**AFFIDAVIT lodged by Kenneth Hagerstrom / Expense Reduction Analysts, Inc. with California Department of Corporations as part of the Franchisor’s Regional Disclosure Documents.**

**Notes that may assist:**

**Exhibit B Financial Statements of Expense Reduction Analysts, Inc. (ERA Inc)**

Exhibit B is the audited consolidated financial statements of the largest subsidiary of Expense Reduction Analysts International Limited (ERAI) being ERA Inc.

As at 25 January 2011 it was determined to be insolvent and worthless by the ERAI Administrators, Messrs Poxan and Titley of Leonard Curtis and their valuers, Champion Chartered Accountants.

Refer to paragraph 5.1 of the ERAI Joint Administrators’ Report and Statement of Proposals dated 18 March 2011.

The Administrators state on 18 March 2011 *“…Champion also considered the value of investments in subsidiaries through both shares held and the intercompany debtor positions. Champion concluded that the marginal financial position or insolvency of the subsidiaries, the balance sheets of which reflected significant levels of goodwill which could not be substantiated, justified a maximum realisable of £50,000 for the debtor positions and a nominal value only in respect of the shares…”*

The Affidavit was lodged in the California, under affidavit on 11 March 2011 – seven (7) days before the ERAI Administrators’ Report was published.

Refer to page 1 of the Audited Accounts for the Independent Auditor’s Report which was published on 4 March 2011 - fourteen (14) before the ERAI Administrators’ Report was published.

**Total Assets** 31 Dec 2009 31 Dec2010 31 Dec 2011 31 Dec2012 31 Dec 2013

 $5,634,134 $5,399,492 $5,845,265 $6,157,439

**Intangible Assets**  31 Dec 2009 31 Dec2010 31 Dec 2011 31 Dec2012 31 Dec 2013

 $4,060,000 $4,060,000 $4,060,000 $4,060,000

Refer to page 7 for the Note regarding the Intangible Assets: *“Intangible assets, which consists of license rights, are considered to have indefinite useful lives, are not amortized but are subjected to annual impairment tests to evaluate whether the value of the assets have been impaired. As of December 31, 2010 and 2009, the Company considers license rights have indefinite lives and the value of the assets have not been impaired. Consequently, no amortization expenses have been recognized during the 12 month period ended December, 31 2010 and 2009…”*

This statement proves that ERAI Joint Administrators’ valuation on 18 March 2011 of ERAI’s USA subsidiary, ERA, Inc. was a fraud with the intention to assist Messrs Marfleet, Howson and Clucas defraud the creditors and minority shareholders of ERAI and ERAGICS Limited.

Refer to page 11 for details of the loan from ERAI to ERA Inc which was made in 2006 for $734,000 and was owed to ERAI together with $90.861 in interest as at 25 January 2011.

**NOTE**

Neither in the ERA Inc Franchise Disclosure Document – lodged on 11 March 2011 nor the ERA Inc Consolidated Accounts audited on 4 March 2011 is there any mention that ERA Inc cannot pay its debts to ERAI and is insolvent.

**Expense Reduction Analysts Inc (ERA Inc) and Expense Reduction Analysts Global Insurance Consulting Services Inc. USA Disclosure Document dated April 2014 and Accounts for Years Ending 31 December 2012 and 31 December 2013 as at 28 March 2014**

Refer to Exhibit B at page 22

Refer to page 24 – letter from Sanford Baumeister & Frazier LLP dated 28 March 2014 at dot point 4 *“…the intangibles impairment analysis includes forecasts based on management’s expectation of future cash flows…”*

Refer to page 29 – Total Assets 31 December 2012 31 December 2013

 $5,845,265 $6,157,439

**Note** The ERAI Administrators, Leonard Curtis - Messrs Poxan and Titley and Champion Chartered Accountants stated on 25 January 2011 that the USA ERAI subsidiary assets were worthless and that the company was insolvent as it could not pay its debts – refer to paragraph 5.1 of the ERAI Joint Administrators Report dated 18 March 2011,

Net Assets of Expense Reduction Analysts, Inc, (ERA Inc)

 31 December 2012 31 December 2013

 $3,494,992 $3,483,214

Refer to page 34 *“…Intangibles…There were no impairments of the company’s license rights recognized during the years December 31, 2013 and 2012…”*

These same licensing rights as at December 31, 2010 were according to Messrs Poxan and Titley and the same ERAI management were worthless.

**Expense Reduction Analysts International Limited (ERAI) and ERAGICS Limited (ERAGICS) Joint Administrators’ Report and Statement of Proposals dated 18 March 2011**

Refer to paragraph 2.6 under the heading ERAGICS – only two (2) ordinary shares issued in ERAGICS as at 31 December 2010 and these two shares are owned by ERAI.

