

Form B – Franchisor’s Costs and Sources of Funds
7/01/08]

FRANCHISOR’S COSTS AND SOURCE OF FUNDS

- 1 Disclose the Franchisor’s total costs for performing its pre-opening obligations to provide goods or services in connection with establishing each franchised business, including real estate, improvements, equipment, inventory, training and other items stated in the offering:

<u>Category</u>	<u>Costs</u>
Real Estate	\$0.00
Improvements	\$0.00
Equipment	\$0.00
Inventory	\$0.00
Training	\$10,000.00
Other (describe)	
_____	0
_____	0
_____	0
Totals	\$10,000.00

- 2 State separate the sources of all required funds:

Franchisee’s pay a training fee of \$10,000 00, equal to the cost of training

STATE COVER PAGE

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

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

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR FRANCHISED 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 AND AREA DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY MEDIATION, ARBITRATION AND/OR LITIGATION ONLY IN CONNECTICUT OUT OF STATE MEDIATION, ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST YOU MORE TO MEDIATE, ARBITRATE AND/OR LITIGATE WITH US IN CONNECTICUT THAN IN YOUR OWN STATE.**
2. **THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT STATE THAT CONNECTICUT LAW GOVERNS THE AGREEMENTS AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS**
3. **YOUR FRANCHISE BUSINESS HAS NO TERRITORIAL PROTECTION, THE TERRITORY IS NOT EXCLUSIVE —AND—WE AND OUR AFFILIATES HAVE THE RIGHT WITHOUT ANY RESTRICTIONS TO ENGAGE IN ANY AND ALL ACTIVITIES WE AND THEY DESIRE, IN COMPETITION WITH YOUR FRANCHISE.**
4. **THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE**

Brokers

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 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 Date: See the next page for state effective dates

Being engaged by more or less clients in any given month will cause your individual results to differ. Charging clients at a rate other than those proposed will cause your individual results to differ. There is no assurance that you will earn the same amount as reflected in the projections.

These figures were prepared without an audit. Prospective franchisees should be advised that no certified public accountant has audited these figures or expressed an opinion with regard to the content or form.

The following assumptions were made regarding expenses.

1. **Equipment** This figure assumes the need for replacing existing equipment. It does not include the equipment necessary to begin a Franchised Business as identified in Item 7 of this disclosure document, and is amortized over the term of the franchise agreement.
 2. **Professional Services** This figure assumes that you will hire a professional accountant to prepare your taxes and consult with you on various accounting matters throughout the year, as well as hiring an attorney to do any necessary business filings and registrations.
 3. **Phone and Internet** This figure assumes an annual contract for a separate telephone line and dial up connection for the internet. If you purchase multiple phone lines or other premium services, this figure may be higher.
 4. **Marketing**. This figure assumes you will expend 8% of your gross revenue on Marketing efforts. We have not decreased this percentage in Years 2-5 despite decreasing the number of clients. This number will increase or decrease depending upon your client development activities.
 5. **Office Supplies**. This figure assumes an expenditure of \$50 per month for office supplies.
 6. **Insurance** This figure assumes that you will obtain insurance in accordance with the terms of the Franchise Agreement. If you purchase additional insurance above that which is required, this figure may be higher.
 7. **Miscellaneous** This figure assumes miscellaneous expenses to operate your franchised business, including costs for the annual conference, conference room rentals, and technology fees.
 8. In our assumptions, we did not consider the initial investment costs in Item 5 and 7, nor unanticipated expenses in Item 6. For example, we did not assume that you would have late fees or need additional CPE. Those are not items we can predict and do not include them.
- 7.

Additional Assumptions:

These projections assume that you will be the Principal Operator of the Franchised Business and that you do not receive an additional salary. They assume that you do not hire any other employees.

We have not provided any allowance for corporate or personal income taxes, nor have we included expenses for depreciation, amortization, interest or debt repayment. Each franchisee funds their purchase of the Franchised Business differently and we cannot project how you will account for those items. These projections are based on economic conditions as of March 2012 and we have made no adjustments in any category to account for inflation.

These projections assume that you follow our guidelines for suggested pricing and that you operate your Franchised Business in strict accordance with our licensing standards and System. If you do not, your results will likely vary dramatically from the projections we have provided.

Other than the preceding financial performance representation, ERC Franchising, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Lorinda Church, 900 Main

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