job board provider for a \$1.61 million purchase commitment for the period from June 2021 to May 2022. The agreement enables the Company and franchisees to access the job board. The job board provider is paid directly by the Company who in turns bills other members of the franchise group for their share of the cost.

**Technology commitments:** During 2020 the Company entered into an agreement with a technology software provider for a \$265,475 purchase commitment for the period from March 2021 to March 2022. The service provider is paid directly by the Company who in turns bills other members of the franchise group for their share of the cost.

**Legal proceedings and claims:** The Company is subject to various legal proceedings and claims that have arisen in the ordinary course of business. The Company records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Although management cannot predict the timing or outcome of these matters with certainty, management does not believe that the final resolution of these matters, individually or in the aggregate, would have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

#### Note 10. Retirement Plan

Through December 5, 2020, the Company participated in the CDI Corporation 401(k) Saving Plan (the Plan). The Plan is a defined contribution retirement plan maintained for the benefit of eligible employees and qualified under section 401(k) of the Internal Revenue Code. Eligible employees may make voluntary tax deferred contributions to the Plan and the Company, at its discretion, may make matching contributions subject to certain limitations. Participants are fully vested in their contributions and in the Company's matching contributions at all times, except in certain limited instances.

## **Management Recruiters International, Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### **Note 10. Retirement Plan (Continued)**

Effective December 6, 2020, the Company created a new 401(k) plan (the New Plan). The New Plan is a defined contribution plan maintained for the benefit of eligible employees and qualified under section 401(k) of the Internal Revenue Code. Eligible employees may make voluntary tax deferred contributions to the New Plan and the Company, at its discretion, may make matching contributions subject to certain limitations. Participants are fully vested in their contributions and in the Company's matching contributions at all times, except in certain limited instances.

Between the Plan and the New Plan, the Company recorded expenses of \$59,612, \$40,000 and \$29,000 in their consolidated statements of operations for the year ended December 31, 2020 (Successor) and for the periods from May 29, 2019 to December 31, 2019 (Successor), and January 1, 2019 to May 28, 2019 (Predecessor), respectively. Plan expenses are based on a formula using a percentage of compensation or an amount determined by the Board of Directors.

#### **Note 11. Subsequent Events**

Management evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through March 23, 2021, the day the consolidated financial statements were approved and authorized for issuance.

#### **Note 12. Market Conditions**

During the year ended December 31, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. The impact of COVID-19 could negatively impact the Company's operations. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among other factors.



# **Management Recruiters International, Inc. and Subsidiaries**

Consolidated Financial Report  
December 31, 2019

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## Independent Auditor's Report

Board of Directors  
Management Recruiters International, Inc. and Subsidiaries

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Management Recruiters International, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2019 (Successor) and December 31, 2018 (Predecessor), the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for the period from May 29, 2019 to December 31, 2019 (Successor), January 1, 2019 to May 28, 2019 (Predecessor) and the year ended December 31, 2018 (Predecessor) and the related notes to the consolidated financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Management Recruiters International, Inc. and its subsidiaries as of December 31, 2019 (Successor) and December 31, 2018 (Predecessor), and the results of their operations and their cash flows for the periods from May 29, 2019 to December 31, 2019 (Successor), January 1, 2019 to May 28, 2019 (Predecessor) and the year ended December 31, 2018 (Predecessor) in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Blue Bell, Pennsylvania  
April 24, 2020

**Management Recruiters International, Inc. and Subsidiaries**

**Consolidated Balance Sheets**

**December 31, 2019 and 2018**

*(Dollars in thousands, except unit values)*

	December 31, 2019 (Successor)	December 31, 2018 (Predecessor)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable, net of allowances of \$86 and \$717	8,126	7,950
Prepaid expenses and other current assets	336	98
Current income tax receivable	9	84
<b>Total current assets</b>	<b>8,471</b>	<b>8,132</b>
Property and equipment, net of accumulated depreciation of \$35 and \$3,592	239	89
Intangible assets, net of accumulated amortization of \$9	211	-
Deferred income taxes – noncurrent	1,251	946
Due from Affiliate	-	52
<b>Total assets</b>	<b>\$ 10,172</b>	<b>\$ 9,219</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,501	\$ 1,257
Accrued compensation and related expenses	1,029	1,808
Line of credit	2,953	-
Unearned revenue	12	-
Other accrued expenses and other current liabilities	1,612	1,085
Deferred compensation	13	-
<b>Total current liabilities</b>	<b>7,120</b>	<b>4,150</b>
Unearned revenue - noncurrent	45	
Other long-term liabilities		23
<b>Total liabilities</b>	<b>7,165</b>	<b>4,173</b>
Commitments and contingencies (Note 8)		
Stockholders' Equity:		
Common stock, \$1 par value, 1,000 shares authorized, issued and outstanding	1	1
Additional paid-in-capital	3,190	-
Accumulated deficit	(160)	5,607
Accumulated other comprehensive loss	(24)	(562)
<b>Total stockholders' equity</b>	<b>3,007</b>	<b>5,046</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 10,172</b>	<b>\$ 9,219</b>

See notes to consolidated financial statements.

**Management Recruiters International, Inc. and Subsidiaries**

**Consolidated Statements of Operations**  
**Periods from May 29 to December 31, 2019 (Successor),**  
**from January 1, 2019 to May 28, 2019 (Predecessor)**  
**and the year ended December 31, 2018 (Predecessor)**  
*(Dollars in thousands)*

	Period from May 29, 2019 to December 31, 2019 (Successor)	Period from January 1, 2019 to May 28, 2019 (Predecessor)	Year Ended December 31, 2018 (Predecessor)
Revenue	\$ 22,613	\$ 16,996	\$ 39,644
Cost of services	12,452	9,354	21,012
<b>Gross profit</b>	<b>10,161</b>	<b>7,642</b>	<b>18,632</b>
Operating and administrative expenses	10,258	9,019	22,081
<b>Operating loss</b>	<b>(97)</b>	<b>(1,377)</b>	<b>(3,449)</b>
Interest expense	(108)	-	-
Loss before income taxes	(205)	(1,377)	(3,449)
Income tax benefit	45	281	832
<b>Net loss</b>	<b>\$ (160)</b>	<b>\$ (1,096)</b>	<b>\$ (2,617)</b>

See notes to consolidated financial statements.

**Management Recruiters International, Inc. and Subsidiaries**

**Consolidated Statements of Comprehensive Loss**  
**Periods from May 29 to December 31, 2019 (Successor),**  
**from January 1, 2019 to May 28, 2019 (Predecessor)**  
**and the year ended December 31, 2018 (Predecessor)**  
*(Dollars in thousands)*

	Period from May 29, 2019 to December 31, 2019 (Successor)	Period from January 1, 2019 to May 28, 2019 (Predecessor)	Year Ended December 31, 2018 (Predecessor)
Net loss	\$ (160)	\$ (1,096)	\$ (2,617)
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of tax of \$0	(24)	(21)	60
<b>Total comprehensive loss</b>	<b>\$ (184)</b>	<b>\$ (1,117)</b>	<b>\$ (2,557)</b>

See notes to consolidated financial statements.

