

**FRANCHISE DISCLOSURE DOCUMENT  
EXPENSE REDUCTION ANALYSTS®, INC.**

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Dept. of Corporations-  
PSS UNIT, San Francisco Office

MAR 21 2011



**Expense Reduction  
Analysts**

The franchisee will operate an Expense Reduction Analysts® Consulting Practice that helps client organizations reduce on-going business expenses, such as those incurred for printing, freight, equipment maintenance, courier service, telecommunications, janitorial service and office supplies.

The total investment necessary to begin operation of an Expense Reduction Analyst Consulting Practice ranges from \$66,100 - \$81,750. This amount includes \$59,900 which must be paid directly to the franchisor.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read the 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 payments to the Franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Kenneth Hagerstrom, 5050 Avenida Encinas, Suite 200, Carlsbad, California 92008, (760) 712-3600.

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 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, DC 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 listed on Exhibit A or visit your public library for other sources of information on franchising.

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

**THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS MARCH 15, 2011.**

## STATE COVER PAGE

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

Call the state franchise administrator listed on Exhibit A-1 for information about the franchisor, or about franchising in your state.

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

**Please consider the following Risk Factors before you buy this franchise:**

- 1. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT. THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**
- 2. ANY VOLUME, PROFIT AND POSSIBLE SUCCESS ARE PRIMARILY DEPENDENT ON YOUR ABILITY AND EFFORTS AS AN INDEPENDENT BUSINESS OPERATOR, YOUR SALES ABILITY, AS WELL AS THE DEGREE TO WHICH YOU FOLLOW THE EXPENSE REDUCTION ANALYSTS SYSTEM.**
- 3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE**

We use the services of one or more Franchise Brokers or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We may pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

**Effective Dates: See the next page for state effective dates.**

## STATE EFFECTIVE DATES

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

California  
Hawaii  
Illinois  
Indiana  
Maryland  
Michigan  
Minnesota  
New York  
Rhode Island  
South Dakota  
Virginia  
Washington  
Wisconsin

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of March 15, 2011.

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## **EXPENSE REDUCTION ANALYSTS FRANCHISE DISCLOSURE DOCUMENT**

### **ITEM 1. THE FRANCHISOR, ANY PARENTS, PREDECESSOR AND AFFILIATES**

The purpose of this Disclosure Document is to familiarize you with important legal and business aspects of Expense Reduction Analysts, Inc., a franchisor, and of the Franchise we offer. To simplify the language, we will refer to ourselves as "ERA-USA," "we" or "us." We will call the person or company to which we grant a Franchise "you." The word "you" does not include your owners. We will call them your "Related Parties."

We were incorporated in California on September 12, 2002. We have no predecessors.

Our parent company is Montgomery Investment Co SA a Luxembourg corporation with a registered office at 50 Esplanade, L-9227 Diekirch, Luxembourg ("Montgomery"). Through an administration process effective January 25, 2011, Montgomery acquired certain assets of Expense Reduction Analysts International, Ltd. ("ERAI"), London, United Kingdom with a principal business address at 60 Churchill Square, Kings Hill, West Malling, Kent, ME19 4YU, United Kingdom. Montgomery is now the holding company for us and our affiliates. Neither Montgomery nor ERAI has never offered Franchises or franchises.

Our intermediate parent company is Evercertain Limited, a UK company: Company number-04473131, incorporated on 29 June 2002 with a registered office at 62 Wilson Street, London, EC2A 2BU. Evercertain Limited has never offered franchises.

Our affiliate, Expense Reduction Analysts Consultants, Inc. ("ERAC") was incorporated in California on March 15, 2004. Our principal business address is 5050 Avenida Encinas, Suite 200, Carlsbad, CA 92008. ERAC's address is the same. The name and address of our agent for service of process in this state are stated in Exhibit A-2 to this Disclosure Document.

Our affiliate, Expense Reduction Analysts Global Insurance Consulting Services Inc, (formerly Expense Reduction Analysts Insurance, Inc.) ("ERAGICS") was incorporated in Delaware on December 3, 2007. ERAGICS's principal business address is 5050 Avenida Encinas, Suite 200, Carlsbad, California 92008. The name and address of our agent for service of process in this state are stated in Exhibit A-2 to this Disclosure Document. It is anticipated that commencing in January 2008 ERAGICS will provide specialized services in the field of expense reduction in the field of insurance and operates throughout the United States. ERAGICS has never offered Franchises or franchises.

We have been offering both area franchises and regional franchises since November 2002. Area franchises are offered under a separate Disclosure Document to area franchisees ("Area Franchisees"). We have never offered any other franchise or franchise. We have operated a business that is similar to the area franchise that we offer since November, 2002. We have also operated a Consulting Practice since our incorporation in September 2002. We have no other business.

Since early 2004, ERAC has offered services similar to those offered by our franchisees to companies with annual gross receipts over \$250 million. Since October 2006, ERAC increased its volume requirements to offer services only to companies with annual gross receipts over one billion. It has no other business. ERAC has never offered franchises or franchises.

The business you will operate under the Franchise Agreement is a Consulting Practice that helps client organizations reduce on-going business expenses, such as those incurred for printing, freight, equipment maintenance, courier service, telecommunications, janitorial service and office supplies. The primary market for the Consulting Practice is companies with annual gross revenues below \$250 million. Your principal competitors will be independent consultants offering advice on cost reduction. Other competitive factors may include cost reduction services offered by the vendors of the expense category under review or the possible lack of co-operation of such vendors.

If you hold a professional franchise, permit or other credential, you must continue to comply with any related professional regulations. Otherwise, we do not know of any laws or regulations that are specifically applicable to a Consulting Practice of the type you will operate.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Charles Frederick Marfleet, Executive Chairman Chief Executive Officer, and Director**

Charles Frederick Marfleet has been our Chairman since April of 2007. Prior to that he had been our Chief Executive Officer since May of 2006 and our executive chairman and a director since we were formed in September 2002. He is based in London, England. In January of 2011 he was named Chairman of Montgomery Investment Co S. Prior to that from November of 2005 to January 2011 he was Chairman of Expense Reduction Analysts International, Ltd., London, United Kingdom. He has also been executive chairman of Expense Reduction Analysts Group Pty Ltd, North Sydney, Australia ("ERA Australia"), since August 1999. Before that, from January 1993 through July 1999, he was managing director of Expense Reduction Analysts, Ltd. ("ERA"), London; United Kingdom.

### **Ronnie Clucas, Chief Financial Officer**

Ronnie Clucas was appointed Chief Financial Officer in January, 2008. Based at our corporate headquarters in UK he has Finance and Administration responsibility for our businesses around the world. Prior to joining ERA he was General Manager and Group Finance Director of Acela Ltd, a privately owned international consumer products group in the U.K. that owned brands such as Maclaren strollers, Laser sailing boats and Ronson lighters since January 2003. From September 2002 to December 2002 he was Interim Managing Director of J Harriman Ltd. in England. He has worked in a number of UK based retail and manufacturing groups and has extensive commercial and operational experience.

### **Kenneth Hagerstrom, President and Chief Executive Officer**

Kenneth Hagerstrom joined us as president and chief operations officer in March 2005. He became our chief executive officer in April 2006. Mr. Hagerstrom was also Chief Operating Officer of Expense Reduction Analysts International, Ltd., from April 2006 through January 2011. He has also been chief executive officer of John Galt Consulting, LLC, in Mission Viejo, California, since September 2003. From September 2004 through February 2005, he was chief operations officer of Handyman Franchise Systems in Long Beach, California. He was chief operations officer of Management Recruiters International, Cleveland, Ohio, from August 2002 to July 2003. Before that, from October 1995 to August 2001, he was with New Horizons Computer Learning Centers in Santa Ana, California, serving as president of their company owned location division and later as executive vice president of their parent company. From August 2001 to August 2002 he was President of New Horizons Computer Learning Centers of the Bay Area in San Jose, California. He owned a Uniglobe Travel franchise in Newton, Massachusetts from 1992 to 1993.

### **Charles Howson, Director**

Charles Howson has been our Director since February of 2011. He is based in London, England. In January of 2011 he was named CEO of Montgomery Investment Co SA. Prior to that from May 2008 to January 2011 he was a Director of Expense Reduction Analysts International, Ltd., London, United Kingdom. From February 2003 to March 2010 he was CEO of Accuma Group PLC in London, United Kingdom and from July 2006 through to the present Mr. Howson is also a Director of the Byrom Keeley Group in Manchester, United Kingdom.

### **Dave Sundstrom, Vice President of Sales and Marketing**

Dave Sundstrom joined us on November 3, 2008. Effective July 2009, Dave was appointed as Vice President of Sales and Marketing. Before that, Dave was Vice President of Sales for Wow Tools, Inc in Irvine CA from October 2007 through October 2008. Before that, from 1995 through 2006, Dave was employed by New Horizons Computer Learning Centers, Inc., located in Anaheim CA in a variety of capacities increasing

his responsibilities starting with Major Accounts Manager of the Central Region, then Vice President of Sales for Major Accounts Program, then Vice President & General Manager of New Horizons subsidiary - Nova Vista, LLC, then Vice President – Strategic Business Development and finally Senior Vice President – Sales and Business Development.

**Dianna Arreola, Director of Training**

Dianna Arreola has served as our director of Training since August 19, 2009. From January, 2008 through August, 2009, Dianna was the Managing Director of CORE Group Enterprises, LLC, located in Carlsbad, California. From October, 2004 through January 2008, Dianna operated as an Independent Contractor providing business leadership and business development strategies, marketing and administration to small business owners.

**Bonita Paysour, Director of Marketing**

Bonita Paysour was appointed as our director of Marketing effective July 13, 2009. Prior to that, she was director of Training effective February 25, 2009. Before that she was our Director of Marketing and from March 2007 when she joined us, to September 2007 she was our Marketing Manager. Previously, Bonita was Associate Marketing Manager for HD Supply, based in San Diego, CA from May 2004 until February 2007. From October 2000 until May 2004, she was Marketing Manager for The Brain Store, based in San Diego, CA.

**ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4. BANKRUPTCY**

**Australia**

On July 7, 2010 pursuant to Section 436A of the Australian Corporations Act, administrators were appointed to administer the affairs of ERA Insurance Services Pty Ltd (Administrators appointed) ACN 109 873 010 (“ERAIS Australia”) care of Taylor Woodings Chartered Accountants of Level 15, 50 Pitt Street Sydney NSW 2000, Australia. ERAIS Australia is a foreign affiliate of Franchisor.