Both Messrs Clucas and Chapman knew, as at 18 March 2011, that they and ERAI had not caused ERAGICS to issue 35% equity to Ken Armstrong as required by clause 3 of the Cooperation Deed.

The Joint Administrators. Messrs Poxan and Titley must have also known on 18 March 2011 that ERAI was in breach of the Cooperation Deed clause 3.

**Special Notes**

ERAGICS Limited had no debt as at 31 December 2010.

The Administrators fraudulently ignore the nil debt position of ERAGICS as at 31 December 2010 and state at paragraph 4.2 that ERAGICS has a debt of £398,000 as at 31 December 2009.

ERAI had no external debts as at 31 December 2010 and only had an alleged minor debt of £313,000 to the majority shareholder, Mr. Charles Marfleet.

ERAI net assets were £5,118,000 as at 31 December 2009 and the Administrators simply ignore the ERAI net assets as at 31 December 2010, despite audited accounts being available as proven by the ERA Inc 31 December 2010 Audited (4 March 2011) Consolidated Accounts lodged with the State of California by affidavit on 11 March 2011.

Refer to paragraph 4.3 - Messrs Poxan and Titley knew that they could not disclose the real financial status of ERAI and ERAGICS as at 31 December 2010, hence their use of the 31 December 2009 accounts and their deliberate failure to obtain from the ERAGICS directors, Messrs Clucas and Chapman (sixth and ninth defendants) and the ERAI directors Messrs Marfleet (fifth defendant), Chapman, Hagerstrom and Howson Statement of Affairs as at 25 January 2011 which had to be fiked with the Registrar of Companies.

Mr Hagerstron as well as being director of ERAI was the Managing Director and President of ERA Inc, so at all relevant times he knew the true financial position of ERAI’s USA subsidiary’s ERA Inc financial position as at 31 December 2010.

Mr Clucas as well as being a director of ERAGICS was the financial director of the ERA group including ERAI and ERA Inc and he personally prepared the ERA Inc consolidated accounts audited on 4 March 2011.

At all relevant times both these directors could have provided Statement of Affairs as at 31 December 2010.

Refer to the Administrators at paragraph 5.1

Dot point 1 – the sale of all of the ERAI business as a going concern did not provide any financial support to *“…the remainder of the group…”* Refer to the ERA Inc accounts as proof.

Dot point 2 – Neither ERAI nor ERAGICS held any licences which could have been breached. Neither company had any contractual obligations to ERA licensees which could be breached or reduce the group’s asset values.

Dot point 3 – The only certainty of outcome was the majority shareholder, Mr Marfleet (fifth defendant) would receive £313,000 and the Administrators and their associates would receive £50,000. It was also certain that all the minority shareholders and creditors would receive nothing.

Dot point 4 – the administrators made absolutely no effort to determine a real market and have absolutely no evidence to support their statement that the sale of the business to Messrs Marfleet, Clucas and Howson achieved *“Enhanced asset realistions”*

**Champion Chartered Accountants and the Administrators state on 18 March 2011 that ERA Inc is insolvent and it shares are worthless.**

Messrs Poxan and Titley incredibly wrote on 18 March 2011

*“…Champion also considered the value of investments in subsidiaries through both shares held and the intercompany debtor positions. Champion concluded that the marginal financial position or insolvency of the subsidiaries, the balance sheets of which reflected significant levels of goodwill which could not be substantiated, justified a maximum realisable of £50,000 for the debtor positions and a nominal value only in respect of the shares…”*

Whereas the ERA Inc Directors, who are also ERAI directors and the ERAI financial controller, Messrs Hagerstrom and Clucas, under affidavit provide on 11 March 2011 consolidated accounts of ERA Inc to numerous USA State Government, under affidavit, accounts audited on 4 March 2011 stating that the Intangible Assets of ERA Inc of $4,060,000 have not been impaired at all and that the total assets of ERA Inc as at 31 December 2010 as worth USD$5.364m.

As further proof that Messrs Titley and Poxan as well as the directors of ERAI and ERAGICS - Messrs Chapman, Marfleet, Clucas, Hagerstrom and Howson and Champion Chartered Accountants deliberately defrauded the creditors and minority shareholders of ERAI and ERAGICS on 24 January and 18 March 2011 refer to the ERA Inc Disclosure Documents lodged with the USA State Governments in April 2014.

These audited accounts again state that the Intangible Assets held by ERA Inc on 31 December 2010 have not been impaired at all in 2011, 2012 and 2013 and they are even revalued in xxxxxxxxxxxxxx by a legitimate valuer at $4,060,000 being the exact same value that they were as at 31 December 2010.

To cover up this fraud it is critical that the ERAI and ERAGICS directors who are also the defendant directors appoint Messrs Poxan and Titley to liquidate ERAI and ERAGICS and that there is no investigation by an independent liquidator or liquidator appointed by the legitimate creditors and or minority shareholders.