**Management Recruiters International, Inc. and Subsidiaries**

**Consolidated Statements of Stockholders' Equity**  
**Period from May 29, 2019 to December 31, 2019 (Successor)**  
*(Dollars in thousands)*

	Shares	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
<b>Balances, May 29, 2019 (Successor)</b>	-	\$ -	\$ -	\$ -	\$ -	\$ -
Application of pushdown accounting	1	1	3,190	-	-	3,191
Net loss	-	-	-	(160)	-	(160)
Translation adjustments	-	-	-	-	(24)	(24)
<b>Balances, December 31, 2019 (Successor)</b>	<b>1</b>	<b>1</b>	<b>3,190</b>	<b>(160)</b>	<b>(24)</b>	<b>3,007</b>

**Consolidated Statements of Stockholders' Equity**  
**For the year ended December 31, 2018 (Predecessor) and for the**  
**period from January, 2019 to May 28, 2019 (Predecessor)**  
*(Dollars in thousands)*

	Shares	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
<b>Balances, December 31, 2017 (Predecessor)</b>	1	\$ 1	\$ 11,111	\$ 981	\$ (622)	\$ 11,471
Contributions	-	-	1,710	-	-	1,710
Disposition of business	-	-	(12,821)	7,243	-	(5,578)
Net loss	-	-	-	(2,617)	-	(2,617)
Translation adjustments	-	-	-	-	60	60
<b>Balances, December 31, 2018 (Predecessor)</b>	<b>1</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ 5,607</b>	<b>\$ (562)</b>	<b>\$ 5,046</b>
Adoption of Topic ASC 606	-	-	-	(1,381)	-	(1,381)
Net loss	-	-	-	(1,096)	-	(1,096)
Translation adjustments	-	-	-	-	(21)	(21)
<b>Balances, May 28, 2019 (Predecessor)</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>3,130</b>	<b>(583)</b>	<b>2,548</b>

See notes to consolidated financial statements.



**Management Recruiters International, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**  
**Periods from May 29 to December 31, 2019 (Successor),**  
**from January 1, 2019 to May 28, 2019 (Predecessor)**  
**and the year ended December 31, 2018 (Predecessor)**  
*(Dollars in thousands)*

	Period from May 29, 2019 to December 31, 2019 (Successor)	Period from January 1, 2019 to May 28, 2019 (Predecessor)	Year Ended December 31, 2018 (Predecessor)
Cash flows from operating activities:			
Net loss	\$ (160)	\$ (1,096)	\$ (2,617)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	44	20	150
Deferred income taxes	(30)	(199)	(858)
Increase (decrease) in allowance for doubtful accounts	86	(54)	-
Changes in operating assets and liabilities:			
Accounts receivable	(92)	(116)	828
Prepaid expenses and other current assets	158	(257)	204
Accounts payable	101	143	615
Due to (from) affiliate	-	3,073	2,781
Accrued compensation and related expenses	75	(854)	662
Unearned revenue	57	-	-
Accrued expenses and other current liabilities	707	(322)	(414)
Income taxes receivable (payable)	-	-	(1,914)
Deferred compensation	13	-	23
Other non-current assets	-	-	86
<b>Net cash provided by (used in) operating activities</b>	<b>959</b>	<b>338</b>	<b>(454)</b>
Cash flows from investing activities:			
Additions to property and equipment	(95)	(110)	(37)
<b>Net cash used in investing activities</b>	<b>(95)</b>	<b>(110)</b>	<b>(37)</b>
Cash flows from financing activities:			
Repayment of line of credit	(1,047)	-	-
<b>Net cash used in financing activities</b>	<b>(1,047)</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(183)</b>	<b>228</b>	<b>(491)</b>
Effects of exchange rates on cash	(24)	(21)	-
Cash and cash equivalents, beginning	207	-	491
Cash and cash equivalents, ending	\$ -	\$ 207	\$ -
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	\$ 111	\$ -	\$ -
Supplemental non-cash investing and financing activities:			
Acquisition of business (Note 2)			
Total identifiable net assets acquired, net of cash	\$ 7,191		
Less: bargain purchase	(1,941)		
Total acquisition of business	\$ 5,250		

See notes to consolidated financial statements.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Organization and Significant Accounting Policies

**Principal business activity:** MRI is a global franchisor that does business as MRINetwork® and provides the use of its trademarks, business systems and training and support services to its franchisees who engage in the search and recruitment of executive, technical, professional and managerial personnel for employment by their clients. The MRI franchisees provide permanent placement services primarily under the brand names MRINetwork®, Management Recruiters® and Sales Consultants®. MRI also provides training and support, implementation and back-office services to enable franchisees to pursue contract staffing opportunities.

**Basis of presentation:** The consolidated financial statements of MRI and subsidiaries (collectively “the Company”) and the accompanying notes are prepared in accordance with U.S. generally accepted accounting principles (GAAP).

For the period prior to the acquisition date (see Note 2), the Company is referred to as the Predecessor. For the subsequent period, it is referred to as the Successor. Due to the acquisition of the Company and the application of push down accounting, different basis of accounting have been used to prepare the Predecessor and Successor financial statements. The effects of such change in the accounting basis have not been calculated, but intangible assets and amortization are the most significant areas with differences. A heavy black line separates the Predecessor and Successor financial statements to highlight the lack of comparability between these two periods.

**Principles of consolidation:** The consolidated financial statements include the accounts of MRI and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

**Use of estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts disclosed in the consolidated financial statements and accompanying notes. Estimates, by their nature, are based on judgment and available information. Actual results could differ materially from those estimates. Significant estimates inherent in the preparation of the accompanying consolidated financial statements include the allowance for doubtful accounts receivable, determination of the recoverability of long-lived assets, assessment of legal contingencies and calculation of income taxes.

**Revenue recognition:** The Company recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligation in the contract
- Recognize revenue when or as performance obligations are satisfied

Below is a discussion of how the Company’s revenues are earned, the Company’s accounting policies pertaining to revenue recognition prior to the adoption of Topic 606 (Legacy GAAP), the Company’s accounting policies pertaining to revenue recognition subsequent to the adoption of Topic 606 and other required disclosures. Refer to Note 10 for information regarding the cumulative effect adjustment recorded to stockholders’ equity as of the beginning of the period from January 1, 2019 to May 28, 2019 to reflect the adoption of Topic 606. Also included in Note 10 is disclosure of the amount by which each balance sheet and statement of operations line item was impacted in the current reporting period as compared to Legacy GAAP.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Organization and Significant Accounting Policies (Continued)

**Franchise royalties:** MRI's rights to franchise royalties are governed by the provisions of its franchise contracts. Under the franchise contracts, the franchisees remit to the Company a contractual percentage of fees collected from their customers or a fixed monthly fee. The Company records franchise royalty revenue as fees are collected by the franchisee and they become a receivable due from the franchisee. The timing and amount of revenue recognized related to franchise royalties was not impacted by the adoption of Topic 606.