At a meeting of Creditors held on August 18, 2010 where the Creditors resolved that ERAIS Australia enter into a Deed of Company Arrangement, (the “DOCA”), and (ii) contemporaneously with the execution of the DOCA, Expense Reduction Analysts Group Pty Ltd ACN 008 852 926, (the “Deed Proposer”) another foreign affiliate and a creditor of ERAIS Australia, proposed a Deed of Deferral, deferring its rights to payment of sums due from ERAIS Australia.

At a meeting held on August 18, 2010, (i) the creditors of ERAIS Australia resolved that newly appointed Administrators to be responsible for administering the DOCA, and (ii) the Deed Proposer and other deferred creditors (all affiliated with ERAIS Australia) contemporaneously entered into a Deed of Deferral.

Under the terms of the DOCA, arrangements have been made to either settle with all creditors dependent on their respective status or, failing such resolution within the parameters of the DOCA, to liquidate ERAIS Australia. At the date of this franchise disclosure document, the DOCA is being implanted in accordance with its terms.

**United Kingdom**

Effective January 25, 2011 our prior parent company, ERAI and our affiliated company, Expense Reduction Analysts Global Insurance Consulting Services Limited, (“ERAGICS UK”) both United Kingdom companies and both with a principal business address at 60 Churchill Square, Kings Hill, West Malling, Kent, ME19 4YU, United Kingdom, were parties to an administrative proceeding and both companies have now ceased to operate. Montgomery Investment Co SA a Luxembourg corporation with a registered office at 50 Esplanade, L-9227 Diekirch, Luxembourg acquired all of the assets of ERAI through the administrative proceeding except for the shares of ERAGICS UK. On January 25, 2011 ERAI filed a notice of appointment of administrator in the High Court of Justice Manchester District Registry in the United Kingdom under case

number 119/2011 and ERAGICS UK filed a notice of appointment of administrator in the High Court of Justice Manchester District Registry in the United Kingdom under case number 129/11.

From 2003 through 2010, our Director, Charles Howson, was CEO of Accuma Insolvency Practitioners Limited, ("Accuma") a UK corporation (with a principal office at 5th Floor Trafford Plaza, Seymour Grove, Manchester, UK), specializing in individual voluntary arrangements ("IVAs") or personal bankruptcies. In 2005 Accuma was acquired by Accuma Group PLC and was listed on the AIM market of the UK stock exchange. Accuma Group PLC acquired several specialist companies operating within the IVA industry Charles Howson was a non executive director, with no management role, of each of these companies.

The following group companies were voluntarily liquidated and closed: in February 2008 Assist Financial Solutions Limited, and in October 2008 Loan Line (Holdings) Limited, and LL Processing (UK) Limited, each with a prior principal place of business at City Tower, Piccadilly Plaza, Manchester M1 4BT, UK.

In February 2010 Accuma Group PLC was delisted following a management buyout and the group companies were restructured as follows:

On March 23, 2010, Accuma and Wilson Philips Limited (both with a principal office at 5th Floor Trafford Plaza, Seymour Grove, Manchester, UK) filed voluntary administration proceedings in the High Court of Justice, Chancery Division, Manchester District Registry, Wilson Philips Limited, Case No. 813 of 2010 and Accuma - Case No: 814 of 2010; the remaining non trading companies were voluntarily liquidated and closed: Trafford Finance Limited with a prior principal place of business at 3 Ralli Courts, West Riverside Manchester M3 5FT UK and Accuma Insolvency Practitioners Limited and Thomas Charles & Co Limited, each with a principal office at 5th Floor Trafford Plaza, Seymour Grove, Manchester, UK.

Other than the above matters, no bankruptcies are required to be disclosed in this Item.

**ITEM 5. INITIAL FEES**

When you sign a Franchise Agreement, you will pay us a lump sum initial franchise fee of \$59,900 in immediately accessible funds. The initial franchise fee is not refundable. It is uniform for all franchises currently being granted.

**ITEM 6. OTHER FEES**

NAME OF FEE <sup>1</sup>	AMOUNT OR FORMULA	WHEN DUE	REMARKS
Management Service Fees	See formula below. <sup>2</sup>	Monthly	
Marketing Fund Contributions	3% of Gross Receipts	Monthly	We will calculate and deduct your monthly marketing fund contribution from your Gross Receipts on the 20 <sup>th</sup> of each month.
Renewal Fee	\$5,000	Upon signing renewal agreement	

NAME OF FEE <sup>1</sup>	AMOUNT OR FORMULA	WHEN DUE	REMARKS
Transfer Fee	\$5,000	With notice of intent	If we do not approve the transfer, we will return all but \$1,000 to you.
Interest On Late Payments	18% per year	Upon invoice	
Knowledge Management Software License Fee	\$1,000 per user	Semi-Annually, in advance i.e. \$500 payments twice a year. (see FA section 5.8, 7.6.3)	
Training Fee	\$15,000	Before training	Payable to train an employee who will render professional services to clients, and any additional Professional Services Employee, or by a transferee whom we have not previously trained.
National Meeting Registration	\$1,000 plus out-of-pocket travel related expenses and lodging at the designated hotel	Upon registration	Franchise Agreement Article 6.10.
Training and Annual Meeting Costs	Incidental costs for transportation, lodging and meals	As incurred	You or your Designated Principal must attend our Annual Meeting, at your sole cost and expense

NAME OF FEE <sup>1</sup>	AMOUNT OR FORMULA	WHEN DUE	REMARKS
Our Cost Of Audit	Our out-of-pocket expense	Upon invoice	You pay our cost of audit only if the audit showed an underpayment of more than 3% or if the audit was necessary because you did not submit required financial reports to us.

1. Unless otherwise noted, all fees are uniformly imposed and payable to us. Payments to us are not refundable. Whether payments to others are refundable depends on the arrangements you make with them.
2. For the first six months of the Term Franchisee may elect to participate in the Initial Special Marketing Program on the terms and subject to the conditions of the that program as set out in Attachment 9 to the Franchise Agreement (the "ISMP Amendment"). If Franchisee chooses to sign the ISMP Amendment, Franchisee will invest \$500 per month in a marketing program approved by ERA and the \$500.00 Minimum Monthly Management Service Fee payable to Franchisor, pursuant to section 6.3.2 of the RLA shall be waived provided Franchisee complies with the Terms of the ISMP Amendment

**A. Percentage of Gross Receipts**

The Monthly Management Service Fee is the greater of fifteen percent (15%) of Gross Receipts, or the then-applicable Monthly Management Service Fee.

**B. Monthly Minimum Management Service Fee**

The relevant Monthly Minimum Management Service Fee for the number of occupied Professional Service ("PS") Seats shall apply for any month or any part of any month that any PS Seat is occupied in your Consulting Business. Please see Item 15 for more information on Professional Service Employees.

The Monthly Minimum Management Service Fee ("MMMSF") required per Professional Services Employee is as follows:

<u>Time period of franchise term</u>	<u>MMMSF</u>	<u>MMMSF</u>	<u>MMMSF</u>
	<u>One PS Seat</u>	<u>Two PS Seats</u>	<u>Three PS Seats</u>
Months 1 through 12 inclusive	\$500	\$750	\$1,000
Year 2	\$1,000	\$1,500	\$2,000
Year 3 and all subsequent years of the franchise term	\$1,500	\$2,250	\$3,000

**C. Deductions from Gross Receipts**

On the twentieth (20) day of each month, or on any other day that we designate in writing, we will

calculate and deduct from your Gross Receipts the monthly management service fee for the preceding month.

The usual deduction will be simply 15% of Gross Receipts.

If the Monthly Minimum Management Service Fee is greater than 15% of Gross Receipts, then that month we will deduct the Monthly Minimum Management Service Fee.

Provided that, in any month when the Monthly Minimum Management Service Fee is greater than 15% of Gross Receipts, (a "Minimum Deduction Month") we will compare your year to date Monthly Minimum Management Service Fee payments and your year to date payments of management service fee on Gross Receipts. If in any Minimum Deduction Month the year to date payments of management service fee on Gross Receipts exceeds your cumulative year to date minimum management service fee payments, there will be no deductions made for minimum management service fees for that Minimum Deduction Month.

"Gross Receipts" is defined as "the total amount of money or other consideration your clients pay for all services you or your Related Parties rendered within an accounting period less debits and plus credits made in connection with your joint venture agreements."

"Related Parties:" is defined as "people and companies associated with us or you, as the context suggests, including general partners, limited partners, shareholders, companies in which we or you have an interest, companies in which any person or company owning an interest in you also has an interest, or our officers, directors, agents or employees or your officers, directors, agents or employees."

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**7. ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**

<b>TYPE OF EXPENDITURE</b> <sup>1</sup>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Initial Franchise Fee <sup>2</sup>	\$59,900	Single Payment	At agreement signing	Us
Permits And Licenses	\$100 - \$500	Varies	Before opening	Government Agencies
Computer Hardware And Software <sup>2</sup>	\$0 - \$3,000	As incurred	Before opening	Suppliers
Furniture And Equipment	\$0 - \$3,000	As incurred	Before opening	Suppliers
Utility And Equipment Deposits	\$0 - \$350	Varies	Before opening	Utilities
Supplies Inventory	\$100 - \$1,000	As arranged	Before opening	Suppliers
Insurance	\$1,500 - \$2,000	Varies	Varies	Broker and Insurer
Organizational Expenses <sup>3</sup>	\$0 - \$3,000	Varies	Before opening	Attorney and Accountant
Training Expenses <sup>4</sup>	\$2,500- \$3,000	As incurred	Before, during and after training	Hotels, carriers, restaurants
Additional Funds(for 3 months) <sup>5</sup>	\$2,000 - \$6,000	Varies	Varies	Employees, Others
<b>TOTAL</b>	<b>\$66,100 - \$81,750</b>			

**FIGURES ARE ONLY ESTIMATES**

1. Item 7 shows estimated expenses through the third month of operation. We assume that you will operate from a home office, and that you already own a vehicle that you will use in the operation of your Consultancy Practice, at least initially, and we have made no allowance for rent or build out. If, for some

reason, you choose not to operate out of your home, you may locate in any space that will accommodate your desk, telephone and computer equipment and where you have access to a fax/copier/printer. None of these expenses is refundable, except for insurance, which may be partially refundable, and deposits. We do not offer direct or indirect financing for any of the expenses listed above.

2. This category includes such items as a computer system that is capable of running our Knowledge Management software and accessing the internet by high-speed modem, office furniture, telephone system and fax/copier/printer.

3. This figure includes attorney review of the Franchise Agreement.

4. We **do not** charge a fee for the initial training program at which we train you or your Designated Principal (who may also be your first Professional Services Employee) at the inception of the franchise term.

