

## UNITED STATES BANKRUPTCY COURT

## PROOF OF CLAIM

Name of Debtor:  
**WE THE PEOPLE**Case Number:  
**10-10503 (KJC), et. seq.**

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor (the person or other entity to whom the debtor owes money or property):

**ARKADY PORTNOY**☐ Check this box to indicate that this claim amends a previously filed claim.

Name and address where notices should be sent:

**ARKADY PORTNOY**  
c/o Krane & Smith  
16255 Ventura Boulevard, Suite 600  
Encino, CA 91436  
Telephone number: (818) 382-4000Court Claim Number: \_\_\_\_\_  
(If known)

Filed on: \_\_\_\_\_

Name and address where payment should be sent (if different from above):

Telephone number:

**RECEIVED**  
**MAR 29 2010**  
**BMC GROUP**☐ Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.☐ Check this box if you are the debtor or trustee in this case.1. Amount of Claim as of Date Case Filed: **\$ 600,000.00**

If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4.

If all or part of your claim is entitled to priority, complete item 5.

☐ Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.

5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.

Specify the priority of the claim.

☐ Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B).☐ Wages, salaries, or commissions (up to \$10,950\*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier – 11 U.S.C. §507 (a)(4).☐ Contributions to an employee benefit plan – 11 U.S.C. §507 (a)(5).☐ Up to \$2,425\* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use – 11 U.S.C. §507 (a)(7).☐ Taxes or penalties owed to governmental units – 11 U.S.C. §507 (a)(8).☐ Other – Specify applicable paragraph of 11 U.S.C. §507 (a)( \_\_\_\_\_ ).

Amount entitled to priority:

\$ \_\_\_\_\_

\*Amounts are subject to adjustment on 4/1/10 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

2. Basis for Claim: **Franchisee**  
(See instruction #2 on reverse side.)

3. Last four digits of any number by which creditor identifies debtor: \_\_\_\_\_

3a. Debtor may have scheduled account as: \_\_\_\_\_  
(See instruction #3a on reverse side.)

4. Secured Claim (See instruction #4 on reverse side.)

Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.

Nature of property or right of setoff: ☐ Real Estate ☐ Motor Vehicle ☐ Other

Describe:

Value of Property: \$ \_\_\_\_\_ Annual Interest Rate \_\_\_\_\_ %

Amount of arrearage and other charges as of time case filed included in secured claim,

if any: \$ \_\_\_\_\_ Basis for perfection: \_\_\_\_\_

Amount of Secured Claim: \$ \_\_\_\_\_ Amount Unsecured: \$ **600,000.00**

6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.

7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements or running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See instruction 7 and definition of "redacted" on reverse side.)

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain:

We the People



00008

Date:  
**3/25/2010**

Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.

**Marc Smith, Atty for Creditor**FOR COURT USE ONLY  
**ORIGINAL**

**INSTRUCTIONS FOR PROOF OF CLAIM FORM**

*The instructions and definitions below are general explanations of the law. In certain circumstances, such as bankruptcy cases not filed voluntarily by the debtor, there may be exceptions to these general rules.*

**Items to be completed in Proof of Claim form****Court, Name of Debtor, and Case Number:**

Fill in the federal judicial district where the bankruptcy case was filed (for example, Central District of California), the bankruptcy debtor's name, and the bankruptcy case number. If the creditor received a notice of the case from the bankruptcy court, all of this information is located at the top of the notice.

**Creditor's Name and Address:**

Fill in the name of the person or entity asserting a claim and the name and address of the person who should receive notices issued during the bankruptcy case. A separate space is provided for the payment address if it differs from the notice address. The creditor has a continuing obligation to keep the court informed of its current address. See Federal Rule of Bankruptcy Procedure (FRBP) 2002(g).

**1. Amount of Claim as of Date Case Filed:**

State the total amount owed to the creditor on the date of the Bankruptcy filing. Follow the instructions concerning whether to complete items 4 and 5. Check the box if interest or other charges are included in the claim.

**2. Basis for Claim:**

State the type of debt or how it was incurred. Examples include goods sold, money loaned, services performed, personal injury/wrongful death, car loan, mortgage note, and credit card. If the claim is based on the delivery of health care goods or services, limit the disclosure of the goods or services so as to avoid embarrassment or the disclosure of confidential health care information. You may be required to provide additional disclosure if the trustee or another party in interest files an objection to your claim.

**3. Last Four Digits of Any Number by Which Creditor Identifies Debtor:**

State only the last four digits of the debtor's account or other number used by the creditor to identify the debtor.

**3a. Debtor May Have Scheduled Account As:**

Use this space to report a change in the creditor's name, a transferred claim, or any other information that clarifies a difference between this proof of claim and the claim as scheduled by the debtor.

**4. Secured Claim:**

Check the appropriate box and provide the requested information if the claim is fully or partially secured. Skip this section if the claim is entirely unsecured. (See DEFINITIONS, below.) State the type and the value of property that secures the claim, attach copies of lien documentation, and state annual interest rate and the amount past due on the claim as of the date of the bankruptcy filing.

**5. Amount of Claim Entitled to Priority Under 11 U.S.C. §507(a).**

If any portion of your claim falls in one or more of the listed categories, check the appropriate box(es) and state the amount entitled to priority. (See DEFINITIONS, below.) A claim may be partly priority and partly non-priority. For example, in some of the categories, the law limits the amount entitled to priority.

**6. Credits:**

An authorized signature on this proof of claim serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

**7. Documents:**

Attach to this proof of claim form redacted copies documenting the existence of the debt and of any lien securing the debt. You may also attach a summary. You must also attach copies of documents that evidence perfection of any security interest. You may also attach a summary. FRBP 3001(c) and (d). If the claim is based on the delivery of health care goods or services, see instruction 2. Do not send original documents, as attachments may be destroyed after scanning.

**Date and Signature:**

The person filing this proof of claim must sign and date it. FRBP 9011. If the claim is filed electronically, FRBP 5005(a)(2), authorizes courts to establish local rules specifying what constitutes a signature. Print the name and title, if any, of the creditor or other person authorized to file this claim. State the filer's address and telephone number if it differs from the address given on the top of the form for purposes of receiving notices. Attach a complete copy of any power of attorney. Criminal penalties apply for making a false statement on a proof of claim.

**DEFINITIONS****Debtor**

A debtor is the person, corporation, or other entity that has filed a bankruptcy case.

**Creditor**

A creditor is a person, corporation, or other entity owed a debt by the debtor that arose on or before the date of the bankruptcy filing. See 11 U.S.C. §101 (10)

**Claim**

A claim is the creditor's right to receive payment on a debt owed by the debtor that arose on the date of the bankruptcy filing. See 11 U.S.C. §101 (5). A claim may be secured or unsecured.

**Proof of Claim**

A proof of claim is a form used by the creditor to indicate the amount of the debt owed by the debtor on the date of the bankruptcy filing. The creditor must file the form with the clerk of the same bankruptcy court in which the bankruptcy case was filed.

**Secured Claim Under 11 U.S.C. §506(a)**

A secured claim is one backed by a lien on property of the debtor. The claim is secured so long as the creditor has the right to be paid from the property prior to other creditors. The amount of the secured claim cannot exceed the value of the property. Any amount owed to the creditor in excess of the value of the property is an unsecured claim. Examples of liens on property include a mortgage on real estate or a security interest in a car.

A lien may be voluntarily granted by a debtor or may be obtained through a court proceeding. In some states, a court judgment is a lien. A claim also may be secured if the creditor owes the debtor money (has a right to setoff).

**Unsecured Claim**

An unsecured claim is one that does not meet the requirements of a secured claim. A claim may be partly unsecured if the amount of the claim exceeds the value of the property on which the creditor has a lien.

**Claim Entitled to Priority Under 11 U.S.C. §507(a)**

Priority claims are certain categories of unsecured claims that are paid from the available money or property in a bankruptcy case before other unsecured claims.

**Redacted**

A document has been redacted when the person filing it has masked, edited out, or otherwise deleted, certain information. A creditor should redact and use only the last four digits of any social-security, individual's tax-identification, or financial-account number, all but the initials of a minor's name and only the year of any person's date of birth.

**Evidence of Perfection**

Evidence of perfection may include a mortgage, lien, certificate of title, financing statement, or other document showing that the lien has been filed or recorded.

**INFORMATION****Acknowledgment of Filing of Claim**

To receive acknowledgment of your filing, you may either enclose a stamped self-addressed envelope and a copy of this proof of claim or you may access the court's PACER system ([www.pacer.psc.uscourts.gov](http://www.pacer.psc.uscourts.gov)) for a small fee to view your filed proof of claim.

**Offers to Purchase a Claim**

Certain entities are in the business of purchasing claims for an amount less than the face value of the claims. One or more of these entities may contact the creditor and offer to purchase the claim. Some of the written communications from these entities may easily be confused with official court documentation or communications from the debtor. These entities do not represent the bankruptcy court or the debtor. The creditor has no obligation to sell its claim. However, if the creditor decides to sell its claim, any transfer of such claim is subject to FRBP 3001(e), any applicable provisions of the Bankruptcy Code (11 U.S.C. § 101 *et seq.*), and any applicable orders of the bankruptcy court.