**Franchise fees:** The Franchise Agreement provides for an initial franchise fee, which requires payment upon execution of the Franchise Agreement. Under legacy GAAP the Company recognized fees related to sales of new MRI franchises and master franchise agreements when the Company had substantially fulfilled its implementation requirements under the respective franchise agreement. Upon the adoption of Topic 606, the Company determined that the services provided in exchange for these initial fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, upon the adoption of Topic 606, the initial franchise fee is recognized on a straight-line basis over the term of each respective agreement, which is consistent with the franchisee's right to use and benefit from the exclusivity of territory and operational support. The Company applied this to all customer contracts as of January 1, 2019.

**Contract staffing services:** The Company recognizes revenue from contract staffing services based on the gross amount billed. The Company typically bills its customers once services are performed and associated costs have been incurred. In these circumstances, the Company assumes the risk of acceptability of its employees to its customers. The Company will also at times use unaffiliated companies (supplier associates) and their employees to fulfill a customer's staffing requirements, either in whole or in part. Under these arrangements, these firms serve as subcontractors. When utilizing supplier associates, the Company records the difference between its gross billings and the amount paid to the supplier associate as revenue, which is generally referred to as an administrative fee. The timing and amount of revenue recognized related to contract staffing services was not impacted by the adoption of Topic 606.

Revenue from royalties and contract staffing services is recognized at a point in time, whereas revenue from franchise fees and architectural and engineering services is recognized over time. Total revenue recognized at a point in time and over time was as follows for the period of May 29, 2019 to December 31, 2019 (Successor) and January 1, 2019 to May 28, 2019 (Predecessor):

	Period from May 29, 2019 to December 31, 2019 (Successor)	Period from January 1, 2019 to May 28, 2019 (Predecessor)
Revenue recognized over time	\$ -	\$ 179
Revenue recognized at a point in time	22,613	16,817
	<u>\$ 22,613</u>	<u>\$ 16,996</u>

**Advertising costs:** The Company participates in various advertising programs. All costs related to advertising are included in operating and administrative expenses and are expensed in the period incurred. Advertising costs were \$1,477, \$8,073 and \$74,602 for the periods from May 29, 2019 to December 31, 2019 (Successor), January 1, 2019 to May 28, 2019 (Predecessor) and year ended December 31, 2018 (Predecessor), respectively.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Organization and Significant Accounting Policies (Continued)

**Foreign currency:** Foreign subsidiaries of the Company use local currency as the functional currency. Net assets are translated at year-end exchange rates while revenue and expenses are translated at average monthly exchange rates. Adjustments resulting from these translations are reflected in "Accumulated other comprehensive loss" in the equity section of the consolidated balance sheet.

**Concentrations of credit risk:** The Company's principal asset is its accounts receivable. Substantially all of the Company's customers are provided trade credit. Credit risk with respect to receivables is limited due to the number of companies comprising the Company's customer base. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. The Company considers a number of factors in determining the allowance for doubtful accounts receivable, including an assessment of customer-specific information, the Company's historical experience, the age of the receivable and current market and economic conditions.

The Company maintains cash deposits in financial institutions in excess of federally insured limits. Management believes the risk is mitigated by maintaining all deposits in high quality financial institutions in the U.S and U.K.

**Income taxes:** The Company accounts for income taxes using the asset and liability method. Under this method, income taxes are recorded for amounts currently payable and for amounts deferred based on differences between the financial statement carrying amounts and tax basis of its assets and liabilities. In establishing its deferred income tax assets and liabilities, the Company makes judgments and interpretations based on the enacted tax laws and published tax guidance. The Company records deferred tax assets and liabilities and evaluates the need for valuation allowances to reduce the deferred tax assets to realizable amounts. The likelihood of a material change in the Company's expected realization of these assets is dependent on future taxable income, its ability to use tax credit carry forwards and carry backs, final tax settlements and the effectiveness of its tax planning strategies in the various tax jurisdictions in which it operates. The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

**Intangible asset:** The Company evaluates the useful lives of intangible assets. Reaching a determination on useful life requires significant judgments and assumptions. Intangible assets include trade names and trademarks, which are amortized on a straight-line basis over their useful life of 12 years.

**Fair value of financial instruments:** The net carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and line of credit approximate their fair value due to the short-term nature of these instruments.

**Property and equipment:** Property and equipment are recorded at cost. Depreciation expense for financial reporting purposes is computed using the straight-line method over the following useful lives:

Computer equipment	4 years
Equipment and furniture	4-10 years
Software	4-7 years
Leasehold improvements	Shorter of lease term or useful life

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Organization and Significant Accounting Policies (Continued)

**Long-lived assets:** The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When it is probable that undiscounted future cash flows will not be sufficient to recover an asset's carrying amount, the asset is written down to its fair value. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less cost to sell. There were no triggering events during the periods from May 29, 2019 to December 31, 2019 (Successor), January 1, 2019 to May 28, 2019 (Predecessor) or the year ended December 31, 2018 (Predecessor).

**Recent accounting pronouncements:** In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The company is currently evaluating the impact of adopting this new guidance on its financial statements.

#### Note 2. Acquisition

On May 28, 2019, 100% of the Company was acquired by MRI Network Holdings, LLC ("Holdings") for a cash purchase price of \$5,250,000. The consideration transferred was funded through capital contributions to Holdings of \$1,250,000 and debt with a third party lender of \$4,000,000, which is recorded on the Company's consolidated balance sheet as Line of credit. Holdings was formed to purchase all the stock of the Company, which is the only subsidiary of Holdings.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2. Acquisition (Continued)

In accordance with pushdown accounting, the net assets of the Company were adjusted to their estimated fair values as of the date of Acquisition which are summarized in the table below:

Assets acquired:		
Cash	\$	207
Accounts receivable		8,120
Other receivables		259
Prepaid expenses		94
Property and equipment		179
Current income tax receivable		9
Other current assets		141
Deferred income tax		1,221
Trademarks and trade name		220
Total assets acquired		<u>10,450</u>
Liabilities assumed:		
Accounts payable		1,400
Accrued expenses		905
Accrued compensation and costs		954
Total liabilities assumed		<u>3,259</u>
Bargain purchase		<u>(1,941)</u>
Consideration transferred	\$	<u>5,250</u>

The Company elected ASU 2014-18, *Accounting for Identifiable Intangible Assets in a Business Combination*, which resulted in customer relationships not being recognized separately in the preceding table. The acquisition resulted in a bargain purchase for Holdings due to the Company's previous parent's difficulties in finding a buyer for the Company. The bargain purchase of \$1,941,362 was included within additional paid in capital as part of the application of pushdown accounting in the consolidated statement of stockholders' equity for the period from May 29, 2019 to December 31, 2019 (Successor).