You must employ at least one Professional Services Employee, who may be the Designated Principal, (as defined in the Franchise Agreement) and you may employ up to two additional Professional Services Employees. We will not charge a fee for the initial training program for you or your Designated Principal at the inception of the franchise term. However, if you later replace your Designated Principal, transfer your franchise or ask us to train an additional Professional Services Employee who will perform professional services for your clients, we will charge a training fee of fifteen thousand dollars (\$15,000). If you must replace a trainee within ninety (90) days after completion of the training program, we will allow the replacement to attend training at no charge. We may also charge a training fee for continuing education programs.

5. This category includes estimated employee wages, opening cash, and other miscellaneous expenses incurred before opening and during the first three months of operations. We relied on our experience and that of our franchisees in developing these figures. You should review them carefully in light of local conditions and the current economic outlook, consulting a business advisor if necessary.

New businesses (franchised or not) often have larger expenses than revenues. As with most businesses, your costs will depend on factors such as how much you follow our recommended systems, your technical, marketing and general business skills, local economic conditions, the local market for your business, competition, local cost factors, location and the sales levels achieved by you. This is only an estimate, and we do not guarantee that the amounts specified will be adequate. You will need substantial additional funds during the 3 months of initial operation (and perhaps for longer periods). The 3-month period from beginning business covers the time by which most Franchisees are fully in operation, but does not necessarily mean that you will have reached "break-even" or any other financial position by that time. In addition, the estimates presented relate only to costs associated with the Franchised Business and do not cover any personal, "living" or other expenses you may have.

#### **ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

We require our Franchisees to buy our Knowledge Management software from us for an annual fee of \$1,000 per user. This is the only goods or services we require our franchisees to obtain from us. In the period ending December 31, 2010, we received less than \$209,241.61 or 3.74% of our total revenue of \$5,794,121 from purchases of these types.

We do not receive any other revenue or other material consideration from your required leases or purchases under the Regional Franchise Agreement.

Aside from the Knowledge Management software, you do not have to buy or lease anything from us or from approved or designated suppliers.

ERA Regional Disclosure Document – 03 2011

We estimate that the one required purchase is less than 2% of your purchases and leases in establishing your Consulting Practice and less than 1% of your ongoing costs of operation.

We don't condition providing benefits (such as the award of a renewal or additional franchise) on use of designated or approved sources. However, failure to use approved items and suppliers might, like other matters, be a default under the Franchise Agreement and, in general, any Franchisee in default would not be awarded a renewal or additional franchise and might even be subject to termination.

We will give you a starter tranche of letterhead, business cards and brochures. After that, you must buy stationery, including letterhead and business cards, according to our specifications.

You must buy and maintain, according to our specifications in the manual, a computer running the type of software we designate, telephone system, fax machine, color printer and access to your computer.

You must purchase and maintain a policy or policies of comprehensive public liability insurance covering all Consulting Practice assets, personnel, and activities on an occurrence basis with a combined single limit for bodily injury, death, or property damage of not less than \$1,000,000. We may increase the minimum coverage requirement annually if necessary to reflect inflation or other changes in circumstances. You may also carry (1) casualty insurance in a minimum amount equal to the replacement value of your interest in your Consulting Practice furniture, fixtures, and equipment, and (2) business interruption insurance in an amount sufficient to cover salary or wages of key personnel, and other fixed expenses. You must maintain consultants' professional errors and omissions coverage of not less than \$1,000,000. In addition, if you have employees, you must maintain policies of workers' compensation insurance, disability insurance, and any other types of insurance required by applicable law. Each insurance policy that we require under the Franchise Agreement must contain a provision that the policy cannot be canceled without 30 days' written notice to us. It must be issued by an insurance company of recognized responsibility, designate us as an additional named insured and be satisfactory to us in form, substance, and coverage. You must deliver a certificate of the issuing insurance company evidencing each policy to us as soon as the policy is issued or renewed.

You must operate your Consulting Practice in total compliance with the standards and specifications stated in the Manual. We issue and modify our specifications in writing, usually in the Manual.

We have the right to disapprove any supplier that you have recommended to your clients based on our then current performance criteria and operating standards which will include professionalism, adherence to delivery dates and quality of service.

We do not negotiate purchase arrangements with suppliers. We have negotiated with an insurance company to provide a professional liability insurance policy to you at your election. This insurance company is not a mandated supplier of this type of insurance and if you elect to acquire the policy there is no benefit to us.

There are no approved suppliers in which any of our officers owns an interest.

### 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	Not Applicable	11
b. Pre-opening purchases/leases	Not Applicable	5, 8
c. Site development and other pre-opening requirements	Not Applicable	11
d. Initial and ongoing training	7.2.1	11
e. Opening	7.2.2	11
f. Fees	Article 6	5, 6, 7
g. Compliance with standards and policies/Operating Manual	7.2.3	8, 11, 16
h. Trademarks and proprietary information	7.1	13, 14, 15
i. Restrictions on products/services offered	4.4, 7.2.4	16
j. Warranty and customer service requirements	7.2.6	Not Applicable
k. Territorial development and sales quotas	4.2, 4.6	12
l. Ongoing product/service purchases	4.6.2	8
m. Maintenance, appearance and remodeling requirements	7.2.7, 7.2.9	17
n. Insurance	7.7	7, 8
o. Advertising	7.1.4	11
p. Indemnification	8.5	Not Applicable
q. Owner's participation/management/staffing	7.4	15

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
r. Records/reports	7.5	Not Applicable
s. Inspections/audits	6.4, 7.2.9	6
t. Transfer	Article 9	17
u. Renewal	4.5.2	17
v. Post-termination obligations	10.3	17
w. Noncompetition covenants	8.6., Attachment 3A and 3B	17
x. Dispute resolution	11.7 - 11.11	17

#### ITEM 10. FINANCING

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

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

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

##### Preopening Services

##### 1. Initial Training

Before the opening of your consulting practice, we will conduct an initial training program in the operation of your Consulting Practice under the EXPENSE REDUCTION ANALYSTS® System for you. You and, if you are an entity, your Designated Principal must attend and successfully complete the training program to our satisfaction before you may open. The professional services to clients and solicitation of new business may only be performed by a person who has successfully completed our initial training program a "Professional Services Employee". (Franchise Agreement, Section 5.1)

2. We will grant you the right to own and operate a Consulting Practice in a designated Area and to use our Trade Name, Marks and System. (Franchise Agreement, Section 4.1)

3. We will loan you a copy of our Manual. The Manual contains our standards and methodologies for the business. We will revise the manual periodically to reflect the development of our business and will notify you of updated materials electronically via email or our internal or external websites and intranet. To be in Good Standing under this Agreement, you must comply with the Manual. (Franchise Agreement, Section 5.3)

##### Post opening Services

1. Through our Area Franchisee, if any, for your Area, or otherwise directly, we will use our best efforts to make personnel available to you for timely telephone, fax, email or intranet consultation on all aspects of your business for no additional charge. (Franchise Agreement § 5.2)

2. We will give you administrative support in operating your Consulting Practice. We will

record your client receivables, joint venture credits and debits and client payments in a database to which you will have electronic access. (License Agreement § 5.5)

3. We will bill your clients for all services you provide and will receive all payments from your clients on your behalf. You must use your best efforts to collect these billings employing the procedures described in the Manual. We will provide support, using the same collection procedures and policies we use with our own clients. If you do not collect any billed amount within 60 days after billing, we have the right, but not the obligation, to collect the bill ourselves or to outsource collection to a third party. You must assist and cooperate with us in any collection efforts we make or authorize. You may not bill your clients directly. You must immediately forward to us, without deduction of any kind, any payment you receive in connection with your Consulting Practice. (License Agreement § 5.6)

4. We will pay Your Share, as defined in Article 3 of the License Agreement, to you within thirty (30) days of receiving payment. We will give you monthly statements showing our application of the amounts received from your clients. (License Agreement § 5.7). If you are in breach of your reporting obligations pursuant to Section 7.5.2 of the Franchise Agreement then we may withhold payments of Gross Receipts to you unless and until you have completed and posted all reports to the Knowledge Management software as required in Section 7.5.2 and the Manual.

5. We will license to you, for the fee stated in Article 6, our Related Party's proprietary Knowledge Management software to enable you to use our administrative services, designate prospects and clients, and facilitate numerous aspects of your operations. (Franchise Agreement § 5.8)

Training

You or if you are an entity, the person whom you have appointed and we have certified as professional operator of your Consulting Practice ("Designated Principal") must faithfully attend all phases of the initial training program and complete it to our satisfaction, as certified by us in writing. Failure to successfully complete any aspect of the training program, as we determine in our sole discretion, constitutes grounds for immediate termination of your franchise, but we have the right to offer you one or more remedial courses of action, such as additional training or employment of supplemental personnel, if we believe the alternative or alternatives may make it unnecessary for us to terminate your franchise. If you do not accept the alternative course of action within the time we allow, we may terminate your franchise, effective immediately (franchise Agreement §7.2.1). The initial training program will cover the following:

**TRAINING PROGRAM**

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Setting Up: Overview And Detail	5	0	CARLSBAD. CA
Categories, Process and Auditing	35	0	CARLSBAD. CA
Sales And Marketing	35	0	CARLSBAD. CA
Knowledge Management	5	0	CARLSBAD. CA
<b>TOTAL</b>	<b>80</b>	<b>0</b>	

The initial training program will take place at a classroom facility in the San Diego, California, area. The entire training program consists of ten days, in two one week programs, of pre-opening training. We anticipate that it will be presented bi-monthly.

The primary instructional material for the initial training program will be the EXPENSE REDUCTION ANALYSTS® Manual, supplemented by audio-visual aids. There will be no additional charge for training material. The training program will be supervised by Kenneth M. Hagerstrom, whose experience is stated in Item 2 of this Disclosure Document. Dianna Arreola is the Director of Training. She has one year of hands on experience in our business and manages a group of instructors in the fields that are relevant to the subject taught. These experts have the appropriate training skills and subject matter expertise to convey the material to our franchisees.

The fee for your initial training program is included in your initial franchise fee. If you send anyone else to training, either at the time you complete the program or later, you must pay \$15,000 for each additional trainee. If you send an employee to the program and that trainee leaves your employment within 90 days after training is complete, we will train a replacement employee without charge. You must pay your own incidental costs, such as lodging, travel and meals, for any training we offer. We will not pay you or your employees for any work performed during training.