**SUMMONS**  
**(CITACION JUDICIAL)**

SUM-100

**NOTICE TO DEFENDANT:**

**(AVISO AL DEMANDADO):**  
DOLLAR FINANCIAL CORP., a Delaware corporation; WE THE PEOPLE USA, LLC, a Delaware limited liability company doing business under the fictitious business name of WE THE PEOPLE; and DOES 1 through 20, Includi ~~ve~~

FOR COURT USE ONLY  
(SOLO PARA USO DE LA CORTE)

CONFORMED COPY  
OF ORIGINAL FILED  
Los Angeles Superior Court

MAR 27 2009

John A. Clarke, Executive Officer/Clerk  
By Dorothy Swain, Deputy  
DOROTHY SWAIN

**YOU ARE BEING SUED BY PLAINTIFF:**  
**(LO ESTÁ DEMANDANDO EL DEMANDANTE):**  
ARKADY PORTNOY, an individual

You have 30 CALENDAR DAYS after this summons and legal papers are served on you to file a written response at this court and have a copy served on the plaintiff. A letter or phone call will not protect you. Your written response must be in proper legal form if you want the court to hear your case. There may be a court form that you can use for your response. You can find these court forms and more information at the California Courts Online Self-Help Center ([www.courtinfo.ca.gov/selfhelp](http://www.courtinfo.ca.gov/selfhelp)), your county law library, or the courthouse nearest you. If you cannot pay the filing fee, ask the court clerk for a fee waiver form. If you do not file your response on time, you may lose the case by default, and your wages, money, and property may be taken without further warning from the court.

There are other legal requirements. You may want to call an attorney right away. If you do not know an attorney, you may want to call an attorney referral service. If you cannot afford an attorney, you may be eligible for free legal services from a nonprofit legal services program. You can locate these nonprofit groups at the California Legal Services Web site ([www.lawhelpcalifornia.org](http://www.lawhelpcalifornia.org)), the California Courts Online Self-Help Center ([www.courtinfo.ca.gov/selfhelp](http://www.courtinfo.ca.gov/selfhelp)), or by contacting your local court or county bar association.

*Tiene 30 DÍAS DE CALENDARIO después de que le entreguen esta citación y papeles legales para presentar una respuesta por escrito en esta corte y hacer que se entregue una copia al demandante. Una carta o una llamada telefónica no lo protegen. Su respuesta por escrito tiene que estar en formato legal correcto si desea que procesen su caso en la corte. Es posible que haya un formulario que usted pueda usar para su respuesta. Puede encontrar estos formularios de la corte y más información en el Centro de Ayuda de las Cortes de California ([www.courtinfo.ca.gov/selfhelp/espanol/](http://www.courtinfo.ca.gov/selfhelp/espanol/)), en la biblioteca de leyes de su condado o en la corte que le quede más cerca. Si no puede pagar la cuota de presentación, pida al secretario de la corte que le dé un formulario de exención de pago de cuotas. Si no presenta su respuesta a tiempo, puede perder el caso por incumplimiento y la corte le podrá quitar su sueldo, dinero y bienes sin más advertencia.*

*Hay otros requisitos legales. Es recomendable que llame a un abogado inmediatamente. Si no conoce a un abogado, puede llamar a un servicio de remisión a abogados. Si no puede pagar a un abogado, es posible que cumpla con los requisitos para obtener servicios legales gratuitos de un programa de servicios legales sin fines de lucro. Puede encontrar estos grupos sin fines de lucro en el sitio web de California Legal Services, ([www.lawhelpcalifornia.org](http://www.lawhelpcalifornia.org)), en el Centro de Ayuda de las Cortes de California, ([www.courtinfo.ca.gov/selfhelp/espanol/](http://www.courtinfo.ca.gov/selfhelp/espanol/)) o poniéndose en contacto con la corte o el colegio de abogados locales.*

The name and address of the court is:

**(El nombre y dirección de la corte es):**  
**LOS ANGELES SUPERIOR COURT**  
111 North Hill Street

CASE NUMBER:  
(Número del Caso):

BC410687

Los Angeles, CA 90012  
CENTRAL DISTRICT

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:

**(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es):**  
Samuel Krane (818) 382-4000 (818) 382-4001

KRANE & SMITH  
16255 Ventura Boulevard

Encino, CA 91436  
DATE: MAR 27 2009

(Fecha)

*John A. Clarke*

Clerk, by

(Secretario)

*D.M.*

Deputy

(Adjunto)

**(For proof of service of this summons, use Proof of Service of Summons (form POS-010).)**

**(Para prueba de entrega de esta citación use el formulario Proof of Service of Summons, (POS-010)).**

**NOTICE TO THE PERSON SERVED: You are served**

1. ☐ as an individual defendant.  
2. ☐ as the person sued under the fictitious name of (specify):

3. ☐ on behalf of (specify):

- under: ☐ CCP 416.10 (corporation) ☐ CCP 416.60 (minor)  
☐ CCP 416.20 (defunct corporation) ☐ CCP 416.70 (conservatee)  
☐ CCP 416.40 (association or partnership) ☐ CCP 416.90 (authorized person)  
☐ other (specify):

4. ☐ by personal delivery on (date):

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ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address): <b>Samuel Krane</b> <b>KRANE &amp; SMITH</b> <b>16255 Ventura Boulevard</b> <b>Suite 600</b> <b>Encino, CA 91436</b> TELEPHONE NO.: (818) 382-4000 FAX NO.: (818) 382-4001 FAX ATTORNEY FOR (Name): <b>Plaintiff ARKADY PORTNOY</b>		FOR COURT USE ONLY  <b>CONFORMED COPY OF ORIGINAL FILED</b> Los Angeles Superior Court  <b>MAR 27 2009</b>  John A. Blake, Executive Officer/Clerk By <u><i>[Signature]</i></u> Deputy <b>DOROTHY SWAIN</b>  <b>BC410687</b>	
SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES STREET ADDRESS: 111 North Hill Street MAILING ADDRESS: CITY AND ZIP CODE: <b>Los Angeles, CA 90012</b> BRANCH NAME: <b>CENTRAL DISTRICT</b>		CASE NAME: <b>PORTNOY v. DOLLAR FINANCIAL CORP.; WE THE PEOPLE</b>	
<b>CIVIL CASE COVER SHEET</b> <input checked="" type="checkbox"/> <b>Unlimited</b> (Amount demanded exceeds \$25,000) <input type="checkbox"/> <b>Limited</b> (Amount demanded is \$25,000 or less)		<b>Complex Case Designation</b> <input type="checkbox"/> <b>Counter</b> <input type="checkbox"/> <b>Joinder</b> Filed with first appearance by defendant (Cal. Rules of Court, rule 3.402)	
CASE NUMBER:		JUDGE: DEPT:	

Items 1-6 below must be completed (see instructions on page 2).

1. Check one box below for the case type that best describes this case:

<b>Auto Tort</b> <input type="checkbox"/> Auto (22) <input type="checkbox"/> Uninsured motorist (46) <b>Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort</b> <input type="checkbox"/> Asbestos (04) <input type="checkbox"/> Product liability (24) <input type="checkbox"/> Medical malpractice (45) <input type="checkbox"/> Other PI/PD/WD (23) <b>Non-PI/PD/WD (Other) Tort</b> <input type="checkbox"/> Business tort/unfair business practice (07) <input type="checkbox"/> Civil rights (08) <input type="checkbox"/> Defamation (13) <input type="checkbox"/> Fraud (16) <input type="checkbox"/> Intellectual property (19) <input type="checkbox"/> Professional negligence (25) <input type="checkbox"/> Other non-PI/PD/WD tort (35) <b>Employment</b> <input type="checkbox"/> Wrongful termination (36) <input type="checkbox"/> Other employment (15)	<b>Contract</b> <input checked="" type="checkbox"/> Breach of contract/warranty (06) <input type="checkbox"/> Rule 3.740 collections (09) <input type="checkbox"/> Other collections (09) <input type="checkbox"/> Insurance coverage (18) <input type="checkbox"/> Other contract (37) <b>Real Property</b> <input type="checkbox"/> Eminent domain/Inverse condemnation (14) <input type="checkbox"/> Wrongful eviction (33) <input type="checkbox"/> Other real property (26) <b>Unlawful Detainer</b> <input type="checkbox"/> Commercial (31) <input type="checkbox"/> Residential (32) <input type="checkbox"/> Drugs (38) <b>Judicial Review</b> <input type="checkbox"/> Asset forfeiture (05) <input type="checkbox"/> Petition re: arbitration award (11) <input type="checkbox"/> Writ of mandate (02) <input type="checkbox"/> Other judicial review (39)	<b>Provisionally Complex Civil Litigation</b> (Cal. Rules of Court, rules 3.400-3.403) <input type="checkbox"/> Antitrust/Trade regulation (03) <input type="checkbox"/> Construction defect (10) <input type="checkbox"/> Mass tort (40) <input type="checkbox"/> Securities litigation (28) <input type="checkbox"/> Environmental/Toxic tort (30) <input type="checkbox"/> Insurance coverage claims arising from the above listed provisionally complex case types (41) <b>Enforcement of Judgment</b> <input type="checkbox"/> Enforcement of judgment (20) <b>Miscellaneous Civil Complaint</b> <input type="checkbox"/> RICO (27) <input type="checkbox"/> Other complaint (not specified above) (42) <b>Miscellaneous Civil Petition</b> <input type="checkbox"/> Partnership and corporate governance (21) <input type="checkbox"/> Other petition (not specified above) (43)
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2. This case ☐ is ☒ is not complex under rule 3.400 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:
- |  |  |
|--|--|
| a. <input type="checkbox"/> Large number of separately represented parties   | d. <input type="checkbox"/> Large number of witnesses  |
| b. <input type="checkbox"/> Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve | e. <input type="checkbox"/> Coordination with related actions pending in one or more courts in other counties, states, or countries, or in a federal court |
| c. <input type="checkbox"/> Substantial amount of documentary evidence   | f. <input type="checkbox"/> Substantial postjudgment judicial supervision  |
3. Remedies sought (check all that apply): a. ☒ monetary b. ☒ nonmonetary; declaratory or injunctive relief c. ☒ punitive
4. Number of causes of action (specify): **NINE (9)**
5. This case ☐ is ☒ is not a class action suit.
6. If there are any known related cases, file and serve a notice of related case. (You may use form CM-015.)