The gross contractual accounts receivable were \$8,783,297 and the best estimate of the contractual cash flows that were not expected to be collected amounted to \$663,387.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 3. Related Party Transactions

Prior to the sale date of May 28, 2019 the Company obtained a variety of support services from CDI. These services include: executive oversight, finance and accounting, information technology, human resources, office space, billing, credit and collections, onboarding, payroll, accounts payable and cash application. The allocated cost of these services amounted to approximately \$1.9 and \$6.4 million for the period of January 1, 2019 to May 28, 2019 (Predecessor) and the year ended December 31, 2018, respectively.

The Company's cash was centrally managed by CDI during the period January 1, 2019 to May 28, 2019 (Predecessor) and the year ended December 31, 2018 (Predecessor). As a result, cash collected by the Company was swept into a central operating account owned by CDI and the Company's disbursements were funded by the central operating account.

On September 13, 2017, CDI and certain subsidiaries, including the Company and its domestic subsidiaries (collectively "the Borrowers"), entered into an agreement for a secured lending facility with PNC Bank. The Borrowers' obligations under the Credit Agreement are secured by a first lien security interest in all the Borrowers' personal property (subject to customary exceptions), including, among other things, accounts receivable, equity interests, deposit accounts, and leased properties where books and records are kept. The Credit Agreement established a \$135 million domestic line of credit with an initial five-year term ending September 13, 2022 and was reduced to a \$65 million domestic line of credit as of December 31, 2018. Interest is based on either (i) LIBOR plus an applicable margin of 2.5% or (ii) the Federal Funds Rate/Bank's Prime Rate plus an applicable margin of 1.5%, as selected by the borrower. As of May 29, 2019 the Company is no longer a part of this borrowing arrangement and there are no outstanding borrowings.

#### Note 4. Property and Equipment

Property and equipment, net was comprised of the following:

	December 31, 2019 (Successor)	December 31, 2018 (Predecessor)
Computer equipment	\$ 263	\$ 3,210
Equipment and furniture	8	368
Software	-	-
Leasehold improvements	3	103
Total property and equipment	274	3,681
Accumulated depreciation and amortization	(35)	(3,592)
Property and equipment, net	\$ 239	\$ 89

Depreciation expense for the periods from May 29, 2019 to December 31, 2019 (Successor), January 1, 2019 to May 28, 2019 (Predecessor) and the year ended December 31, 2018 (Predecessor) was \$35,000, \$20,000 and \$150,000, respectively.

#### Note 5. Line of Credit

On May 28, 2019 the Company entered into a revolving credit loan agreement (Revolving Credit Loan) to fund the acquisition that occurred (see Note 2). The Revolving Credit Loan has a maximum availability of \$7,000,000, maturing on May 28, 2022 and carries interest at a per annum rate equal to the LIBOR rate plus 2.75%. Interest is payable in arrears on the first day of each month. At December 31, 2019, the Company had borrowings outstanding of \$2,950,433.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 6. Intangible Assets

**Intangible assets:** Intangible assets consist of the following at December 31, 2019:

	Cost	Accumulated Amortization	Net Book Value	Estimated Useful Life
Trade names and trademarks	\$ 220	\$ 9	\$ 211	12 years

Amortization of amortizable intangible assets for each of the five years subsequent to December 31, 2019 is as follows:

Years ending December 31:	
2020	\$ 18
2021	18
2022	18
2023	18
2024	18
Thereafter	121
	<u>\$ 211</u>

Amortization expense for intangible assets was \$9,167, \$0 and \$0 for the periods from May 29, 2019 to December 31, 2019 (Successor), January 1, 2019 to May 28, 2019 (Predecessor) and the year ended December 31, 2018 (Predecessor), respectively.

#### Note 7. Income Taxes

Income before income taxes was as follows for the period:

	Period from May 29, 2019 to December 31, 2019 (Successor)	Period from January 1, 2019 to May 28, 2019 (Predecessor)	Year Ended December 31, 2018 (Predecessor)
United States	\$ (246)	\$ (1,352)	\$ (3,507)
Foreign	41	(25)	58
Income before income taxes	<u>\$ (205)</u>	<u>\$ (1,377)</u>	<u>\$ (3,449)</u>



## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 7. Income Taxes (Continued)

Income tax expense was comprised of the following for the period:

	Period from May 29, 2019 to December 31, 2019 (Successor)	Period from January 1, 2019 to May 28, 2019 (Predecessor)	Year Ended December 31, 2018 (Predecessor)
Current:			
Federal	\$ -	\$ -	\$ -
State	(15)	-	(21)
Foreign	-	-	-
Total current income tax benefit	<u>\$ (15)</u>	<u>\$ -</u>	<u>\$ (21)</u>
Deferred:			
Federal	(8)	(199)	(630)
State	(22)	(82)	(181)
Total deferred income tax benefit	<u>(30)</u>	<u>(281)</u>	<u>(811)</u>
Income tax benefit	<u>\$ (45)</u>	<u>\$ (281)</u>	<u>\$ (832)</u>

The significant temporary differences and carryforwards that impact the Company's deferred tax accounts were accrued compensation, net operating loss carryforwards and depreciation of fixed assets

As of December 31, 2019, the Company had no material unrecognized tax benefits that, if recognized, would impact the effective tax rate.

As of December 31, 2019 and 2018, the Company has available for carryforward, federal and state net operating losses, of approximately \$8.9M and \$5.2M, respectively to be applied against future U.S. federal and state taxable income. Such state carryforwards expire according to individual state regulations. Carryforwards generated in tax years beginning after December 31, 2017 do not expire.

	Year Ended December 31, 2019 (Successor)	Year Ended December 31, 2018 (Predecessor)
Fixed assets	\$ (53)	\$ 16
Accrued expenses and other	(72)	(29)
Accrued Compensation	130	178
NOL's - Federal, State & Foreign	1,245	781
Total deferred tax assets	<u>1,250</u>	<u>946</u>
Less: total valuation allowance recognized	-	-
Net deferred tax asset	<u>\$ 1,250</u>	<u>\$ 946</u>

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 7. Income Taxes (Continued)

The Tax Reform Act of 1986 contains provisions that may limit the yearly utilization of net operating loss and credits carryforwards if there has been a ownership change. An ownership change is defined as a greater than 50% change in ownership over a three-year period. Such an ownership change, as described in Section 382 of the Internal Revenue Code, may limite the Company's ability to utilize its net operating loss and credit carryforwards on a yearly basis, As a result, to the extent that any single-year limitation is not utilized to the full amount of the limitation, such unused amounts are carried over to subsequent years until the earlier of its utilization or the expiration of the carryforward period. Due to the Company's prior equity transactions, its net operating loss may be subject to an annual limitation.