We hold at least one National Meeting each year to provide updates, offer continuing education, and encourage discussion of topics of importance to the Franchise Network. The registration fee will not exceed \$1,000 per person per event. You or your Designated Principal must attend at least one National Meeting each year at your own expense. In addition, you must attend at least 75% of the meetings, if any, called by your Area Franchisee each year. You will not be asked to attend more than twelve meetings a year. With the exception of the Annual Meeting, you may attend other meetings by telephone or teleconference. (Franchise Agreement § 7.3)

#### Manual

Our Manual is the collection of electronic materials which describe and outline our confidential processes, procedures, tools, resources, information, financial forms and document as we require that you use from time to time for the establishment and operation of a Consulting Practice and for use of our Trade Name and Marks. Access to the Manual will be provided via internal and external websites and direct emails. Access to the Manual and the library of downloadable materials as updated from time to time is available to you on loan during the term of the Franchise Agreement. We will revise the manual periodically to reflect the development of our business and will notify you of updated materials electronically via email or our internal or external websites and intranet. To be in Good Standing under this Agreement, you must comply with the Manual. (Franchise Agreement § 3.18 and 5.3.)

We will arrange for you to review our Manual in the presence of our employee or agent at a mutually convenient time at our headquarters before you enter into an EXPENSE REDUCTION ANALYSTS Franchise Agreement.

#### Computer Equipment and Software

You must have a computer system that meets the following minimum standards:

- X Pentium 4 processor
- X 4 GB SDRAM
- X 80 GB hard drive
- X CD ROM 32x speed

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- X Laptop
- X 15" Monitor
- X Fax/copier/printer
- X High speed Internet access
- X Microsoft Office 2007

You must license our proprietary Knowledge Management software from us or our designated supplier. We price it at our cost.

You will use the computer system to manage leads, contacts, appointments, accounts and work-in-progress, to access our Knowledge Management system and to communicate with other members of the Franchise Network (as defined in the Franchise Agreement). It will collect and generate client information, client projects, work projects, projections, evaluations and reports. You must give us access to your computer and all other electronic media where you have any records at all that relate to the System and the franchised business. (Franchise Agreement Section 7.5.2)

You must keep your business equipment clean and in excellent repair. Periodically, we may instruct you to upgrade your equipment to meet our currently effective standards and to accommodate any upgrades to the Knowledge Management system or other software that we require you to use. You must promptly comply with any such requests at your cost. (Franchise Agreement, Section 7.2.7)

There is no contractual limit on the cost or frequency of the obligation, but we expect to change our minimum specifications only when necessary to enable you to function within our Franchise Network.

We may conduct periodic quality assurance inspections of your Consulting Practice including your books and records, your tax returns, your computer and other electronic records in any medium, during normal business hours. You will cooperate with our representatives during inspections including providing any and all passwords and access keys as necessary to allow a full and complete inspection of all records stored in any electronic media. Aside from licensing the Knowledge Management software to you, we do not provide or help you obtain your computer system or other office equipment.

The estimated cost of the computer system is \$0 - \$3,000. The estimated cost of annual upgrades or a maintenance contract is approximately \$150-\$300.

#### Site Approval

You do not have to obtain our approval of the site for your Consulting Practice, as we assume you will operate out of your home. However, in the unlikely event that we learn that your Consulting Practice is located in a particularly unsuitable place, we may disapprove it on the basis that it is unprofessional in appearance and location at any time based upon our right to maintain the professional standards and goodwill of the System. (Franchise Agreement § 7.2.9). You would not need our approval of any replacement site, either, but we would retain the right to disapprove it. If you chose to install signage at your place of business, we have the right to approve or disapprove the design and location of any such sign. (Franchise Agreement § 7.2.9). You must open your EXPENSE REDUCTION ANALYSTS® Consulting Practice for business by the "Start Date", as defined in Section 2.3 of the Franchise Agreement, and no later than ninety (90) days after we sign the Franchise Agreement. We estimate that the average length of time between signing of a Franchise Agreement and opening of a franchised business will be less than 30 days. Factors that may affect the length of time it takes to open include scheduling and completion of the initial training program.

### Advertising Services

We will administer the Marketing Fund (Franchise Agreement § 5.4.1). The primary purpose of the Marketing Fund is to produce high quality collateral material and marketing programs that assist you in securing new clients within your Marketing Area. We expect that we will use an advertising agency to prepare the programs, but some of the programs may be prepared in-house or by outside services. We may use the fund to pay for (i) market research, advertising materials, media space and time for a national or regional marketing program, a referral program and public relations activities and (ii) for the development of collateral and advertising materials and brochures, internet and web-based downloads, (iii) salaries of employees in the corporate support center to manage and approve marketing items or (iv) for any other purpose we believe would benefit the Franchise Network. There is a Marketing Advisory Council ("MAC"), an advisory council composed of four Franchisees, to advise us regarding the management of the marketing fund (Franchise Agreement § 3.17). Two of its member are elected by the other Franchisees, one is appointed by Us and one is appointed by a "Franchisee Advisory Council" ("FAC") whose officers are ERA-USA's Franchisees in Good Standing. The appointee from the FAC must be a member of the FAC. The majority are elected by majority vote of ERA-USA Franchisees. (Franchise Agreement §3.13). The balance of FAC's officers are appointed by ERA-USA. We will give preference to marketing fund projects that are system wide in scope, but we may allocate some Marketing Fund money to regional groups of Franchisees or individual Franchisees when we consider it desirable. Subject to the non-binding advice of the MAC on matters that we elect to refer to it, we reserve the unqualified right to decide, in our sole discretion, where, when and how marketing fund money will be spent. (Franchise Agreement §5.4.2).

Both franchisees and company-owned or related Consulting Practices will make monthly Marketing Fund contributions of three percent of Gross Receipts. There is no requirement that we spend a specified amount of marketing fund money on advertising in your geographic area.

We will prepare an annual report on the Marketing Fund. You may review it upon request. The report will not be audited. Once the marketing program is underway, most of the money in the Marketing Fund will be spent during the year in which it is contributed. Any unspent money will be retained in the account for use during the following year.

We do not use Marketing Fund contributions to pay for advertising that solicits the sale of franchises.

You do not have to participate in a regional advertising cooperative or conduct a specified amount of local advertising.

All marketing and promotion that you undertake must be completely truthful, conform to the highest standard of ethical advertising and comply with any applicable laws and regulations. You must submit to us copies of all promotional and advertising materials that you propose to use at least two weeks before the proof approval deadline. We will review the materials within a reasonable time and will promptly notify you whether we approve or reject them. If you propose to use the materials outside your Area, one of the conditions of our approving them will be your ability for you to completely discontinue their use upon 14 days' notice. We may not withhold our approval unreasonably. Even if we approve specified materials, we may later withdraw our approval if we reasonably believe it is necessary to make the advertising conform to changes in the System or to correct unacceptable features of the advertising. (Franchise Agreement §7.1.4)

We reserve the exclusive right to conduct or control Internet promotion and marketing. (Franchise Agreement §4.4).

During the period January 1, 2010 through December 31, 2010 [the date of this Disclosure Document], the Marketing Fund spent 74% of its funds on the production of advertisements, promotions and promotional materials, and 11% for media placement and 15% for general and administrative expenses

### Other Post-opening Services

Through our Area Franchisee, if any, for your Area, or otherwise directly, we will use our best ERA Regional Disclosure Document – 03 2011

efforts to make personnel available to you for timely telephone, fax, email or intranet consultation on all aspects of your business for no additional charge. (Franchise Agreement § 5.2)

We will give you administrative support in operating your Consulting Practice. We will record your client receivables, joint venture credits and debits and client payments in a database to which you will have electronic access. (Franchise Agreement § 5.5)

We will bill your clients for all services you provide and will receive all payments from your clients on your behalf. You must use your best efforts to collect these billings employing the procedures described in the Manual. We will provide support, using the same collection procedures and policies we use with our own clients. If you do not collect any billed amount within 60 days after billing, we have the right, but not the obligation, to collect the bill ourselves or to outsource collection to a third party. You must assist and cooperate with us in any collection efforts we make or authorize. You may not bill your clients directly. You must immediately forward to us, without deduction of any kind, any payment you receive in connection with your Consulting Practice. (Franchise Agreement § 5.6)

We will pay Your Share, as defined in Article 3 of the Franchise Agreement, to you within thirty (30) days of receiving payment. We will give you monthly statements showing our application of the amounts received from your clients. (Franchise Agreement § 5.7)

If you are in breach of your reporting obligations pursuant to Section 7.5.2 of the Franchise Agreement then we may withhold payments of Gross Receipts to you unless and until you have completed and posted all reports to the Knowledge Management system as required in Section 7.5.2 and the Manual.

We will license to you, for the fee stated in Article 6, our Related Party's proprietary Knowledge Management software to enable you to use our administrative services, designate prospects and clients, and facilitate numerous aspects of your operations. (Franchise Agreement § 5.8)

## **ITEM 12. TERRITORY**

We do not grant you an exclusive Area. 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. We intend to establish other franchisees within your Area. The maximum number of franchisees we establish within an Area depends upon the number of prospects (businesses with annual gross revenue under \$250,000,000 in the Area.

To avoid conflicts and duplicated effort within the Franchise Network, you must pre-designate all prospects whose business you wish to solicit in advance and identify them on our Knowledge Management system. You may not have listed more than 50 prospects at one time. All prospects must be listed for at least 60 days. We may remove prospect listings 180 days after they are listed if you have been unable to generate a signed contract by that time. You must record client engagements on our Knowledge Management system and give us a copy of each contract within seven days after it is signed. We may remove any client listing for which no invoice has been posted within the past 12 months. You may not solicit business from or serve any prospect or client while it is listed on our Knowledge Management system by another franchisee or by us.

You may solicit business from prospects and serve clients in your Area with annual sales of \$250,000,000 or less. Your Area Franchisee may invite you to participate in working with clients in your Area with annual sales of \$250,000,000 to \$1,000,000,000. You may not solicit business from prospects or serve clients with annual sales of more than \$250,000,000 unless you do so under the direction of your Area Franchisee. You may not solicit business from prospects or serve clients with annual sales of more than \$1,000,000,000 unless you do so under the direction of ERAC and according to its terms of engagement. You must refer any unsolicited business from companies with annual sales between \$250,000,000 and \$1,000,000,000 to ERA-USA and you must refer any unsolicited business from companies with annual sales of more than \$1,000,000,000 to ERAC. You will receive compensation for doing so at ERA-USA or ERAC's then current rate.

We reserve the exclusive right to use alternative channels of distribution including conducting or controlling Internet promotion and marketing of the System and our products and services. We reserve all

other rights not expressly granted to you in the Franchise Agreement. Generally speaking, we have the right to Franchise other Consulting Practices inside and outside your Area and, by signing the Franchise Agreement, you waive any objection to our free exercise of this right.