Date: **March 26, 2009**

**Samuel Krane**

(TYPE OR PRINT NAME)

(SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

### NOTICE

- Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate Code, Family Code, or Welfare and Institutions Code). (Cal. Rules of Court, rule 3.220.) Failure to file may result in sanctions.
- File this cover sheet in addition to any cover sheet required by local court rule.
- If this case is complex under rule 3.400 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
- Unless this is a collections case under rule 3.740 or a complex case, this cover sheet will be used for statistical purposes only.

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## INSTRUCTIONS ON HOW TO COMPLETE THE COVER SHEET

**To Plaintiffs and Others Filing First Papers.** If you are filing a first paper (for example, a complaint) in a civil case, you must complete and file, along with your first paper, the *Civil Case Cover Sheet* contained on page 1. This information will be used to compile statistics about the types and numbers of cases filed. You must complete items 1 through 6 on the sheet. In item 1, you must check one box for the case type that best describes the case. If the case fits both a general and a more specific type of case listed in item 1, check the more specific one. If the case has multiple causes of action, check the box that best indicates the primary cause of action. To assist you in completing the sheet, examples of the cases that belong under each case type in item 1 are provided below. A cover sheet must be filed only with your initial paper. Failure to file a cover sheet with the first paper filed in a civil case may subject a party, its counsel, or both to sanctions under rules 2.30 and 3.220 of the California Rules of Court.

**To Parties in Rule 3.740 Collections Cases.** A "collections case" under rule 3.740 is defined as an action for recovery of money owed in a sum stated to be certain that is not more than \$25,000, exclusive of interest and attorney's fees, arising from a transaction in which property, services, or money was acquired on credit. A collections case does not include an action seeking the following: (1) tort damages, (2) punitive damages, (3) recovery of real property, (4) recovery of personal property, or (5) a prejudgment writ of attachment. The identification of a case as a rule 3.740 collections case on this form means that it will be exempt from the general time-for-service requirements and case management rules, unless a defendant files a responsive pleading. A rule 3.740 collections case will be subject to the requirements for service and obtaining a judgment in rule 3.740.

**To Parties in Complex Cases.** In complex cases only, parties must also use the *Civil Case Cover Sheet* to designate whether the case is complex. If a plaintiff believes the case is complex under rule 3.400 of the California Rules of Court, this must be indicated by completing the appropriate boxes in items 1 and 2. If a plaintiff designates a case as complex, the cover sheet must be served with the complaint on all parties to the action. A defendant may file and serve no later than the time of its first appearance a joinder in the plaintiff's designation, a counter-designation that the case is not complex, or, if the plaintiff has made no designation, a designation that the case is complex.

## CASE TYPES AND EXAMPLES

## Auto Tort

Auto (22)—Personal Injury/Property Damage/Wrongful Death  
Uninsured Motorist (46) (*if the case involves an uninsured motorist claim subject to arbitration, check this item instead of Auto*)

## Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort

Asbestos (04)  
Asbestos Property Damage  
Asbestos Personal Injury/Wrongful Death  
Product Liability (*not asbestos or toxic/environmental*) (24)  
Medical Malpractice (45)  
Medical Malpractice—Physicians & Surgeons  
Other Professional Health Care Malpractice  
Other PI/PD/WD (23)  
Premises Liability (e.g., slip and fall)  
Intentional Bodily Injury/PD/WD (e.g., assault, vandalism)  
Intentional Infliction of Emotional Distress  
Negligent Infliction of Emotional Distress  
Other PI/PD/WD

## Non-PI/PD/WD (Other) Tort

Business Tort/Unfair Business Practice (07)  
Civil Rights (e.g., discrimination, false arrest) (*not civil harassment*) (08)  
Defamation (e.g., slander, libel) (13)  
Fraud (16)  
Intellectual Property (19)  
Professional Negligence (25)  
Legal Malpractice  
Other Professional Malpractice (*not medical or legal*)  
Other Non-PI/PD/WD Tort (35)  
Employment  
Wrongful Termination (36)  
Other Employment (15)

## Contract

Breach of Contract/Warranty (06)  
Breach of Rental/Lease  
Contract (*not unlawful detainer or wrongful eviction*)  
Contract/Warranty Breach—Seller Plaintiff (*not fraud or negligence*)  
Negligent Breach of Contract/Warranty  
Other Breach of Contract/Warranty  
Collections (e.g., money owed, open book accounts) (09)  
Collection Case—Seller Plaintiff  
Other Promissory Note/Collections Case  
Insurance Coverage (*not provisionally complex*) (18)  
Auto Subrogation  
Other Coverage  
Other Contract (37)  
Contractual Fraud  
Other Contract Dispute

## Real Property

Eminent Domain/Inverse Condemnation (14)  
Wrongful Eviction (33)  
Other Real Property (e.g., quiet title) (26)  
Writ of Possession of Real Property  
Mortgage Foreclosure  
Quiet Title  
Other Real Property (*not eminent domain, landlord/tenant, or foreclosure*)

## Unlawful Detainer

Commercial (31)  
Residential (32)  
Drugs (38) (*if the case involves illegal drugs, check this item; otherwise, report as Commercial or Residential*)

## Judicial Review

Asset Forfeiture (05)  
Petition Re: Arbitration Award (11)  
Writ of Mandate (02)  
Writ—Administrative Mandamus  
Writ—Mandamus on Limited Court Case Matter  
Writ—Other Limited Court Case Review  
Other Judicial Review (39)  
Review of Health Officer Order  
Notice of Appeal—Labor  
Commissioner Appeals

## Provisionally Complex Civil Litigation (Cal. Rules of Court Rules 3.400–3.403)

Antitrust/Trade Regulation (03)  
Construction Defect (10)  
Claims Involving Mass Tort (40)  
Securities Litigation (28)  
Environmental/Toxic Tort (30)  
Insurance Coverage Claims (*arising from provisionally complex case type listed above*) (41)

## Enforcement of Judgment

Enforcement of Judgment (20)  
Abstract of Judgment (Out of County)  
Confession of Judgment (*non-domestic relations*)  
Sister State Judgment  
Administrative Agency Award (*not unpaid taxes*)  
Petition/Certification of Entry of Judgment on Unpaid Taxes  
Other Enforcement of Judgment Case

## Miscellaneous Civil Complaint

RICO (27)  
Other Complaint (*not specified above*) (42)  
Declaratory Relief Only  
Injunctive Relief Only (*non-harassment*)  
Mechanics Lien  
Other Commercial Complaint Case (*non-tort/non-complex*)  
Other Civil Complaint (*non-tort/non-complex*)

## Miscellaneous Civil Petition

Partnership and Corporate Governance (21)  
Other Petition (*not specified above*) (43)  
Civil Harassment  
Workplace Violence  
Elder/Dependent Adult Abuse  
Election Contest  
Petition for Name Change  
Petition for Relief from Late Claim  
Other Civil Petition

**CIVIL CASE COVER SHEET ADDENDUM AND STATEMENT OF LOCATION  
(CERTIFICATE OF GROUNDS FOR ASSIGNMENT TO COURTHOUSE LOCATION)**

This form is required pursuant to LASC Local Rule 2.0 in all new civil case filings in the Los Angeles Superior Court.

Item I. Check the types of hearing and fill in the estimated length of hearing expected for this case:

JURY TRIAL? ☒ YES CLASS ACTION? ☐ YES LIMITED CASE? ☐ YES TIME ESTIMATED FOR TRIAL 7 ☐ HOURS/ ☒ DAYS

Item II. Select the correct district and courthouse location (4 steps – If you checked "Limited Case", skip to Item III, Pg. 4):

**Step 1:** After first completing the Civil Case Cover Sheet Form, find the main civil case cover sheet heading for your case in the left margin below, and, to the right in Column A, the Civil Case Cover Sheet case type you selected.

**Step 2:** Check one Superior Court type of action in Column B below which best describes the nature of this case.

**Step 3:** In Column C, circle the reason for the court location choice that applies to the type of action you have checked.  
For any exception to the court location, see Los Angeles Superior Court Local Rule 2.0.