The Company accounts for uncertain tax positions in accordance with ASC 740-10, Income Taxes. The recognition criteria under ASC 740-10 requires the Company to recognize the financial statements effect of a tax position when it is more likely than not that the position will be sustained upon examination. Management has evaluated the positions taken by the Company and has concluded that no material reserves are required for tax exposures. The Company's federal and state returns since 2016 are open to examination by the federal tax authorities.

#### Note 8. Commitments, Contingencies and Legal Proceedings

**Lease commitments:** The Company leases certain real property under operating leases expiring through 2024. Future minimum lease payments are as follows as of December 31, 2019:

Years ending December 31:		
2020	\$	127
2021		94
2022		97
2023		99
2024		42
Total minimum lease payments	\$	<u>459</u>

Rent expense for the periods from May 29, 2019 to December 31, 2019 (Successor), January 1, 2019 to May 28, 2019 (Predecessor) and the year ended December 31, 2018 (Predecessor) was \$106,783, \$52,926 and \$136,344, respectively.

**Meeting commitments:** The Company has contracted with various venues for franchise meetings through 2021. The contracted payments due related to these meetings total \$1.4 million. Franchisees attending these meetings reimburse the Company for a portion of the cost of each event.

**Job board commitments:** During 2019 the Company entered into an agreement with a job board provider for a \$2.96 million purchase commitment for the period from January 2020 to February 2021. The agreement enables the Company and Franchisees to access the job board. The job board provider is paid directly by the Company who in turns bills other members of the franchise group for their share of the cost.

**Technology commitments:** During 2019 the Company entered into an agreement with a technology software provider for a \$228,000 purchase commitment for the period from March 2020 to March 2021. The service provider is paid directly by the Company who in turns bills other members of the franchise group for their share of the cost.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### **Note 8. Commitments, Contingencies and Legal Proceedings (Continued)**

**Legal proceedings and claims:** The Company is subject to various legal proceedings and claims that have arisen in the ordinary course of business. The Company records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Although management cannot predict the timing or outcome of these matters with certainty, management does not believe that the final resolution of these matters, individually or in the aggregate, would have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

#### **Note 9. Retirement Plan**

For 2019 the Company participated in the CDI Corporation 401(k) Saving Plan ("the Plan"). The Plan is a defined contribution retirement plan maintained for the benefit of eligible employees and qualified under section 401(k) of the Internal Revenue Code. Eligible employees may make voluntary tax deferred contributions to the Plan and the Company, at its discretion, may make matching contributions subject to certain limitations. Participants are fully vested in their contributions and in the Company's matching contributions at all times, except in certain limited instances. The Company recorded Plan expenses of \$40,000, \$29,000 and \$66,736 in their consolidated statement of operations for the periods from May 29, 2019 to December 31, 2019 (Successor), January 1, 2019 to May 28, 2019 (Predecessor) and the year ended December 31, 2018 (Predecessor), respectively. Plan expenses are based on a formula using a percentage of compensation or an amount determined by the Board of Directors.

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 10. Impact of Adopting New Revenue Recognition Standards

As discussed in Note 1, the Company adopted Topic 606 at the beginning of the Predecessor period from January 1, 2019 to May 28, 2019, using the modified retrospective method. Topic 606 was applied to all contracts with customers as of January 1, 2019 and the cumulative effect of the transition was recorded as an adjustment to stockholder's equity as of this date. As a result, the following adjustments were made to the consolidated balance sheet as of January 1, 2019:

	As Reported December 31, 2018	Adjustments	Balances with Adoption of Topic 606 January 1, 2019
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable, net	7,950	-	7,950
Prepaid expenses and other current assets	98	114	212
Current income tax receivable	84	-	84
<b>Total current assets</b>	<b>8,132</b>	<b>114</b>	<b>8,246</b>
Property and equipment, net of accumulated depreciation	89	-	89
Deferred income taxes – noncurrent	946	-	946
Due from Affiliate	52	-	52
<b>Total assets</b>	<b>\$ 9,219</b>	<b>\$ 114</b>	<b>\$ 9,333</b>
<b>Liabilities and Stockholders' Equity</b>			
Current liabilities:			
Accounts payable	\$ 1,257	\$ -	\$ 1,257
Accrued compensation and related expenses	1,808	-	1,808
Unearned revenue	-	1,495	1,495
Other accrued expenses and other current liabilities	1,085	-	1,085
<b>Total current liabilities</b>	<b>4,150</b>	<b>1,495</b>	<b>5,645</b>
Other long-term liabilities	23	-	23
<b>Total liabilities</b>	<b>4,173</b>	<b>1,495</b>	<b>5,668</b>
Stockholders' Equity:			
Common stock	1	-	1
Retained earnings	5,607	(1,381)	4,226
Accumulated other comprehensive (loss)	(562)	-	(562)
<b>Total stockholders' equity</b>	<b>5,046</b>	<b>(1,381)</b>	<b>3,665</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 9,219</b>	<b>\$ 114</b>	<b>\$ 9,333</b>

## Management Recruiters International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 10. Impact of Adopting New Revenue Recognition Standards (Continued)

The following tables reflect the impact of the adoption of Topic 606 on the consolidated statement of operations for the period January 1, 2019 to May 28, 2019 (Predecessor).

	As Reported for period from January 1, 2019 to May 28, 2019 (Predecessor)	Impact	Balances Under Legacy GAAP
Revenue	\$ 16,996	\$ (179)	\$ 16,817
Cost of services	9,354	-	9,354
<b>Gross profit</b>	<b>7,642</b>	<b>(179)</b>	<b>7,463</b>
Operating and administrative expenses	9,019	(14)	9,005
<b>Operating loss and loss before income taxes</b>	<b>(1,377)</b>	<b>(165)</b>	<b>(1,542)</b>
Income tax expense	281	-	281
<b>Net loss</b>	<b>\$ (1,096)</b>	<b>\$ (165)</b>	<b>\$ (1,261)</b>

#### Note 11. Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through April 24, 2020, the day the consolidated financial statements were approved and authorized for issuance.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the company, to date, the Company is experiencing a small reduction in weekly Contract Staffing Revenue and expects it will see a reduction to royalty revenue due to reductions and delays in the underlying franchisee business. The Company is closely monitoring and planning for actions in response to these expected revenue reductions, including applying for the Payroll Protection Program.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including possible credit losses on receivables.