Your Area is described in Attachment 1 to the Franchise Agreement. You may operate outside your Area only with our prior written consent. We will grant our consent only upon the following conditions:

- (a) Either the area in which you wish to provide service is not included in the area of any area franchisee or the area franchisee for the area has given written consent to your operation in the area.
- (b) You may not explicitly direct any marketing efforts to clients outside your Area unless you can completely discontinue these marketing efforts on 14 days' notice or less.
- (c) When the external area is granted to an area franchisee, you agree to immediately stop soliciting or accepting new business there unless the area franchisee consents to your continued operation in writing. If the area franchisee does not consent, you must turn over your list of prospects in the external area to the area franchisee without seeking or accepting any compensation for doing so. You must immediately discontinue any marketing efforts you have directed to clients in the area.
- (d) You agree to immediately stop soliciting or accepting new business in the external area if we withdraw our consent to your operating there. We may withdraw our consent for any reason or for no reason at all.

You do not have to meet a quota or other condition to maintain your Protected Area.

We have the right, either ourselves or through a related party, to serve the needs of clients in your Area in Specified Categories, such as travel and insurance, which require special expertise. If you choose to participate in the program by assisting us in developing new clients or by qualifying to accept consulting assignments in connection with the program, we will compensate you for your participation.

Similarly, ERAC, or another of our Related Parties, may solicit business from prospects in your Area with annual gross revenues exceeding \$1,000,000,000. If you refer business in this category to ERAC or if you assist ERAC by performing, as a subcontractor, a portion of the work contracted by one of these large clients, ERAC will compensate you according to its then current rates.

You are required to operate your Consultancy Practice at a location within your Area. (Franchise Agreement §4.2) There is no requirement that we approve the site of your Consulting Practice, which may be in your home. We have no procedure for relocation. Normally, we would not approve your relocation of your Consulting Practice to a different Area. If you would like to move to a different place, we would expect you to Transfer your Consulting Practice to another franchisee and then purchase a new or existing Consulting Practice in the new place.

Neither we nor ERAC competes with you under another trade name or marks. Although there is no contractual prohibition against it, we currently do not expect to do so.

You will not have an option or right of first refusal for additional franchises within your own or nearby Areas.

Except as set forth above, you are not permitted to operate outside your Area, nor do you have the right to use alternative channels of distribution to operate outside your Area.

### ITEM 13. TRADEMARKS

We license the EXPENSE REDUCTION ANALYSTS Marks and System from Montgomery Investment Co SA, as successor in title to Expense Reduction Analysts International Ltd. The license is perpetual. Your sublicense to use the Marks may not be terminated until your EXPENSE REDUCTION ANALYSTS franchise is terminated. Otherwise, no agreement limits our right to use or license the use of our trademarks or trade name.

Montgomery Investment Co SA as successor in title to Expense Reduction Analysts International Limited has also registered the figurative wordmark and logo "Expense Reduction Analysts" for International Registration under the Madrid Agreement and Protocol: Registration number 960559: Registration date February 9, 2008.

Montgomery Investment Co SA as successor in title to Expense Reduction Analysts International, Ltd. has also registered the following marks on the principal register of the United States Patent and Trademark Office:

the words "EXPENSE REDUCTION ANALYSTS" and logo, which claims priority from British Trade Mark Application No. 2462394 dated the 26th of July 2007, registration number 3,526,731 on November 4, 2008

the Design Logo,  which claims priority from British Trade Mark Application No. 2462393 dated the 26th of July 2007, registration number 3,526,732 on November 4, 2008.

No agreement limits our right to use or license the use of our trademarks or trade name.

There are no currently effective determinations of the USPTO, trademark trial and appeal board, the trademark administrator of this state or any court, or any pending infringement, opposition or cancellation, or any pending material litigation involving the principal trademarks.

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Marks in this state or the state where your Consulting Practice is to be operated.

We have filed all required affidavits.

We have invested time, energy, and money in promoting and protecting our Trade Name and other Marks. We do not intend to change them. However, rights in intangible property such as the Trade Name and Marks are often difficult to establish and defend. Changes in the cultural and economic environment within which the System operates or third party challenges to our rights in the Marks may make it desirable or necessary to change the Trade Name and Marks. We therefore have the right to change our Trade Name and Marks and the specifications for each when we believe, in our reasonable discretion, that the changes will benefit the Franchise Network. You must promptly conform to any such changes. You are responsible for any costs associated with ordering new letterhead, envelopes, business cards and collateral material. We will bear all other costs associated with any name change.

We must indemnify and hold you harmless from all direct expenses and liabilities arising from, or in any way connected to any third party claim, that your operation of an Expense Reduction Analysts' Consulting Practice infringes its intellectual property rights or misappropriates its trade secrets. If you are made a party to a legal proceeding in connection with a claim of this type, we will hire counsel to protect our interests and will defend you at our own expense. Any settlement we negotiate will bind you, but we will reimburse you for your direct cost of compliance with the settlement agreement.

#### **ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

We have not registered any patents or copyrights, nor do we have any pending patent applications that are material to the franchise. We claim common law copyright protection for our promotional materials and Manual. You may use our copyrighted materials only in your operation of a Consulting Practice and only in the manner we instruct. The Franchise agreement does not impose obligations on us or on you to protect our copyrights. We do not know of any infringements of our copyrights.

We consider much of the information contained in the Manual and in our Knowledge Management system concerning our data base of client project reports, marketing methods and business system to be confidential. Therefore, the Franchise Agreement contains noncompetition and confidentiality provisions. In

addition, your Related Parties must sign noncompetition and confidentiality agreements regarding the Manual's contents.

#### **ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

You, or, if you are an entity, your Designated Principal (who may also be your first Professional Employee) must devote full time and effort to the management and operation of your Consulting Practice. The Franchise agreement defines "Designated Principal" as "you in your role as professional operator of an Expense Reduction Analysts' Consulting Practice or, if you are an entity, the person whom you have appointed and we have certified as professional operator of your Consulting Practice." Because initial training for only one person and you or, if you are an entity, your Designated Manager is included in your initial Franchise fee and because successful completion of training is required for anyone who solicits business for your Consulting Practice or provides professional service to clients, your Designated Principal will probably have a substantial equity interest in you. The Franchise agreement includes no explicit provision on this subject.

You must employ at least one Professional Services Employee, who may be the Designated Principal, and you may employ up to two additional Professional Services Employees. A Professional Services Employee is defined as:

Any employee who meets with a current or potential client either in person, on the telephone or through any virtual meeting tool to sell or assist in the sale of any Consulting Practice services. This definition specifically excludes tele-marketers, and

Any analyst who meets with a client without being accompanied by a Professional Services employee. This definition specifically excludes back office employees who meet with a client to collect data.

Each Professional Services Employee occupies One Professional Services Seat referred to herein as a "PS Seat". Monthly Minimum Management Service Fees are based on the number of Professional Services Employees employed in your Consulting Practice. See Item 6 above.

Each Professional Service employee must sign a Form substantially similar to the Non Disclosure and Non Competition Agreement attached to the Franchise Agreement as Attachment 3B, before performing services for clients. If your Professional Services Seat is held by an independent contractor, that individual must also sign a form of Non Disclosure and Non Competition Agreement which is available from us on request. You must ensure that your employees preserve good client relations and comply with the Franchise Agreement and the Manual.

You may employ a maximum of three Professional Services Employees (including the Designated Principal) who render professional services to clients. Each of these Professional Services Employees must satisfactorily complete the initial training program, for the training fee specified in Article 6 of the Franchise Agreement, before performing services for clients. You must see that all your employees preserve good client relations and comply with the Franchise Agreement and the Manual. Each of your employees must sign a nondisclosure and noncompetition agreement, in the form of Attachment 3-B to the Franchise Agreement (or the independent contractor version of the form available from us on request)

If you are a corporation, all officers and shareholders with a ten percent 10% or greater interest in you, or, if you are a partnership, all your general partners, or, if you are a limited liability company, all your members must approve the Franchise Agreement, permit you to furnish the financial information we require, and agree to the restrictions placed on them, including restrictions on the transferability of their interests in the franchise and your Consulting Practice and limitations on their rights to compete, in the form of Attachment 3-A to the Franchise Agreement, and sign separately written guaranties of your payments and performance in the form of Attachment 6 to the Franchise Agreement.

## ITEM 16. RESTRICTIONS ON WHAT YOU MAY SELL

Under the Franchise Agreement, we authorize you to act as our agent for the limited purpose of negotiating and entering into service agreements with clients you designate, as described in Item 12, using a format that we provide and to act as our subcontractor in performing professional services, according to procedures stated in the Manual, for these clients. We have the right to disapprove any supplier that you have recommended to your clients based on our then current performance criteria and operating standards which will include professionalism, adherence to delivery dates and quality of service. You must offer and provide all the services and you may offer only the services that we have authorized you to provide. You may not receive any brokerage fees or any other form of compensation from suppliers you are recommending to our clients.

We do not reserve the right to change the general nature of the services that you will be authorized to provide, but we may make changes in our standards and specifications, when, in our reasonable discretion, change is needed for the continued success and development of the Franchise Network. Such changes may require the purchase of new equipment, supplies, software or other goods, completion of additional training or other cost to you. You must promptly conform to the modified standards and specifications at your own expense. (Franchise Agreement §7.2.3)

We expect to institute and administer ourselves or through a Related Party, special certification programs to solicit business from and serve the needs of clients in specified categories such as insurance and travel where appropriate licensure and certification are required ("Specified Categories"). All rights to operate in these Specified Categories are reserved to us and our Related Parties. Any franchisee candidate for certification in a Specified Category must be in Good Standing and comply with all our then current certification program and insurance requirements. In addition the operation of franchised business in any Specified Category may require (a) pre-requisite prior experience or formal education in its subject matter, and (b) a special permit or franchise(s) in the jurisdiction where you operate and where you intend to provide such services. We do not promise that you can qualify to operate franchised business in any Specified Category but if you do we will compensate you at the then current rates for the Specified Categories.

There are also strict limitations on the number and nature of the prospects from which you may solicit business and the clients you may serve. Please see Item 12 of this Disclosure Document for a detailed description of these restrictions.

## ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN AGREEMENT	SUMMARY
a. Length of the franchise term	4.5.1	Term is 10 years
b. Renewal or extension of the term	4.5.2	If you meet conditions, you can add consecutive five-year terms
c. Requirements for you to renew or extend	4.5.2 (a) - (g)	Sign new agreement, be in Good Standing, give timely notice, upgrade all equipment and software, pay fee and sign release. You may be asked to sign a new franchise agreement

PROVISION	SECTION IN AGREEMENT	SUMMARY
		that contains terms and conditions materially different from those in your previous franchise agreements.
d. Termination by you	10.1	May be terminated by the written agreement of both parties.
e. Termination by ERA-USA without cause	None	Not Applicable
f. Termination by ERA-USA with cause	10.3	We can terminate only upon uncured or noncurable material default
g. "Cause" defined – curable defaults	10.3.1	You have 5 days to cure non-payment defaults; you have 30 days to cure other curable defaults
h. "Cause" defined – non-curable defaults	10.3.2	Noncurable defaults include failure to successfully complete initial training, misuse of marks, interest in operation of like business, unauthorized assignment, misrepresentation in securing franchise, abandonment, repeated defaults, unapproved transfer, insolvency, conviction of a felony of criminal misconduct relevant to the operation of your Consulting Practice, and competition with Franchise Networking
i. Your obligation on termination/ nonrenewal	10.4	Complete de-identification, discontinue using Marks, payment of amounts due, honoring option to purchase or lease, assigning phone numbers, maintain records, assign interest in outstanding contracts; if termination due to your non-renewal, you must assign interest in existing client contracts and income generated by them.
j. Assignment of contract by ERA-USA	9.7	May assign to company that assumes obligations
k. "Transfer" by you - definition	3.26	Includes transfer of agreement or sale of assets or ownership change
l. ERA-USA's approval of your Transfer	9.3	We have the right to approve all Transfers but will not unreasonably withhold approval

<b>PROVISION</b>	<b>SECTION IN AGREEMENT</b>	<b>SUMMARY</b>
m. Conditions for ERA-USA's approval of Transfer	9.4, 11.13	Notice, new franchisee qualifies, Transfer and training fee paid, defaults cured, purchase agreement approved, training completed, mutual release and guarantee signed, and new franchisee signs current agreement,
n. ERA-USA's right of first refusal to buy your business	9.3	We have the right to match any offer to buy your business
o. ERA-USA's option to buy your business	10.4	We have an option to buy any of the assets of your business upon termination
p. Your death or permanent disability	9.6	Heirs must qualify within 60 days or have six months to sell
q. Noncompetition covenants during term of franchise	8.6, Attachment 3	No involvement in any competing business
r. Noncompetition covenants after franchise is terminated or expires	8.6, 8.7, Attachment 3	No involvement in competing business for two years located within any area where you operated or solicited your Consulting Practice
s. Modification of the agreement	11.4	Modification of agreement only by written agreement of parties; Manual may change from time to time
t. Integration/merger clause	11.6	Agreement is what is written in Franchise Agreement; inconsistent promises are not enforceable
u. Dispute resolution by arbitration or mediation	11.7 - 11.11	Mediation and/or binding arbitration will be conducted by AAA in San Diego County, California
v. Choice of forum	11.7.4, 11.8	Mediation and/or arbitration will be conducted by AAA in San Diego County, California.
w. Choice of law	11.2	Laws of California apply, but Federal Arbitration Act preempts. Trademark rights governed by Lanham Act.

#### **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 our Chief Executive Officer, Ken Hagerstrom, 5050 Avenida Encinas, Suite 200, Carlsbad, California 90028, Telephone: (760) 712-3600, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION  
(REGIONAL FRANCHISEES)**

**TABLE NO. 1  
SYSTEMWIDE OUTLET SUMMARY  
FOR YEARS 2008 TO 2010**

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE* (+ or -)
Franchised	2008	155	233	+78
	2009	233	248	+15
	2010	248	219	-29
Company Owned	2008	3	5	+2
	2009	5	5	+0
	2010	5	5	+0
Total Outlets	2008	158	238	+80
	2009	238	253	+15
	2010	253	224	-29

**TABLE NO. 2  
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR  
or AN AFFILIATE)  
FOR YEARS 2008 TO \*DECEMBER 2010**

STATE	YEAR	NUMBER OF TRANSFERS**
AZ	2008	0
	2009	1
	2010	0

<b>CA</b>	<b>2008</b>	<b>0</b>
	<b>2009</b>	<b>1</b>
	<b>2010</b>	<b>0</b>
<b>CT, NY RI</b>	<b>2008</b>	<b>1</b>
	<b>2009</b>	<b>0</b>
	<b>2010</b>	<b>0</b>
<b>CO, UT &amp; NV</b>	<b>2008</b>	<b>0</b>
	<b>2009</b>	<b>0</b>
	<b>2010</b>	<b>1</b>
<b>FL</b>	<b>2008</b>	<b>3</b>
	<b>2009</b>	<b>0</b>
	<b>2010</b>	<b>0</b>
<b>IA</b>	<b>2008</b>	<b>0</b>
	<b>2009</b>	<b>0</b>
	<b>2010</b>	<b>1</b>
<b>MN</b>	<b>2008</b>	<b>2</b>
	<b>2009</b>	<b>0</b>
	<b>2010</b>	<b>0</b>
<b>NC</b>	<b>2008</b>	<b>0</b>
	<b>2009</b>	<b>0</b>
	<b>2010</b>	<b>0</b>
<b>NH</b>	<b>2008</b>	<b>1</b>
	<b>2009</b>	<b>0</b>
	<b>2010</b>	<b>0</b>
<b>OK</b>	<b>2008</b>	<b>1</b>
	<b>2009</b>	<b>1</b>
	<b>2010</b>	<b>0</b>
<b>OR</b>	<b>2008</b>	<b>0</b>
	<b>2009</b>	<b>1</b>
	<b>2010</b>	<b>0</b>
<b>PA</b>	<b>2008</b>	<b>1</b>
	<b>2009</b>	<b>0</b>
	<b>2010</b>	<b>0</b>
<b>TX</b>	<b>2008</b>	<b>3</b>
	<b>2009</b>	<b>0</b>
	<b>2010</b>	<b>0</b>
<b>WA</b>	<b>2008</b>	<b>0</b>
	<b>2009</b>	<b>1</b>
	<b>2010</b>	<b>0</b>
<b>Total Outlets</b>		
	<b>2008</b>	<b>12</b>
	<b>2009</b>	<b>5</b>
	<b>2010</b>	<b>2</b>

**TABLE NO. 3**  
**STATUS OF FRANCHISED OUTLETS**  
**FOR YEARS 2008 TO 2010**

STATE	ALSO OPERATE IN	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS- OTHER REASONS	OUTLETS AT END OF THE YEAR
AK		2008	0	0	0	0	0	0	0
		2009	0	1	0	0	0	0	1
		2010	1	0	0	0	0	0	1
AZ	NM TX	2008	2	4	0	0	0	0	6
		2009	6	2	0	0	0	2	6
		2010	6	1	3	0	0	0	4
CA		2008	17	8	0	0	0	1	24
		2009	24	8	0	0	0	6	26
		2010	26	8	6	0	0	1	27
CO	NV UT	2008	6	4	0	0	0	0	10
		2009	10	5	0	0	0	0	15
		2010	15	1	6	0	0	1	9
CT	NY RI	2007							
		2008	8	7	0	0	0	1	14
		2009	14	1	0	0	0	0	15
		2010	15	1	0	0	0	0	16
FL		2007							
		2008	17	8	0	0	0	2	23
		2009	23	0	0	0	0	3	20
		2010	20	0	5	0	0	0	15

STATE	ALSO OPERATE IN	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS- OTHER REASONS	OUTLETS AT END OF THE YEAR
GA		2008	6	4	0	0	0	1	9
		2009	9	2	0	0	0	3	8
		2010	8	3	1	0	0	0	10
IL		2008	7	1	0	0	0	1	7
		2009	7	3	0	0	0	2	8
		2010	8	0	3	0	0	0	5
IA	MI ND NE SD WI IL MN	2008	9	3	0	0	0	0	12
		2009	12	1	0	0	0	2	11
		2010	11	1	0	0	0	0	12
IN	IL	2008	1	2	0	0	0	0	3
		2009	3	3	0	0	0	0	6
		2010	6	0	1	0	0	0	5
KY	TN	2008	3	8	0	0	0	0	11
		2009	11	2	2	0	0	1	10
		2010	10	0	3	0	0	0	7
MA		2008	5	2	0	0	0	1	6
		2009	6	1	0	0	0	0	7
		2010	7	0	1	0	0	0	6
MI	Lower Peninsula	2008	5	3	1	0	0	0	7
		2009	7	4	0	0	0	1	10
		2010	10	1	1	0	0	0	9
MN	MI ND NE SD WI IL IA	2008	2	3	0	0	0	0	5
		2009	5	0	0	0	0	2	3
		2010	3	0	0	0	0	0	3

STATE	ALSO OPERATE IN	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS OTHER REASONS	OUTLETS AT END OF THE YEAR
MO	KS	2008	8	2	0	0	0	0	10
		2009	10	4	0	0	0	2	12
		2010	12	1	3	0	0	0	10
MS	AL LA	2008	4	0	0	0	0	0	4
		2009	4	0	0	0	0	3	1
		2010	1	0	0	0	0	0	1
NC	SC	2008	8	7	0	0	0	0	15
		2009	15	4	1	0	0	4	14
		2010	14	0	2	0	0	1	11
NH	ME NY VT	2008	7	2	0	0	0	0	9
		2009	9	1	0	0	0	0	10
		2010	10	0	1	0	0	0	9
NJ	NY	2008	7	4	0	0	0	0	11
		2009	11	2	0	0	0	0	13
		2010	13	1	3	0	0	0	11
NY		2008	2	3	0	0	0	1	4
		2009	4	1	0	0	0	2	3
		2010	3	2	0	0	0	0	5
OH		2008	7	2	0	0	0	0	9
		2009	9	1	0	0	0	3	7
		2010	7	1	1	0	0	0	7
OK	AR	2008	4	0	0	0	0	1	3
		2009	3	1	0	0	0	1	3
		2010	3	0	1	0	0	0	2

STATE	ALSO OPERATE IN	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS OTHER REASONS	OUTLETS AT END OF THE YEAR
OR	CA	2008	2	1	0	0	0	2	1
		2009	1	0	0	0	0	1	0
		2010	0	0	0	0	0	0	0
PA	DE	2008	3	3	0	0	0	0	6
		2009	6	2	0	0	0	1	7
		2010	7	0	2	0	0	0	5
TX		2008	7	5	0	0	0	2	10
		2009	10	4	0	0	0	0	14
		2010	14	2	2	0	0	0	14
VA	WV NC	2008	2	1	0	0	0	0	3
		2009	3	0	0	0	0	0	3
		2010	3	0	0	0	0	1	2
WA	ID MT WY OR	2008	1	0	0	0	0	0	1
		2009	1	5	0	0	0	1	5
		2010	5	3	0	0	0	0	8
D.C.	MD VA	2008	6	4	0	0	0	0	10
		2009	10	1	0	0	0	1	10
		2010	10	0	5	0	0	0	5
Total Outlets		2008	155	91	1	0	0	0	233
		2009	233	59	3	0	0	41	248
		2010	248	26	51	0	0	4	219