**Applicable Reasons for Choosing Courthouse Location (See Column C below)**

- |   |  |
|---|--|
| 1. Class Actions must be filed in the County Courthouse, Central District.      | 6. Location of property or permanently garaged vehicle.    |
| 2. May be filed in Central (Other county, or no Bodily Injury/Property Damage). | 7. Location where petitioner resides.                      |
| 3. Location where cause of action arose.  | 8. Location wherein defendant/respondent functions wholly. |
| 4. Location where bodily injury, death or damage occurred.                      | 9. Location where one or more of the parties reside.       |
| 5. Location where performance required or defendant resides.                    | 10. Location of Labor Commissioner Office.                 |

**Step 4:** Fill in the information requested on page 4 in Item III; complete Item IV. Sign the declaration.

	<b>A</b> Civil Case Cover Sheet Category No.	<b>B</b> Type of Action (Check only one)	<b>C</b> Applicable Reasons - See Step 3 Above
<b>Auto Tort</b>	Auto (22)	<input type="checkbox"/> A7100 Motor Vehicle - Personal Injury/Property Damage/Wrongful Death	1., 2., 4.
	Uninsured Motorist (46)	<input type="checkbox"/> A7110 Personal Injury/Property Damage/Wrongful Death – Uninsured Motorist	1., 2., 4.
<b>Other Personal Injury/Property Damage/Wrongful Death Tort</b>	Asbestos (04)	<input type="checkbox"/> A6070 Asbestos Property Damage	2.
		<input type="checkbox"/> A7221 Asbestos - Personal Injury/Wrongful Death	2.
	Product Liability (24)	<input type="checkbox"/> A7260 Product Liability (not asbestos or toxic/environmental)	1., 2., 3., 4., 8.
	Medical Malpractice (45)	<input type="checkbox"/> A7210 Medical Malpractice - Physicians & Surgeons	1., 2., 4.
		<input type="checkbox"/> A7240 Other Professional Health Care Malpractice	1., 2., 4.
	Other Personal Injury Property Damage Wrongful Death (23)	<input type="checkbox"/> A7250 Premises Liability (e.g., slip and fall)	1., 2., 4.
<input type="checkbox"/> A7230 Intentional Bodily Injury/Property Damage/Wrongful Death (e.g., assault, vandalism, etc.)		1., 2., 4.	
<input type="checkbox"/> A7270 Intentional Infliction of Emotional Distress		1., 2., 3.	
<input type="checkbox"/> A7220 Other Personal Injury/Property Damage/Wrongful Death		1., 2., 4.	
<b>Non-Personal Injury/Property Damage/Wrongful Death Tort</b>	Business Tort (07)	<input type="checkbox"/> A6029 Other Commercial/Business Tort (not fraud/breach of contract)	1., 2., 3.
	Civil Rights (08)	<input type="checkbox"/> A6005 Civil Rights/Discrimination	1., 2., 3.
	Defamation (13)	<input type="checkbox"/> A6010 Defamation (slander/libel)	1., 2., 3.
	Fraud (16)	<input type="checkbox"/> A6013 Fraud (no contract)	1., 2., 3.

Non-Personal Injury/Property Damage/  
Wrongful Death Tort (Cont'd.)

Employment

Contract

Real Property

Unlawful Detainer

Judicial Review

SHORT TITLE: PORTNOY v. DOLLAR FINANCIAL CORP.; WE THE PEOPLE		CASE NUMBER
A Civil Case Cover Sheet Category No.	B Type of Action (Check only one)	C Applicable Reasons - See Step 3 Above
Professional Negligence (25)	<input type="checkbox"/> A6017 Legal Malpractice	1., 2., 3.
	<input type="checkbox"/> A6050 Other Professional Malpractice (not medical or legal)	1., 2., 3.
Other (35)	<input type="checkbox"/> A6025 Other Non-Personal Injury/Property Damage tort	2., 3.
Wrongful Termination (36)	<input type="checkbox"/> A6037 Wrongful Termination	1., 2., 3.
Other Employment (15)	<input type="checkbox"/> A6024 Other Employment Complaint Case	1., 2., 3.
	<input type="checkbox"/> A6109 Labor Commissioner Appeals	10.
Breach of Contract/Warranty (06) (not insurance)	<input type="checkbox"/> A6004 Breach of Rental/Lease Contract (not Unlawful Detainer or wrongful eviction)	2., 5.
	<input type="checkbox"/> A6008 Contract/Warranty Breach -Seller Plaintiff (no fraud/negligence)	2., 5.
	<input type="checkbox"/> A6019 Negligent Breach of Contract/Warranty (no fraud)	1., 2., 5.
	<input type="checkbox"/> A6028 Other Breach of Contract/Warranty (not fraud or negligence)	1., 2., 5.
Collections (09)	<input type="checkbox"/> A6002 Collections Case-Seller Plaintiff	2., 5., 6.
	<input type="checkbox"/> A6012 Other Promissory Note/Collections Case	2., 5.
Insurance Coverage (18)	<input type="checkbox"/> A6015 Insurance Coverage (not complex)	1., 2., 5., 8.
Other Contract (37)	<input checked="" type="checkbox"/> A6009 Contractual Fraud	1., 2., 3., 5.
	<input type="checkbox"/> A6031 Tortious Interference	1., 2., 3., 5.
	<input type="checkbox"/> A6027 Other Contract Dispute(not breach/insurance/fraud/negligence)	1., 2., 3., 8.
Eminent Domain/Inverse Condemnation (14)	<input type="checkbox"/> A7300 Eminent Domain/Condemnation Number of parcels _____	2.
Wrongful Eviction (33)	<input type="checkbox"/> A6023 Wrongful Eviction Case	2., 6.
Other Real Property (26)	<input type="checkbox"/> A6018 Mortgage Foreclosure	2., 6.
	<input type="checkbox"/> A6032 Quiet Title	2., 6.
	<input type="checkbox"/> A6060 Other Real Property (not eminent domain, landlord/tenant, foreclosure)	2., 6.
Unlawful Detainer - Commercial (31)	<input type="checkbox"/> A6021 Unlawful Detainer-Commercial (not drugs or wrongful eviction)	2., 6.
Unlawful Detainer - Residential (32)	<input type="checkbox"/> A6020 Unlawful Detainer-Residential (not drugs or wrongful eviction)	2., 6.
Unlawful Detainer - Drugs (38)	<input type="checkbox"/> A6022 Unlawful Detainer-Drugs	2., 6.
Asset Forfeiture (05)	<input type="checkbox"/> A6108 Asset Forfeiture Case	2., 6.
Petition re Arbitration (11)	<input type="checkbox"/> A6115 Petition to Compel/Confirm/Vacate Arbitration	2., 5.

SHORT TITLE: **PORTNOY v. DOLLAR FINANCIAL CORP.; WE THE PEOPLE**

CASE NUMBER

	<b>A</b> Civil Case Cover Sheet Category No.	<b>B</b> Type of Action (Check only one)	<b>C</b> Applicable Reasons - See Step 3 Above
Judicial Review (Cont'd.)	Writ of Mandate (02)	<input type="checkbox"/> A6151 Writ - Administrative Mandamus <input type="checkbox"/> A6152 Writ - Mandamus on Limited Court Case Matter <input type="checkbox"/> A6153 Writ - Other Limited Court Case Review	2., 8. 2. 2.
	Other Judicial Review (39)	<input type="checkbox"/> A6150 Other Writ / Judicial Review	2., 8.
Provisionally Complex Litigation	Antitrust/Trade Regulation (03)	<input type="checkbox"/> A6003 Antitrust/Trade Regulation	1., 2., 8.
	Construction Defect (10)	<input type="checkbox"/> A6007 Construction defect	1., 2., 3.
	Claims Involving Mass Tort (40)	<input type="checkbox"/> A6006 Claims Involving Mass Tort	1., 2., 8.
	Securities Litigation (28)	<input type="checkbox"/> A6035 Securities Litigation Case	1., 2., 8.
	Toxic Tort Environmental (30)	<input type="checkbox"/> A6036 Toxic Tort/Environmental	1., 2., 3., 8.
	Insurance Coverage Claims from Complex Case (41)	<input type="checkbox"/> A6014 Insurance Coverage/Subrogation (complex case only)	1., 2., 5., 8.
Enforcement of Judgment	Enforcement of Judgment (20)	<input type="checkbox"/> A6141 Sister State Judgment <input type="checkbox"/> A6160 Abstract of Judgment <input type="checkbox"/> A6107 Confession of Judgment (non-domestic relations) <input type="checkbox"/> A6140 Administrative Agency Award (not unpaid taxes) <input type="checkbox"/> A6114 Petition/Certificate for Entry of Judgment on Unpaid Tax <input type="checkbox"/> A6112 Other Enforcement of Judgment Case	2., 9. 2., 6. 2., 9. 2., 8. 2., 8. 2., 8., 9.
	RICO (27)	<input type="checkbox"/> A6033 Racketeering (RICO) Case	1., 2., 8.
Miscellaneous Civil Complaints	Other Complaints (Not Specified Above) (42)	<input type="checkbox"/> A6030 Declaratory Relief Only <input type="checkbox"/> A6040 Injunctive Relief Only (not domestic/harassment) <input type="checkbox"/> A6011 Other Commercial Complaint Case (non-tort/non-complex) <input type="checkbox"/> A6000 Other Civil Complaint (non-tort/non-complex)	1., 2., 8. 2., 8. 1., 2., 8. 1., 2., 8.
	Partnership Corporation Governance (21)	<input type="checkbox"/> A6113 Partnership and Corporate Governance Case	2., 8.
Miscellaneous Civil Petitions	Other Petitions (Not Specified Above) (43)	<input type="checkbox"/> A6121 Civil Harassment <input type="checkbox"/> A6123 Workplace Harassment <input type="checkbox"/> A6124 Elder/Dependent Adult Abuse Case <input type="checkbox"/> A6190 Election Contest <input type="checkbox"/> A6110 Petition for Change of Name <input type="checkbox"/> A6170 Petition for Relief from Late Claim Law <input type="checkbox"/> A6100 Other Civil Petition	2., 3., 9. 2., 3., 9. 2., 3., 9. 2. 2., 7. 2., 3., 4., 8. 2., 9.



SHORT TITLE: **PORTNOY v. DOLLAR FINANCIAL CORP.; WE THE PEOPLE**

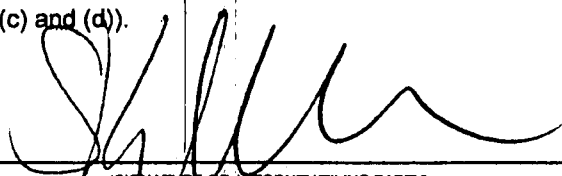
CASE NUMBER

Item III. Statement of Location: Enter the address of the accident, party's residence or place of business, performance, or other circumstance indicated in Item II., Step 3 on Page 1, as the proper reason for filing in the court location you selected.