**EXHIBIT I TO THE FRANCHISE DISCLOSURE DOCUMENT  
AGENTS FOR SERVICE OF PROCESS**

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
CALIFORNIA	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 1515 K Street, Suite 200 Sacramento, CA 95814-4052 (916) 445-7205 (866) 275-2677	California Commissioner of Financial Protection and Innovation; and  CT Corporation System One Sansome Street, Suite 600 San Francisco, CA 94104-4424
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General; and  CT Corporation System 208 LaSalle Street Chicago, IL 60604
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 200 W. Washington Street, #201 Indianapolis, IN 46204; and  CT Corporation System 251 East Ohio Street Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020; and  The Corporation Trust Incorporated 32 South Street Baltimore, MD 21202
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600	Minnesota Commissioner of Commerce; and  CT Corporation System 405 Second Avenue, South Minneapolis, MN 55401

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
NEW YORK	New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8222	Secretary of State State of New York 99 Washington Avenue Albany, NY 12231
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5th Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner; and  CT Corporation System 314 East Thayer Avenue Bismarck, ND 58501
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation; and  CT Corporation System 10 Weybosset Street Providence, RI 02903
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre SD 57501 (605) 773-3563	Director of South Dakota Divisions of Insurance Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219; and
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner, Division of Securities, Department of Financial Institutions

## EXHIBIT J TO THE FRANCHISE DISCLOSURE DOCUMENT

### STATE ADDENDA

The Addenda in this Exhibit J are state specific changes to the Franchise Disclosure Document or Franchise Agreement for the states identified on each addendum. Each addendum applies only to the sale of franchises in the state identified.



ADDENDUM TO THE MRI FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF CALIFORNIA

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

California Business and Professions Code Sections 20000 through 20043 provide rights to the member concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

Prospective members 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 a franchise agreement restricting venue to a forum outside the State of California.

Neither the franchisor, nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling these persons from membership in the association or exchange.

Section 31125 of the Franchise Investment Law requires us to give you a Disclosure Document approved by the Commissioner of Corporations before we ask you to consider a material modification of your Franchise Agreement 14 days prior to execution of the agreement.

You must sign a General Release of Claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Sections 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

California considers the following Risk Factors you should be aware of:

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

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement requires application of the laws of the State of Florida. This provision may not be enforceable under California law.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

**Personal Guaranty.** If franchisee is an entity, the owners of the entity who have a 50% or greater share in the entity or, where no one owners has a 50% or greater share, those with a 10% or greater share, must sign a personal guaranty making the guarantor individually liable for the financial obligations under the agreement. If you are married, the guaranty may place you and your spouse's marital and personal assets at risk, including your house, if the franchise fails.

ADDENDUM TO THE MRI FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois if voided.

In Illinois, the Private Employment Agency Act can be found at 225ILCS 515/1 (West 2018).

Section 17, Summary column for provisions (v) and (w) are amended to state (Subject to applicable state law).

MEMBER:

MANAGEMENT RECRUITERS INTERNATIONAL, INC.

\_\_\_\_\_

By: \_\_\_\_\_  
Bert Miller, CEO

ADDENDUM TO THE MRI FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is voided.

In Illinois, the Private Employment Agency Act can be found at 225ILCS 515/1 (West 2018).

MEMBER:

MANAGEMENT RECRUITERS INTERNATIONAL, INC.

\_\_\_\_\_

By: \_\_\_\_\_  
Bert Miller, CEO

ADDENDUM TO THE MRI FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF INDIANA

The following additional information is added 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 Florida 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 Florida 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.

ADDENDUM TO THE MRI FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF INDIANA

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 anything to the contrary contained in 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 Florida law; that Indiana franchisees shall not irrevocably accept and submit generally and unconditionally to the jurisdiction of the Florida 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.

MEMBER:

MANAGEMENT RECRUITERS INTERNATIONAL, INC.

\_\_\_\_\_

By: \_\_\_\_\_  
Bert Miller, CEO

ADDENDUM TO THE MRI FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF MARYLAND

1. Regarding Item 17, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise. Additionally, any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. The representations you make in the Disclosure Document will not act as a release, estoppel or waiver of any liability incurred by us under the Maryland Franchise Registration and Disclosure Law.
3. Regarding Item 17, under certain circumstances, the Franchise Agreement requires you to submit to a court proceeding in the State of Florida. These provisions may run contrary to the Maryland Franchise Registration and Disclosure Law. Therefore, nothing will preclude you from being able to enter into litigation with us in Maryland, as long as the nature of the litigation is not the type of dispute, controversy, claim, action, or proceeding which would be subject to litigation under the Franchise Agreement.
4. Regarding Item 17's discussion of our right to terminate you upon your bankruptcy, this provision in the Franchise Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).
5. To the extent that any provisions of the Franchise Agreement require you to assent to any release, estoppel or waiver of liability as a condition to your purchasing a MRI franchise, such provisions are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

ADDENDUM TO THE MRI FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF MARYLAND

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

28.2. The state in which the franchise 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.

MEMBER:

MANAGEMENT RECRUITERS INTERNATIONAL, INC.

\_\_\_\_\_

By: \_\_\_\_\_  
Bert Miller, CEO

ADDENDUM TO THE MRI FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF MICHIGAN

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. 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.
3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause will include the failure of the franchisee to comply with any lawful provisions 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.
4. 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 Franchised 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.
5. 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.
6. A provision requiring that arbitration or litigation be conducted outside this state. This will not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
7. 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 will include, but is not limited to:
  - a. The failure of the proposed franchisee to meet the franchisor's then current reasonable qualifications or standards.
  - b. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.



c. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

d. 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.

8. 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 third 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).

9. 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.

\* \* \* \*

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

\* \* \* \*

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisor must, at the request of the franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

\* \* \* \*

The name and address of the franchisor's agent in this state authorized to receive service of process is: Michigan Department of Commerce, Corporation and Securities Bureau, 6546 Mercantile Way, P.O. Box 30222, Lansing, Michigan 48910.

**Any questions regarding this notice should be directed  
to:**

Department of the Attorney General's Office Consumer Protection  
Division Attn: Franchise  
670 G. Mennen Williams Building  
Lansing, Michigan 48913

ADDENDUM TO THE MRI FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF MINNESOTA

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Uniform Franchise Disclosure Document for use in the State of Minnesota will be amended to include the following:

1. Item 6, "Insufficient Funds Fee," will be amended to cap this fee at \$30.00.
2. Item 13, "Trademarks," will be amended by the addition of the following paragraph at the end of the Item:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights which you have to use our proprietary marks.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," will be amended by the addition of the following paragraphs:

With respect to franchisees governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 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 of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

Pursuant to Minnesota Statutes, Section 80C.17, Subd. 5, Limitation on actions. No action may be commenced pursuant to this section more than three years after the cause of action accrues.

Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations will exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

Pursuant to Minnesota Statutes, Section 80C.17, Subd.5: The Limitation of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

Minnesota Rule 2860.4400(D) prohibits a franchisor to: "require a franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes 1973 Supplement, Sections 80C.01 to 80C.22; provided, that this part shall not bar the voluntary settlement of disputes."

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's right to any procedure, forum, or remedies provided for by the laws of the jurisdiction. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. It will be determined by a court if a bond is required.

4. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.1, Subd. 5.

6. Each provision of this addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce are met independently without reference to this addendum to the Disclosure Document.

ADDENDUM TO THE MRI FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF MINNESOTA

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

16.2 As provided in Subsection 16.2, with respect to franchises governed by Minnesota law, Management Recruiters will comply with Minn. Stat. Sec. 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.

20.3. 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.

20.7 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 20.7. of this Agreement, except to the extent that the Rule is preempted by federal law or is otherwise invalid.

MEMBER:

MANAGEMENT RECRUITERS INTERNATIONAL, INC.

\_\_\_\_\_

By: \_\_\_\_\_  
Bert Miller, CEO

**ADDENDUM TO THE MRI FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK**

The following Items are required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

1. All references made herein to a “Disclosure Document” shall be replaced with the term “Offering Prospectus” as used under New York Law.
2. The State Cover Page is amended to add the following:

**REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE DEPARTMENT OF LAW OR THAT IT HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, 120 BROADWAY, NEW YORK, NEW YORK 10271-0332. INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION.**

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE CIRCULAR. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS CIRCULAR.**

3. ITEM 3 is amended by the addition of the following language:
  - Neither franchisor nor any person identified in ITEM 2 has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against them alleging a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion; misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, neither franchisor nor any person identified in ITEM 2 has any pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
  - Neither franchisor nor any person identified in ITEM 2 has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding involving violation of any franchise law, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

- Neither franchisor nor any affiliate or person identified in ITEM 2 is subject to any injunctive or restrictive order or decree relating to the franchises, or any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, as a result of a concluded or pending action or proceeding brought by a public agency.
4. ITEM 4 is amended to state that:
- Neither the franchisor, nor its predecessor, officers or general partner of the franchisor has, during the ten (10) year period immediately before the date of the Disclosure Document, has: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; (c) was a principal officer of any company or a general partner in any partnership that either filed as a debtor (or had filed against it) a petition to start action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the Bankruptcy Code during or within one (1) year after the officer or general partner of the franchisor held this position in the company or partnership.
5. ITEM 5 of the Disclosure Document is amended to add the following:
- The Franchise Fee will be used to defray franchisor's costs in obtaining and screening franchisees, providing training, training materials and assisting in opening the Franchised Business for business.
6. ITEMS 6 and 11 of the Disclosure Document are amended to add the following:
- The franchisee will not be required to indemnify franchisor for any liability imposed on franchisor as a result of franchisee's reliance upon or use of procedures or products which were required by franchisor, if such procedures or products were utilized by franchisee in the manner required by franchisor.
7. ITEM 17 of the Disclosure Document is amended to add the following:
- No general release shall be required as a condition of renewal, termination and/or transfer which is intended to exclude claims arising under the New York General Business Law, Article 3, Sections 687.4 and 687.5.
  - ITEM 17(d) is amended to provide that you may terminate the Agreement on any grounds available by law.
  - ITEM 17(j) is amended to state, that no assignment will be made except to an assignee who, in the good faith judgment of Franchisor, is able to assume our obligations under the Agreement.

- ITEM 17(s) is amended to state that modifications to the Manual will not unreasonably affect your obligations, including your economic obligations, under the franchise agreement.
  - ITEM 17(w) is amended to state that New York Law governs any cause of action which arises under the New York General Business Law, Article 33, Section 680- 695.
8. ITEM 23 of the Disclosure Document. Receipt. Under New York law, we must provide this disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.
  9. Franchisor represents that this Disclosure Document does not knowingly omit anything or contain any untrue statements of a material fact.

**ADDENDUM TO THE MRI FRANCHISE AGREEMENT  
REQUIRED BY THE DEPARTMENT OF LAW THE STATE OF NEW YORK**

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR NEW YORK (“this Addendum”) is entered into by and between Management Recruiters International, Inc., Delaware corporation, with its principal office at 190 Congress Park Drive, Suite 100, Delray Beach, FL 33445 (“we,” “us” or “our”) and

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(“you” or “your”), whose principal business address is \_\_\_\_\_.

WHEREAS, we and you have entered into a certain Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 20 (the “Effective Date”) and desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Addendum.

WHEREAS, you are domiciled in New York and the MRINetwork franchise will be located in New York, and/or any of the offering or sales activity relating to the Franchise Agreement occurred in the State of New York.

NOW THEREFORE, we and you agree that the Franchise Agreement is hereby modified, as follows:

1. 1. In recognition of the requirements of the General Business Law of the State of New York, Article 33, §§ 680 through 695, (the “Act”) the Franchise Agreement for MRI is amended as follows:

This Addendum is intended to modify the Franchise Agreement. In the event of any conflict between a provision of the Franchise Agreement and this Addendum, the provision of this Addendum shall control. All terms which are capitalized in this Addendum and not otherwise defined, will have the meanings given to them in the Franchise Agreement. Except as amended by this Addendum, the Franchise Agreement is unmodified and in full force and effect in accordance with its terms.

Member is required to sign a general release as a condition of renewal, termination and transfer of the franchise. Such release will exclude claims arising under the General Business Law of the State of New York.

Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor’s obligations under the Franchise Agreement, in Franchisor’s good faith judgment, so long as it remains subject to the General Business Law of the State of New York.

Member will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee’s reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.



The Franchise Agreement requires that the franchise be governed by the laws of the state where Franchisor's principal business is then located. Such a requirement will not be considered a waiver of any right conferred upon either you or us by Article 33 of the General Business Law of the State of New York.

The Franchise Agreement requires that any claims or disputes arising out of the franchise relationship be submitted to alternative dispute resolution or filed in the state or federal court of general jurisdiction exclusively in the state where Franchisor's principal business is then located. Provisions in New York state law supersede this, allowing for lawsuits to be filed in New York.

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the Act are met independent of this Addendum. To the extent this Addendum will be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum will govern.

Miscellaneous. This Addendum and the Franchise Agreement as modified by this Addendum constitute the entire agreement of the parties with respect to their subject matter and may be amended only by a written agreement signed by both parties.

Counterpart Execution and Delivery by Facsimile. This Addendum may be executed in one or more counterparts, all of which shall, taken together, constitute one and the same agreement. The parties intend that delivery may be effected by facsimile transmission and that a facsimile copy which has been executed by the transmitting party shall constitute an original.