**TABLE NO. 4  
STATUS OF COMPANY OWNED OUTLETS  
FOR YEARS 2008 TO 2010**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
CA	2008	2	0	0	0	0	2
	2009	2	0	0	0	0	2
	2010	2	0	0	0	0	2
NY & Virgin Islands	2008	0	1	0	0	0	1
	2009	1	0	0	0	0	1
	2010	1	0	0	0	0	1
WA	2008	1	0	0	0	0	1
	2009	1	0	0	0	0	1
	2010	1	0	0	0	0	1
D.C., MD, VA	2008	0	1	0	0	0	1
	2009	1	0	0	0	0	1
	2010	1	0	0	0	0	1
Total Outlets	2008	2	3	0	0	0	5
	2009	5	0	0	0	0	5
	2010	5	0	0	0	0	5

**TABLE NO. 5  
PROJECTED OPENINGS AS OF DECEMBER 31, 2010**

<b>STATE</b>	<b>FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED</b>	<b>PROJECTED NEW FRANCHISED OUTLET IN THE NEXT FISCAL YEAR</b>	<b>PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR</b>
AZ	0	2	0
CA	0	2	0
CT	0	2	0
FL	0	2	0
IL	0	2	0
IA	0	2	0
MA	0	2	0
MI	0	2	0
NC	0	2	0
NH	0	2	0
NJ	0	2	0
NY	0	2	0
OH	0	2	0
OR	0	2	0
TX	0	2	0
WA	0	2	0
			0
<b>Total</b>	<b>0</b>	<b>32</b>	<b>0</b>

(AREA DEVELOPERS)

TABLE NO. 1  
SYSTEMWIDE OUTLET SUMMARY  
FOR YEARS 2008 TO 2010

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE* (+ or -)
Franchised	2008	24	28	+4
	2009	28	30	+2
	2010	30	30	+0
Company Owned	2008	0	3	+3
	2009	3	3	+0
	2010	3	3	+0
Total Outlets	2008	24	31	+7
	2009	31	33	+2
	2010	33	33	+0

**TABLE NO. 2**  
**TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN FRANCHISOR or AN AFFILIATE)**  
**FOR YEARS 2008 TO 2010**

<b>STATE</b>	<b>YEAR</b>	<b>NUMBER OF TRANSFERS</b>
<b>GA</b>	<b>2008</b>	<b>0</b>
	<b>2009</b>	<b>1</b>
	<b>2010</b>	<b>0</b>
<b>IL</b>	<b>2008</b>	<b>0</b>
	<b>2009</b>	<b>0</b>
	<b>2010</b>	<b>0</b>
<b>NC</b>	<b>2008</b>	<b>0</b>
	<b>2009</b>	<b>0</b>
	<b>2010</b>	<b>0</b>
<b>NY</b>	<b>2008</b>	<b>0</b>
	<b>2009</b>	<b>1</b>
	<b>2010</b>	<b>0</b>
<b>TX</b>	<b>2008</b>	<b>1</b>
	<b>2009</b>	<b>0</b>
	<b>2010</b>	<b>0</b>
<b>Total Outlets</b>	<b>2008</b>	<b>1</b>
	<b>2009</b>	<b>2</b>
	<b>2010</b>	<b>0</b>

**TABLE NO. 3  
STATUS OF FRANCHISED OUTLETS  
FOR YEARS 2008 TO 2010**

STATE	ALSO OPERATE IN	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATION S-OTHER REASONS	OUTLETS AT END OF THE YEAR
AZ	NM TX	2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
CA	HI	2008	2	0	0	0	0	0	2
		2009	2	2	0	0	0	0	4
		2010	4	0	0	0	0	0	4
CO	NV UT	2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
CT	NY RI	2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
FL		2008	2	1	0	0	0	1	2
		2009	2	0	0	0	0	0	2
		2010	2	0	0	0	0	0	2
GA									
		2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1

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STATE	ALSO OPERATE IN	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATION S-OTHER REASONS	OUTLETS AT END OF THE YEAR
IA	MN NE	2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
IL		2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
IN	IL	2008	0	1	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
KY	TN	2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
MA		2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
MI	Lower Peninsula	2008	0	1	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
MN		2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1

STATE	ALSO OPERATE IN	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATION S-OTHER REASONS	OUTLETS AT END OF THE YEAR
MO	KS	2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
MS	LA	2008	0	1	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
NC	SC	2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
NH	ME NY VT	2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
NJ	NYC	2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
NY		2008	1	1	0	0	0	1	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
OH		2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1

STATE	ALSO OPERATE IN	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATION S-OTHER REASONS	OUTLETS AT END OF THE YEAR
PA	DE	2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
TX		2008	2	1	0	0	0	1	2
		2009	2	0	0	0	0	0	2
		2010	2	0	0	0	0	0	2
VA	VA NC	2008	0	1	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
WA	ID MT WY	2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
D.C.	MD VA	2008	1	0	0	0	0	0	1
		2009	1	0	0	0	0	0	1
		2010	1	0	0	0	0	0	1
Total Outlets		2008	24	7	0	0	0	0	28
		2009	28	2	0	0	0	0	30
		2010	30	0	0	0	0	0	30

**TABLE NO. 4  
STATUS OF COMPANY OWNED OUTLETS  
FOR YEARS 2008 TO 2010**

STATE	YEAR	OUTLETS START YEAR	AT OF	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
CA	2008	1		0	0	0	0	1
	2009	1		0	0	0	0	1
	2010	1		0	0	0	0	1
MA	2008	0		1	0	0	0	1
	2009	1		0	0	0	0	1
	2010	1		0	0	0	0	1

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
NY & Virgin Islands	2008	0	1	0	0	0	1
	2009	1	0	0	0	0	1
	2010	1	0	0	0	0	1
WA	2008	0	0	0	0	0	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
D.C., MD, VA	2008	0	1	0	0	1	0
	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
Total Outlets							
	2008	1	3	0	0	1	3
	2009	3	0	0	0	0	3
	2010	3	0	0	0	0	3

**TABLE NO. 5  
PROJECTED OPENINGS AS OF DECEMBER 31, 2010  
(Last Day of Last Fiscal Year)**

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED	PROJECTED NEW FRANCHISED OUTLET IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
<b>MD</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>1</b>	<b>0</b>

The tables above give the status of both Expense Reduction Analysts' Franchised Consulting Practices and Area Developers in each state where we had Consulting Practices and Area Developers at the end of our last three fiscal years.

You should note that the numbers in the charts above refer to the number of actual Franchised Businesses not individual Franchisees.

Attached as Exhibit D-1 is a list of names, addresses and telephone numbers of all of our current Regional Franchisees as of December 31, 2010.

Attached as Exhibit D-2 is a list of names, addresses and telephone numbers of all of our current Area Franchisees as of December 31, 2010.

Attached to this Disclosure Document as Exhibit D-3 is a list of the addresses of all company-owned Consulting Practices as of December 31, 2010.

Attached as Exhibit D-4 is a list containing the name, city and state and the current business telephone number (or if unknown, the last known home telephone number) of Franchisees who have had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or have not communicated with us within ten 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.

In some instances, current and former Franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former Franchisees, but be aware that not all of these Franchisees will be able to communicate with you.

There are no independent trademark-specific franchisee organizations associated with the franchise system being offered that have asked to be included in this Disclosure Document.

### **ITEM 21. FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit B are our audited financial statements for the fiscal years ending December 31, 2008, December 31, 2009, and December 31, 2010. Our fiscal year end is December 31.

### **ITEM 22. CONTRACTS**

The following agreements are proposed for use in this state in connection with an EXPENSE REDUCTION ANALYSTS' franchise: Authorization Agreement for Prearranged Payment, Nondisclosure and Noncompetition Agreement, Assignment of Telephone Numbers, Software License, Personal Guaranty and Subordination Agreement and Release of Claims.

### **ITEM 23. RECEIPTS**

Attached, as the last page of this Disclosure Document (Exhibit F), is a receipt. Please sign it, date it as of the date you receive the Disclosure Document, and return it to us. A duplicate of the receipt is also attached for your records.

## **ADDENDUM TO DISCLOSURE DOCUMENT: SPECIFIC STATE DISCLOSURES**

### **California (Regional)**

Neither the franchisor, nor any person or franchise broker identified in Item 2 of this Disclosure Document 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 the person from membership in the association or exchange.

California Business and Professions Code §§ 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Area Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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

The Regional Franchise Agreement contains a covenant not to compete that continues after the termination of the franchise. This provision may not be enforceable under California law.

Under both the California Franchise Relations Act and the Franchise Investment Law, a provision in an Area Franchise Agreement that requires you to waive your rights under either or both of these laws is void. Any release of claims that the franchisor asks you to sign will specifically exclude claims under these franchise laws.

The Regional Franchise Agreement requires binding arbitration for disputes not resolved by negotiation or mediation. The arbitration will occur in San Diego, California with the costs being shared equally by the parties.

Section 31125 of the California Corporations Code requires the franchisor to give the franchise a special disclosure document before soliciting a proposed material modification of an existing franchise.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Profession 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.

OUR WEBSITE ADDRESS IS [HTTP://WWW.EXPENSEREDUCTION.COM](http://www.expensereduction.com). OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT [WWW.CORP.CA.GOV](http://www.corp.ca.gov).

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF EACH PROPOSED AGREEMENT RELATING TO THE GRANT OF THE Franchise BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

## Illinois

Many states have statutes concerning the relationship between franchisor and franchisee. These statutes deal with such matters as renewal and termination of franchises. Provisions of this sort will prevail over inconsistent terms in a franchise agreement. Illinois has such a statute (815 ILCS 705/1-705/44).

The Franchise Agreement provides for termination upon bankruptcy. A provision in a Franchise Agreement that terminates the franchise upon bankruptcy of the franchisee may not be enforceable under Title 11, U.S. Code § 101.

The Franchise Agreement includes a choice of law clause designating another state's law as the governing law. Under Illinois law, a Franchise Agreement may not provide for a choice of law of any state other than Illinois. Accordingly, Item 17 w. is amended to state "none" under the heading for "Section in Area Franchise Agreement" and "none" under the heading for "Summary." The Area Franchise Agreement is amended to omit § 12.2.