REASON: CHECK THE NUMBER UNDER COLUMN C WHICH APPLIES IN THIS CASE <input type="checkbox"/> 1. <input checked="" type="checkbox"/> 2. <input type="checkbox"/> 3. <input type="checkbox"/> 4. <input type="checkbox"/> 5. <input type="checkbox"/> 6. <input type="checkbox"/> 7. <input type="checkbox"/> 8. <input type="checkbox"/> 9. <input type="checkbox"/> 10.			ADDRESS: 11390 Ventura Boulevard
CITY: Studio City	STATE: CA	ZIP CODE: 91604	RULE 2 ALLOWS FOR FILING OF CONTRACT DISPUTE IN CENTRAL DISTRICT

Item IV. Declaration of Assignment: I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that the above-entitled matter is properly filed for assignment to the LOS ANGELES SUPERIOR COURT courthouse in the CENTRAL District of the Los Angeles Superior Court (Code Civ. Proc., § 392 et seq., and LASC Local Rule 2.0, subds. (b), (c) and (d)).

Dated: March 26, 2009

  
(SIGNATURE OF ATTORNEY/FILING PARTY)  
**SAMUEL KRANE, Atty for Plaintiff**

**PLEASE HAVE THE FOLLOWING ITEMS COMPLETED AND READY TO BE FILED IN ORDER TO PROPERLY COMMENCE YOUR NEW COURT CASE:**

1. Original Complaint or Petition.
2. If filing a Complaint, a completed Summons form for issuance by the Clerk.
3. Civil Case Cover Sheet form CM-010.
4. Complete Addendum to Civil Case Cover Sheet form LACIV 109 (Rev 01/07), LASC Approved 03-04.
5. Payment in full of the filing fee, unless fees have been waived.
6. Signed order appointing the Guardian ad Litem, JC form FL-935, if the plaintiff or petitioner is a minor under 18 years of age, or if required by Court.
7. Additional copies of documents to be conformed by the Clerk. Copies of the cover sheet and this addendum must be served along with the summons and complaint, or other initiating pleading in the case.

Samuel Krane (SBN 38381)  
Jeremy D. Smith (SBN 24230)  
**KRANE & SMITH**  
16255 Ventura Boulevard,  
Suite 600  
Encino, California 91436  
Tel: (818) 382-4000  
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Attorneys for Plaintiff  
ARKADY PORTNOY

CONFORMED COPY  
OF ORIGINAL FILED  
Los Angeles Superior Court

MAR 27 2009

John A. [Signature], Executive Officer/Clerk  
By [Signature] Deputy  
BONNIE SWAIN

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF LOS ANGELES

ARKADY PORTNOY, an  
individual,

CASE NO. BC410687

COMPLAINT FOR:

Plaintiffs,

vs.

DOLLAR FINANCIAL CORP., a  
Delaware corporation; WE  
THE PEOPLE USA, LLC, a  
Delaware limited liability  
company doing business  
under the fictitious  
business name of WE THE  
PEOPLE; and DOES 1 through  
20, Inclusive,

Defendants.

1. BREACH OF CONTRACT;
2. BREACH OF IMPLIED COVENANT  
OF GOOD FAITH AND FAIR  
DEALING;
3. BREACH OF THE CALIFORNIA  
FRANCHISE INVESTMENT LAW;
4. FRAUD IN THE INDUCEMENT;
5. CONSPIRACY TO DEFRAUD
6. CONVERSION;
7. UNJUST ENRICHMENT;
8. VIOLATION OF CALIFORNIA  
BUS. & PROF. CODE §§17200,  
et seq.; AND
9. DECLARATORY RELIEF

1 Plaintiff ARKADY PORTNOY ("Plaintiff") for his Complaint  
2 against Defendants DOLLAR FINANCIAL CORP. and WE THE PEOPLE USA,  
3 INC. doing business under fictitious business name of WE THE  
4 PEOPLE (jointly "Defendants"), alleges as follows:

5 **PARTIES**

6 1. Plaintiff is, and at all times herein mentioned has  
7 been, an individual residing in and/or transacting business in  
8 the County of Los Angeles, State of California.

9 2. Plaintiff is informed and believes, and on that basis  
10 alleges, that Defendant WE THE PEOPLE USA, INC. ("We The  
11 People") is, and at all times herein mentioned has been, a  
12 corporation organized and existing under and by virtue of the  
13 laws of the State of Delaware and engaged in the business of  
14 franchising the opportunity to operate a legal document  
15 preparation service and provide legal documents to people who  
16 choose to represent themselves in basic, uncontested legal  
17 matters. Plaintiff is further informed and believes, and on  
18 that basis alleges, that Defendant We The People is the owner of  
19 the intellectual property, including but not limited to the  
20 trade marks and service marks and any other intellectual  
21 property associated with the franchise system.

22 3. Plaintiff is informed and believes, and on that basis  
23 alleges, that Defendant DOLLAR FINANCIAL CORP. ("Dollar  
24 Financial") is, and at all times herein mentioned has been, a  
25 corporation organized and existing under and by virtue of the  
26 laws of the State of Delaware.

27 4. Plaintiff is informed and believes, and on that basis

1 alleges, that Dollar Financial is the owner and parent company  
2 of the Defendant We The People franchise and franchise system  
3 and

4 GENERAL ALLEGATIONS

5 5. The true names and capacities, whether individual,  
6 corporate, associate or otherwise of defendants DOES 1 through  
7 50, inclusive, are unknown to Plaintiff who therefore sues said  
8 defendants by such fictitious names. Plaintiff is informed and  
9 believes and based thereon alleges that each of the fictitiously  
10 named defendants is responsible in some manner for the events,  
11 acts, occurrences and liabilities alleged and referred to  
12 herein. Plaintiff will seek leave to amend this Complaint to  
13 allege the true names and capacities of these DOE defendants  
14 when the same are ascertained.

15 6. Plaintiff is informed and believes, and on that basis  
16 alleges, that at all times mentioned herein each of the  
17 Defendants was, and now is, acting as the employee, agent,  
18 principal, officer, partner, joint venturer, alter ego, co-  
19 conspirator, director or other representative of one or more of  
20 the remaining defendants and, in doing the things herein  
21 mentioned, was acting within the scope and course of such  
22 employment, agency, partnership, joint venture, conspiracy or  
23 other relationship, and with the permission, authorization,  
24 ratification and consent of the other defendants.

25 7. Plaintiff is informed and believes, and on that basis  
26 alleges, that DOES 1 through 20 are alter egos of the named  
27 Defendants; are otherwise responsible for their activities;

1 and/or are the recipients of the misappropriated cash or other  
2 assets belonging to Plaintiff alleged in this Complaint. When  
3 the true names and capacities of these defendants have been  
4 ascertained, Plaintiff will amend this Complaint accordingly.

5 8. Plaintiff is informed and believes, and on that basis  
6 alleges, that at all relevant times, Defendant Dollar Financial  
7 dominated, operated, influenced and controlled the activities  
8 and affairs of Defendant We The People and DOES 1 through 10 to  
9 such an extent that We The People was used by Defendant Dollar  
10 Financial as a mere conduit to conduct his own business through  
11 the subterfuge of purported separate corporate entities in order  
12 to avoid liability and responsibility for obligations, to  
13 substitute financially irresponsible entities and the primary  
14 obligors on obligations incurred for the benefit of Defendant  
15 Dollar Financial and to enable the shifting of assets and  
16 liabilities between Defendant Dollar Financial and Defendant We  
17 The People and DOES 1 through 10.

18 9. Plaintiff is further informed and believes, and on that  
19 basis alleges, that at all relevant times, said defendants  
20 failed to observe corporate formalities and there existed such  
21 a unity of ownership and interest between Defendants Dollar  
22 Financial and We The People DOES 1 through 10 so that the  
23 individuality and separateness of the entities ceased to exist.  
24 Adherence to the fiction of a separate existence between  
25 Defendant Dollar Financial, Defendant We The People and DOES 1  
26 through 10 would sanction a fraud and promote injustice in that  
27 these defendants were, and now are, the alter egos of one

1 another.

2 **FIRST CAUSE OF ACTION**

3 **(For Breach of Franchise Agreement Against Defendants We The**  
4 **People and DOES 1 through 25, Inclusive)**

5 10. Plaintiff repeats, repleads and realleges paragraphs  
6 1 through 11 inclusive, of this Complaint and incorporates the  
7 same herein by the reference as though set forth in full.

8 11. On or about December 15, 2005, Defendant We The People,  
9 as franchisor, and Plaintiff, as franchisee, entered into a  
10 written Franchise Agreement ("Franchise Agreement") which  
11 provided, inter alia, that Plaintiff would own and operate a We  
12 The People franchise in an exclusive territory identified as  
13 certain portions of the San Fernando Valley for an initial term  
14 of the ten years with the right to renew the franchise for two  
15 successive five year terms. Plaintiff acquired this franchise  
16 from Robert Coto, a franchisee and the assignment of the  
17 franchise to Plaintiff was approved by Defendant We The People.  
18 A true and correct copy of the Franchise Agreement, dated  
19 December 15, 2005, is attached hereto as Exhibit "A" and  
20 incorporated by this reference as though fully set forth herein.

21 12. During the period between December 15, 2005 and March  
22 2009, Plaintiff owned and operated his franchise and performed  
23 his obligations under the Franchise Agreement.