**IN WITNESS THEREOF**, the parties have executed this Addendum as of the Effective Date of the Franchise Agreement.

MEMBER:

MANAGEMENT RECRUITERS INTERNATIONAL, INC.

\_\_\_\_\_

By: \_\_\_\_\_  
Bert Miller, CEO

ADDENDUM TO THE MRI FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF NORTH DAKOTA

Pursuant to Section 51-19-09, N.D.C.C. and, notwithstanding anything to the contrary contained in the Franchise Agreement, any provisions that are in conflict with the following are hereby amended to the extent necessary to be in compliance with the North Dakota Century Code:

- A. Restrictive Covenants: All covenants restricting competition are subject to Section 9-08-06, N.D.C.C.
- B. No arbitration proceeding will occur at a location remote from the site of your franchised business.
- C. Member does not consent to the jurisdiction of any court outside North Dakota for matters arising from the franchise agreement.
- D. member is not subject to any liquidated damages or termination penalties.
- E. The Franchise Agreement is governed by the laws of North Dakota.
- F. The Member does not consent to waive trial by jury.
- G. The Member does not consent to waive exemplary and punitive damages.
- H. Member is not required to sign a general release upon renewal of the franchise agreement.
- I. Member does not consent to a limitation of claims. The statute of limitations under North Dakota law applies to all claims.
- J. Member is not required to pay all costs and expenses incurred by MRI to enforce the Franchise Agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

MEMBER:

MANAGEMENT RECRUITERS INTERNATIONAL,  
INC.

\_\_\_\_\_

By: \_\_\_\_\_  
Bert Miller, CEO

ADDENDUM TO THE MRI FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF OHIO

In recognition of the requirements of the Ohio Revised Code, Title XIII, Chapter 1334: Business Opportunity Plans, the parties to the attached Franchise Agreement (the "Agreement") agree as follows:

1. In the event that MRI does not comply in all material respects with the trade regulations of the federal trade commission, "disclosure requirements and prohibitions concerning franchising," 16 C.F.R. 436.1, *et seq.*; as may be amended from time to time, that is in effect on the date of the transaction, Articles 20.3 and 20.4 of the Agreement, under the heading "Venue and Choice of Law" will be supplemented by the addition of the following:

"A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside the state of Ohio or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. This amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Ohio Business Opportunity Plan, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Ohio amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

MEMBER:

MANAGEMENT RECRUITERS INTERNATIONAL, INC.

\_\_\_\_\_

By: \_\_\_\_\_  
Bert Miller, CEO

ADDENDUM TO THE MRI FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF RHODE ISLAND

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34 the Uniform Franchise Disclosure Document for use in the State of Rhode Island will be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," will be amended by the addition of the following:

§ 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."

This addendum to the Disclosure Document will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this addendum to the Disclosure Document.

**ADDENDUM TO THE MRI FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF RHODE ISLAND**

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties to the attached Franchise Agreement (the "Agreement") agree as follows:

The following is added to Section 20.3 of the Franchise Agreement, in place of any conflicting provisions:

§ 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."

This amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

MEMBER:

MANAGEMENT RECRUITERS INTERNATIONAL, INC.

\_\_\_\_\_

By: \_\_\_\_\_  
Bert Miller, CEO

ADDENDUM TO THE MRI FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for use in the Commonwealth of Virginia will be amended as follows:

Additional Disclosure: the following statements are added to Item 17.h

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

ADDENDUM TO THE MRI DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF WASHINGTON

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 to RCW 19.100.940, the Uniform Franchise Disclosure Document in connection with the offer and sale of franchises for use in the State of Washington will be amended to include the following:

Item 17 (d) is amended to add: members may terminate the franchise agreement under any grounds permitted by state law.

Item 17 (q) and (r) are amended to add: noncompetition provisions are subject to state law.

Item 17 (u) is amended to state: this provision is subject to state law.

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," will be amended by the addition of the following paragraphs at the conclusion of the Item:

The state of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with the franchisor 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 the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of the franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

A release or waiver of rights executed by a member may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

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

Each provision of this addendum to the Disclosure Document will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 to RCW 19.100.940, are met independently without reference to this addendum to the Disclosure Document.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement,

when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a member from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.



**ADDENDUM TO THE MRI FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF WASHINGTON**

The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement and related agreements (the "Franchise Agreement") in your relationship with the franchisor 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 the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a member may bring an action or proceeding arising out of or in connection with the sale of the franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

The undersigned does hereby acknowledge receipt of this addendum.

MEMBER:

MANAGEMENT RECRUITERS INTERNATIONAL, INC.

\_\_\_\_\_

By: \_\_\_\_\_  
Bert Miller, CEO

EXHIBIT K TO THE FRANCHISE DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

## **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

# EXHIBIT L TO THE FRANCHISE DISCLOSURE DOCUMENT

## RECEIPTS

**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If MRI offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If MRI does not deliver this 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, DC 20580 and to your state authority listed on Exhibit I.

The name of the Franchisor is Management Recruiters International, Inc., 190 Congress Park Drive, Suite 100, Delray Beach, FL 33445, (800) 875-4000 Ext. 1. The franchise seller for this offering is \_\_\_\_\_, 190 Congress Park Drive, Suite 100, Delray Beach, FL 33445, (215) 372-1428

Issuance Date: March 14, 2022

Management Recruiters International, Inc. authorizes the respective state agencies identified in Exhibit I to receive service of process for it in the particular states.

I received a Disclosure Document dated March 14, 2022 that included the following Exhibits:

- EXHIBIT A: Management Recruiters Franchise Agreement Established Firm and Exhibits
- EXHIBIT B: SBA Addendum
- EXHIBIT C: Operations Manual Table of Contents
- EXHIBIT D1: MRI Outlets as of December 31, 2021
- EXHIBIT D2: Former MRI Outlets for the period January 1, 2021 through December 31, 2021
- EXHIBIT E: MRINetwork Code of Conduct
- EXHIBIT F: Member Association
- EXHIBIT G: Sample Release Language
- EXHIBIT H: Financial Statements
- EXHIBIT I: Agents for Service of Process
- EXHIBIT J: State Addenda
- EXHIBIT K: State Effective Dates
- EXHIBIT L: Receipts

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

\_\_\_\_\_  
(Signature of recipient)

\_\_\_\_\_  
(Printed name of recipient)

\_\_\_\_\_  
Legal residence address

Please return signed receipt to:

MRI, 190 Congress Park Drive, Suite 100, Delray Beach, FL 33445, ATTN: Legal Department, or via email to lorinda.ritts@MRINetwork.com.

**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If MRI offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If MRI does not deliver this 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, DC 20580 and to your state authority listed on Exhibit I.

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**KEEP FOR YOUR RECORDS**