The Franchise Agreement requires you to sign a release of claims as a condition of Transfer or renewal of the area Franchise. Under the law of Illinois, any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise disclosure law of Illinois is void. Accordingly, insofar as the Area Franchise Agreement requires you to waive your rights under the Illinois franchise law, these requirements are deleted from the Area Franchise Agreement. This provision will not prevent the franchisor from requiring you to sign a release of claims as part of a negotiated settlement of a dispute.

Section 705/4 of the Illinois Franchise Disclosure Act of 1987 (the "Act") provides that any provision in the Franchise Agreement which designates venue outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois; however, the Agreement may provide for arbitration in a forum outside of Illinois.

The conditions under which your franchise can be terminated and your rights upon renewal may be affected by Illinois law, 815 ILCS 705/1 to 705/44.

**Maryland**

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

The Regional Franchise Agreement says that we may require you to sign a release of claims, other than claims that may not be waived in advance under applicable law, as a condition of renewal or Transfer of your franchise. Under Maryland law, the release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Under the Regional Franchise Agreement, you must disclaim the occurrence and/or acknowledge the non-occurrence of acts that might constitute a violation of the Maryland Franchise law. These representations are not intended to nor do they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure law must be brought within three years after the franchise is granted.

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

FRANCHISOR:  
EXPENSE REDUCTION ANALYSTS, INC.

By:

\_\_\_\_\_  
Kenneth Hagerstrom, President & CEO  
5050 Avenida Encinas, Suite 200  
Carlsbad, CA 92008

Sign here if Regional Franchisee is an individual:

**REGIONAL FRANCHISEE**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Print Address: \_\_\_\_\_

Sign here if Regional Franchisee is a company:

**REGIONAL FRANCHISEE**

Print Company Name: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Print Name and Title: \_\_\_\_\_  
Print Address: \_\_\_\_\_

### **DISCLOSURES REQUIRED BY MICHIGAN LAW**

**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.**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of the franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing

to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide 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).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**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.**

Michigan law provides that a franchisor whose most recent statements are unaudited and which show a net worth of less than \$100,000 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor 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. In the event that an escrow is so established, the escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee or subfranchisor upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training, or other items. This portion of the Michigan law does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.

**SHOULD THE PROSPECTIVE FRANCHISEE HAVE ANY QUESTIONS REGARDING THE NOTICE OF THIS FILING WITH THE ATTORNEY GENERAL, SUCH QUESTIONS SHOULD BE ADDRESSED TO:**

Department of the Attorney General  
Consumer Protection Division  
Antitrust and Franchise Section  
PO Box 30213  
Lansing, MI 48909  
(517) 373-7117

**Minnesota**

The Regional Franchise Agreement requires binding arbitration for disputes not settled by negotiation or mediation. The arbitration will occur in a state other than Minnesota, with costs being borne equally by both parties. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

The Regional Franchise Agreement requires application of the laws of a state other than Minnesota. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this Section may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota requiring waiver of a jury trial, or requiring the franchisee to consent to liquated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or agreements can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor 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 Regional Franchise Agreement.

The Regional Franchise Agreement requires you to sign a release of claims as a condition of renewing or Transferring a franchise. Minn. Rule 2860.4400J prohibits us from requiring you to sign a release of claims arising under the Minnesota Franchise Law. Therefore, any release we require you to sign will exclude claims arising under the Minnesota Franchise Law.

The Agreements provide for shortened statutes of limitations. Under Minnesota law, any claims arising under § 80C may be brought within three years after the cause of action accrues. Therefore, in Minnesota the agreements are amended to provide for a three-year period within which to bring any Minnesota claims.

**Injunctive Relief**

Minn. Rule 2860.4400J prohibits us from requiring a franchisee to consent to a franchisor obtaining injunctive relief. We may seek injunctive relief. In addition, a court will determine if a bond is required.

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

FRANCHISOR:  
EXPENSE REDUCTION ANALYSTS, INC.

By:

\_\_\_\_\_  
Kenneth Hagerstrom, President & CEO  
5050 Avenida Encinas, Suite 200  
Carlsbad, CA 92008

Sign here if Regional Franchisee is an individual:

**REGIONAL FRANCHISEE**

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Print Address: \_\_\_\_\_

Sign here if Regional Franchisee is a company:

**REGIONAL FRANCHISEE**

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

Signature: \_\_\_\_\_

Print Name and Title: \_\_\_\_\_

Print Address: \_\_\_\_\_

## New York

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. 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 PROSPECTUS.

Except as stated in Item 3 of this prospectus, neither the franchisor, its predecessor or predecessors nor any person or sales agent identified in Item 2 of this prospectus: (i) has pending any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) alleging a felony, violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; (ii) 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 a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; (iii) is subject to any injunctive or restrictive order or decree relating to franchises or under 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.

Neither the franchisor, its affiliate, its predecessor, officers, nor general partner during the 10-year period immediately before the date of the Disclosure Document : (a) filed as 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; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

The introduction to Item 17 is amended to read as follows:

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

The Summary column of Item 17d is amended to read: "You may terminate upon any grounds permitted by law."

The Summary column of Item 17j is amended to read: "We may assign only to a financially responsible assignee that we reasonably believe capable of performing its obligations under the Regional Franchise Agreement and which expressly assumes these obligations in writing."

The Summary column of Item 17s is amended to add the following: "Revisions to the Manual will not unreasonably affect your obligations, including your economic obligations, under the Regional Franchise Agreement."

The Summary column of Item 17w is amended to add the following: The foregoing choice of law should not be considered a waiver of any right conferred upon you by the General Business Law of the State of New York, Article 33."

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

FRANCHISOR:  
EXPENSE REDUCTION ANALYSTS, INC.

By:

\_\_\_\_\_  
Kenneth Hagerstrom, President & CEO  
5050 Avenida Encinas, Suite 200  
Carlsbad, CA 92008

Sign here if Regional Franchisee is an individual:

REGIONAL FRANCHISEE

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Print Address: \_\_\_\_\_

Sign here if Regional Franchisee is a company:

REGIONAL FRANCHISEE

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

Signature: \_\_\_\_\_  
Print Name and Title: \_\_\_\_\_  
Print Address: \_\_\_\_\_

## North Dakota

In North Dakota, the Disclosure Document is amended as follows to conform to North Dakota law:

Item 17 (c) is revised to omit any requirement that a general release be signed as a condition of renewal.

Item 17 (r) is amended to add the following: "To the extent that covenants not to compete apply to periods after the term of the franchise, contrary to Section 9-08-06, N.D.C.C, they are generally considered unenforceable in the State of North Dakota."

Item 17 (u) is amended to state that the site of any mediation or arbitration is agreeable to all parties.

Item 17 (v) (venue) of the Disclosure Document and Section 12 of the Franchise Agreement are amended as follows: "Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of North Dakota is void with respect to any cause of action which is otherwise enforceable in North Dakota."

Item 17 (w) (governing law) and Section 12 of the Franchise Agreement are amended as follows: "Any provision in the Franchise Agreement requiring that the Franchise Agreement be construed according to the laws of a state other than North Dakota are unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law."

Section 4.3 of the Franchise Agreement is revised to omit any requirement that a general release be signed as a condition of renewal.

Attachment 2 and Section 9.5 of the Franchise Agreement are amended to add the following:

"Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota".

Section 12.9 of the Franchise Agreement is amended as follows:

"In the State of North Dakota, the statute of limitations under North Dakota Law will apply".

"Any provision in the Franchise Agreement requiring a franchisee to consent to a waiver of exemplary and punitive damages is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law."

In North Dakota, provisions of the Regional Franchise Agreement which unreasonably limit the statute of limitations or remedies under the North Dakota Franchise Investment Law, such as the right to jury trial, may not be enforceable.

Provisions of the Regional Franchise Agreement requiring a franchisee to consent to liquidated damages or termination penalties, requiring a franchisee to consent to a limitation of claims or requiring a franchisee pay all of Franchisor's costs and expenses incurred in enforcing the agreement may not be enforceable under North Dakota law.

### **Rhode Island**

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

In spite of the provisions of Item 17v and Item 17w of the Disclosure Document, any litigation or arbitration arising under the Regional Franchise Agreement will take place in Rhode Island or other place mutually agreed to by the franchisee and franchisor.

To the extent required by § 19-28.1-14 of the Rhode Island Franchise Investment Act, the Agreements will be governed by the laws of the State of Rhode Island.

### **South Dakota**

The Regional Franchise Agreement includes a covenant not to compete after termination of the franchise. Covenants not to compete upon termination or expiration of the Regional Franchise Agreement are generally unenforceable in the State of South Dakota, except in certain instances provided by law. The Regional Franchise Agreement provides for arbitration in a state other than South Dakota. Under South Dakota law, arbitration must be conducted at a mutually agreed upon site in accordance with § 11 of the Commercial Arbitration Rules of the American Arbitration Association.

The Regional Franchise Agreement designates the law of a state other than South Dakota as the governing law, except that the arbitration clause is to be construed under the Federal Arbitration Act and trademark issues are to be construed under the Lanham Act. Franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota, but contractual and all other matters will be subject to application, construction, enforcement, and interpretation under the governing law specified by the Regional Franchise Agreement.

Under South Dakota law, any provision in a Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue outside South Dakota is void with respect to any cause of action which is governed by the law of South Dakota.

Under South Dakota law, termination provisions covering breach of the Regional Franchise Agreement, failure to meet performance and quality standards, and failure to make management service fee payments contained in the Disclosure Document and Regional Franchise Agreement must afford a franchisee thirty (30) days written notice with an opportunity to cure the default prior to termination. Under SDL 37-5A-86, any condition, stipulation or provision purporting to waive compliance with any provision of this chapter or any rule or order under it is void.

Any acknowledgment, provision, disclaimer or integration clause or a provision having a similar effect in a Franchise Agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate the South Dakota franchise law or a rule or order under the South Dakota franchise law.

## Virginia

The Disclosure Document is amended as follows:

1. 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 or other agreements 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.

2. 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 or other agreements 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.

### **Washington**

The State of Washington has a statute, RCW 19.100.180, that may supersede the Regional 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 Regional Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of the franchise.

In Washington, provisions of the Regional Franchise Agreement which unreasonably limit the statute of limitations or remedies under the Washington Franchise Investment Act, such as the right to jury trial, may not be enforceable.

The Regional Franchise Agreement requires application of the laws of a state other than Washington. If there is a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chap. 19.100 RCW, will prevail.

The Regional Franchise Agreement requires you to sign a release of claims as a condition of renewing or Transferring the franchise. A release or waiver of rights signed by a franchise owner may not include rights under the Washington Franchise Investment Protection Act.

Under Washington law, transfer fees may be collected only to the extent that they reflect the franchisor's reasonable estimated or actual costs in connection with the Transfer.