24 13. On or about March 6, 2009, Defendant We The People  
25 breached the Franchise Agreement by unlawfully terminating  
26 Plaintiff's franchise by written notice on the pretextual  
27 grounds that Plaintiff engaged in conduct which reflects

1 materially and unfavorably upon the operation and reputation of  
2 We The People and repeatedly failed to comply with requirements  
3 of the franchise confidential operating manual. In addition,  
4 Defendant We The People terminated Plaintiff's franchise on this  
5 pretextual without an opportunity to cure. A true and correct  
6 copy of Defendant We The People's Notice of Termination is  
7 attached hereto as Exhibit "B" and incorporated by this  
8 reference as thought fully set forth herein.

9 14. In fact, at the time of the pretextual termination of  
10 Plaintiff's franchise by Defendant We The People, Plaintiff was  
11 in compliance with the requirements of the Franchise Agreement.  
12 Therefore, Defendant We The People concocted a purported offer  
13 and sale by Plaintiff of a legal document not permitted under  
14 the Franchise Agreement in order to manufacture a purported  
15 basis for termination of the franchise for its own use, benefit  
16 and purpose, as part of a systematic termination of its entire  
17 franchise program.

18 15. Plaintiff performed all conditions, covenants and  
19 promises required on his part to be performed in accordance with  
20 the terms and conditions of the Franchise Agreement, except  
21 those conditions, covenants and promises excused by Defendant We  
22 The People's acts or omissions to act.

23 16. The Franchise Agreement provides, inter alia, that in  
24 the event of a breach of any of the provisions thereof, the  
25 prevailing party shall be entitled to recover costs of suit,  
26 including reasonable attorneys' fees incurred. Plaintiffs have  
27 employed the law firm of Krane & Smith, licensed and practicing

1 attorneys in the State of California, for the purpose of  
2 instituting and prosecuting this action.

3 17. As a direct and proximate result of said Defendants'  
4 breach, Plaintiff has suffered, and will continue to suffer,  
5 general and special damages in excess of this Court's  
6 jurisdictional minimum. Plaintiff will amend this Complaint to  
7 set forth the amount of the full damages when they are  
8 ascertained or according to proof at trial.

9 **SECOND CAUSE OF ACTION**

10 **(For Breach of the Implied Covenant of Good Faith and Fair**  
11 **Dealing Against Defendants We The People and DOES 1 through**  
12 **25, Inclusive)**

13 18. Plaintiff repeats, repleads and realleges paragraphs  
14 1 through 17 inclusive, of this Complaint and incorporates the  
15 same herein by the reference as though set forth in full.

16 19. The Franchise Agreement carried with it, as a matter  
17 of law, an implied covenant of good faith and fair dealing that  
18 each party would do nothing to deprive the other party of the  
19 benefits of the agreement and would act in good faith to fulfill  
20 obligations under the agreement.

21 20. On or about March 6, 2009, Defendant We The People  
22 breached the Franchise Agreement by unlawfully terminating  
23 Plaintiff's franchise by written notice on pretextual grounds,  
24 without the opportunity to cure, as part of its systematic  
25 termination of its entire franchise program, for its own use,  
26 benefit and purpose.

27 21. Plaintiff has performed all of the conditions and  
28



1 covenants that he agreed to perform pursuant to the terms of the  
2 Franchise Agreement, except for those promises, conditions and  
3 covenants excused by the acts and omissions of Defendants.

4 22. As a direct and proximate result of said Defendants'  
5 breach, Plaintiff has suffered, and will continue to suffer,  
6 general and special damages in excess of this Court's  
7 jurisdictional minimum. Plaintiff will amend this Complaint to  
8 set forth the amount of the full damages when they are  
9 ascertained or according to proof at trial.

10 **THIRD CAUSE OF ACTION**

11 **(For Breach of California Franchise Investment Law Against**  
12 **Defendants We The People and DOES 1 through 25, Inclusive)**

13 23. Plaintiff repeats, repleads and realleges paragraphs  
14 1 through 22 inclusive, of this Complaint and incorporates the  
15 same herein by the reference as though set forth in full.

16 24. Plaintiff and Defendant We The People were in a  
17 relationship of Franchisor and Franchisee.

18 25. Prior to entering into the Franchise Agreement,  
19 Defendant We The People did not register and/or provide  
20 Plaintiff with a material modification offering circular or with  
21 any other documents required to be provided by the California  
22 Franchise Investment Law permitting it to terminate Plaintiff's  
23 franchise on pretextual grounds not specifically set forth  
24 therein.

25 26. The material modification constituted the offer and  
26 sale of a franchise under the Franchise Investment Law.

27 27. Due to such failure, Plaintiff was not informed, as

1 required by law, Defendant We The People's contention that it  
2 allegedly have the right, at any time, to terminate the  
3 Franchise Agreement on such grounds.

4 28. The violations of the Franchise Investment Law were  
5 willful, entitling Plaintiff to the opportunity for an election  
6 of the remedy of rescission and, pursuant to California Civil  
7 Code Section 1692, damages and complete relief. Plaintiff does  
8 not at this time elect remedies but reserves the right to make  
9 election of remedies at such time as required by the Court.

10 29. As a direct and proximate result of said Defendants'  
11 breach, Plaintiff has suffered, and will continue to suffer,  
12 general and special damages in excess of this Court's  
13 jurisdictional minimum. Plaintiff will amend this Complaint to  
14 set forth the amount of the full damages when they are  
15 ascertained or according to proof at trial.

16 **FOURTH CAUSE OF ACTION**

17 **(Fraud in the Inducement Against Defendants We The People and**  
18 **DOES 1 through 25, Inclusive)**

19 30. Plaintiff repeats, repleads and realleges paragraphs  
20 1 through 29 inclusive, of this Complaint and incorporates the  
21 same herein by the reference as though set forth in full.

22 31. Prior to the time Plaintiff purchased the franchise and  
23 executed the Franchise Agreement, Defendants We The People  
24 intended to defraud Plaintiff of his franchise rights by making  
25 a material omission of fact when it requested Plaintiff to sign  
26 the Franchise Agreement that it could unilaterally terminate  
27 Plaintiff's franchise on pretextual grounds as part of a

1 systematic termination of its entire franchise program for its  
2 own use, benefit and purpose.

3 32. Plaintiff, in reliance on the promises made by  
4 Defendants, has expended substantial effort and expense, among  
5 other things, to his franchise and his territory. This effort  
6 and expense benefitted not only Plaintiff, but Defendant We The  
7 People. Defendant We The People has freely accepted and used  
8 these benefits, including but not limited to the acceptance of  
9 the initial and other franchise fees under the Franchise  
10 Agreement and development of the franchised territory.

11 33. At no time before Plaintiff entered into the Franchise  
12 Agreement did Defendant We The People provide Plaintiff with a  
13 material modification offering circular or any other documents  
14 required to be provided by the California Franchise Investment  
15 Law, informing Plaintiffs of Defendant We The People's present  
16 contention that it allegedly has the right to immediately  
17 terminate Plaintiff's franchise based on pretextual grounds.

18 34. As a direct and proximate result of said Defendants'  
19 breach, Plaintiff has suffered, and will continue to suffer,  
20 general and special damages in excess of this Court's  
21 jurisdictional minimum. Plaintiff will amend this Complaint to  
22 set forth the amount of the full damages when they are  
23 ascertained or according to proof at trial.

24 35. At the time Plaintiff entered into the Franchise  
25 Agreement, Defendant We The People knew it intended to terminate  
26 franchises on grounds not contained in the Franchise Agreement  
27 or Offering Circular if it suited its purposes. Plaintiff was

1 thereby fraudulently induced to enter into the Franchise  
2 Agreement and incur expenses in reliance thereon. Plaintiff  
3 never would have done so had he known his substantial investment  
4 in the franchise would be jeopardized on the whim of Defendant  
5 We The People.

6 36. Defendant We The People's conduct was but a part of a  
7 pattern and practice of deceptive and unfair conduct engaged in  
8 by it to unlawfully terminate its franchises. This is reflected  
9 in the fact that Defendant We The People is engaged in an  
10 ongoing pattern and practice of terminating other franchises in  
11 a similar manner as part of its systematic termination of its  
12 entire franchise program for its own use, benefit and purpose.

13 37. Plaintiff reasonably relied on Defendant We The  
14 People's material omission. Had Plaintiff known such material  
15 omissions were made, Plaintiff would not have signed the  
16 Franchise Agreement and thereby put in peril Plaintiff's  
17 extensive time, effort and investment to develop the We The  
18 People franchise system.

19 38. Defendant We The People's conduct was undertaken with  
20 the intent to injure Plaintiff, or with a willful and conscious  
21 disregard of Plaintiff's rights, and constitutes clear and  
22 convincing evidence of despicable, outrageous, oppressive and  
23 malicious conduct pursuant to Section 3294 of the California  
24 Code of Civil Procedure. Plaintiff is entitled to punitive and  
25 exemplary damages against Defendant We The People for the sake  
26 of example and to punish it for its unlawful conduct.

1 FIFTH CAUSE OF ACTION

2 (For Conspiracy to Defraud Against Defendants We The People,  
3 Dollar Financial and DOES 1 through 25, Inclusive)

4 39. Plaintiff repeats, repleads and realleges paragraphs 1  
5 through 38 inclusive, of this Complaint and incorporates the  
6 same herein by the reference as though set forth in full.

7 40. Plaintiff is informed and believes, and thereon alleges  
8 that Defendants Dollar Financial and We The People, and each of  
9 them, knowingly, and willfully conspired and agreed with and  
10 among themselves to defraud Plaintiff and to deprive Plaintiff  
11 of his franchise rights by engaging in a material omission of  
12 fact when they requested Plaintiff to sign the Franchise  
13 Agreement that they could unilaterally terminate Plaintiff's  
14 franchise on pretextual grounds.

15 41. At no time before Plaintiff entered into the Franchise  
16 Agreement did Defendants, or either of them, provide Plaintiff  
17 with a material modification offering circular or any other  
18 documents required to be provided by the California Franchise  
19 Investment Law, informing Plaintiffs of Defendants' present  
20 contention that they allegedly have the right to immediately  
21 terminate Plaintiff's franchise based on pretextual grounds.

22 42. At the time Plaintiff entered into the Franchise  
23 Agreement, Defendants knew they intended to cause the  
24 termination of franchises on grounds not contained in the  
25 Franchise Agreement or Offering Circular if it suited their  
26 purposes. Plaintiff was thereby fraudulently induced to enter  
27 into the Franchise Agreement and incur expenses in reliance

1 thereon. Plaintiff never would have done so had he known his  
2 substantial investment in the franchise would be jeopardized on  
3 the whim of Defendants.

4 43. Defendants' conduct was but a part of an ongoing  
5 pattern and practice of deceptive and unfair conduct engaged in  
6 by Defendants to unlawfully terminate its franchises. This is  
7 reflected in the fact that Defendants previously terminated  
8 other franchises in a similar manner as part of its systematic  
9 termination of its entire franchise program for its own use,  
10 benefit and purpose.

11 44. Plaintiff reasonably relied on Defendants' material  
12 omission. Had Plaintiff known such material omission was made,  
13 Plaintiff would not have signed the Franchise Agreement and  
14 thereby put in peril Plaintiff's extensive time, effort and  
15 investment to develop the We The People franchise system.

16 45. As a direct and proximate result of said Defendants'  
17 breach, Plaintiff has suffered, and will continue to suffer,  
18 general and special damages in excess of this Court's  
19 jurisdictional minimum. Plaintiff will amend this Complaint to  
20 set forth the amount of the full damages when they are  
21 ascertained or according to proof at trial.

22 46. The conduct of Defendants We The People and Dollar  
23 Financial was undertaken with the intent to injure Plaintiff, or  
24 with a willful and conscious disregard of Plaintiff's rights,  
25 and constitutes clear and convincing evidence of despicable,  
26 outrageous, oppressive and malicious conduct pursuant to Section  
27 3294 of the California Code of Civil Procedure. Plaintiff is

1 entitled to punitive and exemplary damages against said  
2 Defendants for the sake of example and to punish Defendants for  
3 their unlawful conduct.

4 **SIXTH CAUSE OF ACTION**

5 **(For Conversion Against Defendants We The People, Dollar**  
6 **Financial and DOES 1 through 25, Inclusive)**

7 47. Plaintiff repeats, repleads and realleges paragraphs 1  
8 through 46 inclusive, of this Complaint and incorporates the  
9 same herein by the reference as though set forth in full.

10 48. Prior to March 6, 2009, the We The People franchise  
11 owned by Plaintiff was converted by Defendants We The People and  
12 Dollar Financial for their own use and benefit as part of its  
13 systematic termination of their entire franchise program.

14 49. As a direct and proximate result of the conduct of  
15 Defendants, Plaintiff has sustained and will sustain general,  
16 consequential and special damages in an amount not yet  
17 ascertained but in excess of the jurisdiction minimum of this  
18 Court. Plaintiff will seek leave to amend this Complaint to  
19 allege the exact amount of his damages, when the same have been  
20 finally ascertained.

21 50. The actions of Defendants We The People and Dollar  
22 Financial were undertaken wilfully, maliciously, and with a  
23 reckless and conscious disregard of Plaintiff's rights. The  
24 acts and conduct of said Defendants were despicable, constituted  
25 fraud, oppression and malice within the meaning of Civil Code  
26 §3294 and were undertaken with the intent to injure Plaintiff  
27 and deprive him of his rights and property, constituting clear

1 and convincing evidence of despicable, outrageous, oppressive  
2 and malicious conduct within the meaning of Civil Code §3294.

3 **SEVENTH CAUSE OF ACTION**

4 (For Unjust Enrichment Against Defendants We The People,  
5 Dollar Financial and DOES 1 through 25, Inclusive)

6 51. Plaintiff repeats, repleads and realleges paragraphs 1  
7 through 50 inclusive, of this Complaint and incorporates the  
8 same herein by the reference as though set forth in full.

9 52. To prevent unjust enrichment to Defendants We The  
10 People and Dollar Financial, Plaintiff demands payment in an  
11 amount equal to the fair market value of the benefits received  
12 by said Defendants as a result of the unlawful termination of  
13 Plaintiff's franchise.

14 53. As a direct and proximate result of said Defendants'  
15 breach, Plaintiff has suffered, and will continue to suffer,  
16 general and special damages in excess of this Court's  
17 jurisdictional minimum. Plaintiff will amend this Complaint to  
18 set forth the amount of the full damages when they are  
19 ascertained or according to proof at trial.

20 **EIGHTH CAUSE OF ACTION**

21 (For Violation of Business And Professions Code §§ 17200 et  
22 Seq. Against Defendants We The People, Dollar Financial and  
23 DOES 1 through 25, Inclusive)

24 54. Plaintiff repeats, repleads and realleges paragraphs  
25 1 through 53 inclusive, of this Complaint and incorporates the  
26 same herein by the reference as though set forth in full.

27 55. Plaintiff is suing both in his individual capacity and  
28



1 on behalf of the general public.

2 56. Defendant We The People and Dollar Financial have  
3 committed acts of unfair competition, as defined by California  
4 Business and Professions Code § 17200, by engaging in the acts  
5 and/or practices described above regarding the unlawful  
6 termination of the Franchise Agreement.

7 57. Commencing in or about March 2009, and continuing to  
8 the present time, Defendants We The People and Dollar Financial  
9 engaged in abusive, deceptive, unlawful and illegal franchising  
10 practices and schemes as alleged herein.

11 58. These acts and practices, as described herein violate  
12 California Business & Professions Code §17200 and constitutes an  
13 unfair business act or practice within the meaning of Bus. &  
14 Prof. Code § 17200.

15 59. The unlawful and unfair business practices of said  
16 Defendants, as described above, present a continuing threat to  
17 members of the public in that the anti-competitive atmosphere  
18 created by the practices is an ongoing harm.

19 60. Unless restrained and enjoined by this Court,  
20 Defendants will persist in their activities, thereby causing  
21 further irreparable harm for which Plaintiff and the general  
22 public have no adequate remedy at law.

23 61. Plaintiff seeks an appropriate order of this Court  
24 requiring Defendants to make restitution by restoring to  
25 Plaintiff all of the monies paid to Defendants and to disgorge  
26 all of the profits derived by said Defendants, through the use  
27 of the unlawful and unfair business practices described above,

1 as provided in Cal. Bus. & Prof. Code §17203.

2 62. In the event the Court orders said Defendants to  
3 disgorge their improperly obtained profits and/or to make  
4 restitution, Plaintiff seeks an award of his attorneys' fees  
5 under, inter alia, California Code of Civil Procedure § 1021.5.

6 **NINTH CAUSE OF ACTION**

7 **(For Declaratory Relief Against Defendants We The People and**  
8 **DOES 1 through 25, Inclusive)**

9 63. Plaintiff repeats, repleads and realleges paragraphs  
10 1 through 62 inclusive, of this Complaint and incorporates the  
11 same herein by the reference as though set forth in full.

12 64. Plaintiff contends, and Defendants deny, that under the  
13 Franchise Agreement and Offering Circular, Defendants did not  
14 have the right to terminate Plaintiff's Franchise Agreement on  
15 March 6, 2009.

16 65. An actual controversy has thus arisen between the  
17 parties within the meaning of California Code of Civil Procedure  
18 § 1060. The controversy is ripe for adjudication.

19 66. Plaintiff requests that the Court issue a declaration  
20 of rights among the parties in favor of Plaintiff concerning the  
21 controversies set forth herein.

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PRAYER

WHEREFORE, Plaintiff prays for judgement as follows:

1. On the First, Second, Third, Fourth, Fifth and Sixth Causes of Action

- a. For general damages according to proof;
- b. For special damages according to proof;
- c. For interest thereon according to law;

2. On The Fourth, Fifth and Sixth Causes of Action:

- a. For punitive and exemplary damages according to proof.

3. On The Seventh Cause of Action:

- a. For the value of benefits received by Defendants for which they have been unjustly enriched.

4. On the Eighth Cause of Action:

- a. For disgorgement and restitution for all profits made by Defendants at the expense and to the detriment of Plaintiff;
- b. For all appropriate relief provided for under § § 17200 et seq. of the California Business and Professions Code.

5. On the Ninth Cause of Action

- a. For a declaration of the rights and obligations of the parties under the Franchise Agreement.

6. On all Causes of Action:

- a. For costs of suit herein;
- b. For attorneys' fees according to proof; and
- c. For such other and further relief as the Court

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deems just and proper.

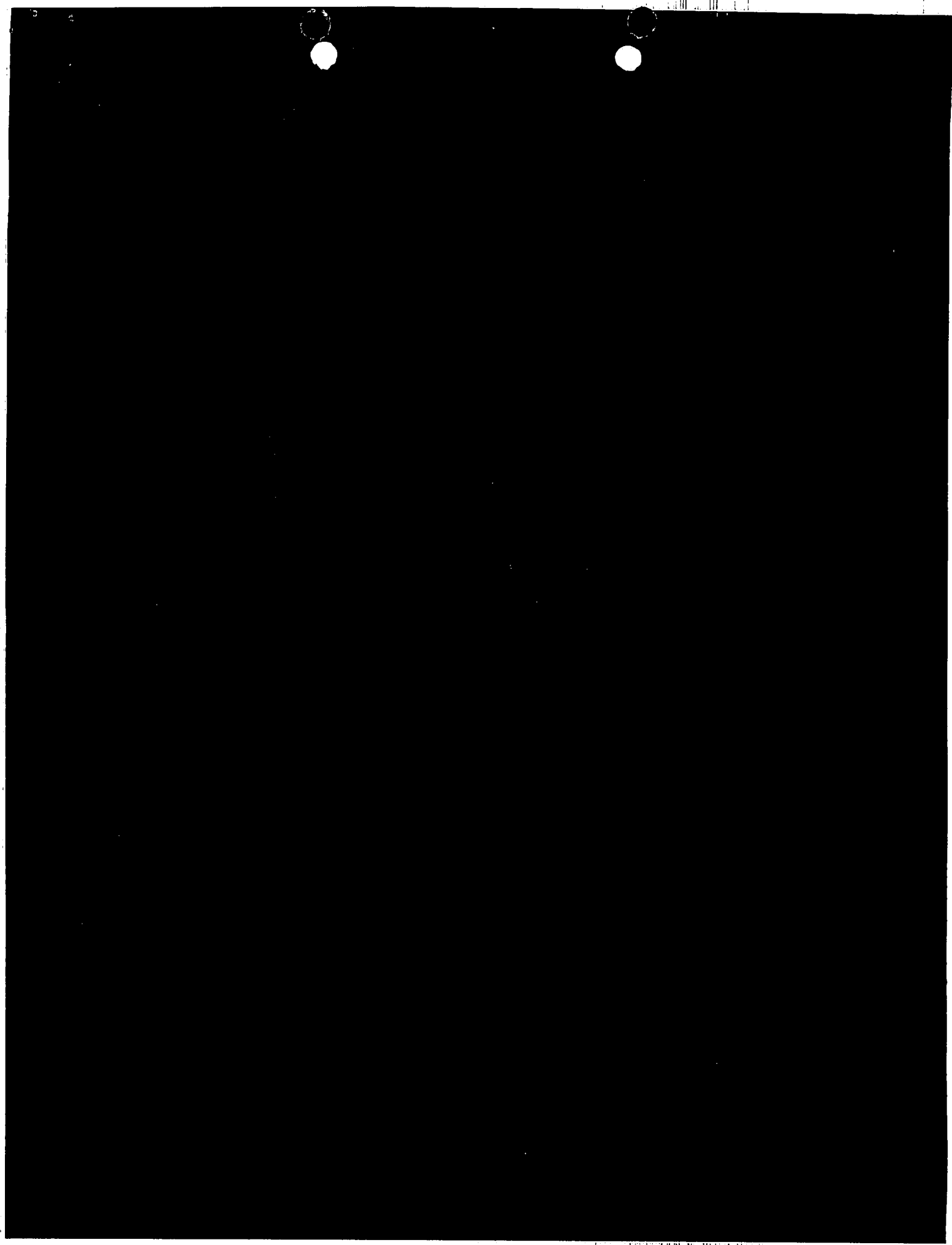
DATED: March 26, 2009

KRANE & SMITH

By: 

SAMUEL KRANE

Attorneys for Plaintiff  
ARKADY PORTNOY



**WE THE PEOPLE USA, INC.**

*Dated October 2005*

**FRANCHISE AGREEMENT**

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#### **SCHEDULES:**

Schedule "A"	Exclusive Territory
Schedule "B"	Telephone Number Transfer Agreement
Schedule "C"	Principal Owners' Statement
Schedule "D"	Principal Owners' Guaranty
Schedule "E"	Form of General Release
Schedule "F"	State Specific Amendments to Franchise Agreement

## **WE THE PEOPLE USA, INC.**

### **FRANCHISE AGREEMENT**

This Franchise Agreement (the "Agreement") is made by and between We The People USA, Inc., a Delaware corporation (the "Company"), whose address is 1436 Lancaster Ave., Suite 300, Berwyn, Pennsylvania 19312, and Art Portnoy, whose address is set forth on the signature page hereof ("Franchisee").

#### **RECITALS**

A. The Company owns proprietary knowhow and trade secrets relating to the establishment, marketing, promotion, and operation of businesses that provide legal document preparation services (a "We The People Center").

B. The Company has expended time, effort, and money to develop and protect business plans, procedures, training programs, marketing identity and unique marketing methods (collectively, the "System") in connection with the operation of We The People Centers.

C. The Company has rights to the name, distinctive logo, and identifying commercial symbol and design "We The People" and any additional trademarks, trade names, service marks, and other commercial symbols the Company may develop for use by its franchisees (collectively, the "Marks").

D. The Company maintains high standards of quality for its products and services such that valuable goodwill is attached to the Marks.

E. Franchisee desires to obtain the right to own and operate a We The People Center franchise on the terms and conditions set forth herein.

In consideration of the foregoing and the promises contained herein, the parties agree as follows:

#### **1. FRANCHISE AND TERM**

##### **1.1 Grant of Franchise.**

The Company grants to Franchisee the right to use the Marks and the System of the Company to provide legal document preparation services (the "Franchised Business") to the public from a single storefront location ("Franchisee's Center") on the terms and conditions set forth in this Agreement. Franchisee cannot use the *We The People* name, the Marks or the System in any other business, or in connection with any Web Site (as described in Section 3.8.4) or offer any products or services that are not included within the Franchised Business, without the prior written consent of the Company.

##### **1.2 Exclusive Territory.**

Except as otherwise provided herein, Franchisee will be granted an exclusive, geographic territory defined by zip codes or other geographic boundaries as determined by the Company in its sole discretion after giving consideration to relevant demographic information including population density and average household income (the "Exclusive Territory"). The actual geographic boundaries of the Exclusive Territory will be set forth on Schedule "A" to this Agreement to be executed by both the Company and Franchisee. So

long as Franchisee is not in default under this Agreement, the Company will not grant any other person a franchise to open a We The People Center within the Exclusive Territory, nor will the Company open a We The People Center within the Exclusive Territory.

Franchisee cannot advertise or solicit orders within another franchisee's or Company-owned Exclusive Territory. The Company retains the right to do business through alternative marketing plans or systems under the Marks and to operate any business which does not utilize the Marks. The Company further retains the right to sell tangible products bearing the Marks through non-franchised, unaffiliated entities. Franchisee does not receive the right to acquire additional franchises within Franchisee's Exclusive Territory or contiguous territories.

If the Company sells a We The People service to a customer via the internet and that customer resides outside the Exclusive Territory of any We The People franchisee, the Company will retain 100% of the Net Profit (as defined below) from the sale. If the Company sells a We The People service to a customer completely via the internet with no assistance, consultation or involvement by a We The People franchisee, and that customer resides in the Exclusive Territory of such franchisee, the Company will pay that franchisee 15% of the Net Profit from the sale. If the Company sells a We The People service to a customer via the internet with some assistance, consultation or involvement by a We the People franchisee, and that customer resides in the Exclusive Territory of such franchisee, the Company will pay that franchisee 25% of the Net Profit from the sale.

As used herein, "Net Profit" shall mean the purchase price received by the Company for the legal document prepared less the applicable Processing Fee (as defined below) charged by the Company therefor.

### **1.3 Term.**

**1.3.1 Initial Term.** This Agreement is effective and binding for an initial term of ten years commencing on the date of its execution by the Company, unless sooner terminated as provided herein.

**1.3.2 Renewal Term.** If Franchisee is not in default under this Agreement, Franchisee may renew the franchise for two successive five year terms on the same terms and conditions on which the Company is then customarily granting new franchises; or, if the Company is not granting any new franchises, then on the same terms and conditions on which the Company is then customarily granting renewal franchises, provided, however, that Franchisee shall comply with all of the provisions set forth in Section 1.3.4.

**1.3.3 Refusal to Renew.** Notwithstanding the foregoing provisions, the Company is not obligated to renew the franchise if:

- (a) Franchisee has repeatedly failed to make payments or reports within ten business days of the date on which they are actually due; or
- (b) Franchisee has repeatedly been in default of this Agreement; or
- (c) Franchisee has failed to operate its We The People Center in compliance with the Confidential Manuals (as set forth in Section 2.3); or
- (d) The Franchisee has failed or refused to take remedial actions recommended by the Company to improve Franchisee's business operations.

**1.3.4 Conditions to Renewal.** Prior to and as a condition to renewal of this Agreement, Franchisee shall perform all of the following obligations:

(a) Franchisee must give the Company written notice of its intent to renew the franchise not more than 180 calendar days nor less than 90 calendar days prior to the expiration of the preceding term.

(b) Franchisee shall repair or replace, at Franchisee's cost and expense, equipment (including electronic cash register, computer hardware or software systems or Web-enabled video camera), signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Franchised Business as the Company may reasonably require and shall obtain, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies and other products and materials that may be reasonably required by the Company for Franchisee to offer and sell new items or services from Franchisee's Center or to provide the services of the Franchised Business by alternative means and shall otherwise modernize the Center premises, equipment (including electronic cash register, computer hardware or software systems or Web-enabled video camera), signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Center, as reasonably required by the Company to reflect the then-current standards and image of the System as contained in the Confidential Operating Manual (as defined below) or otherwise provided in writing by the Company.

(c) Franchisee, and the majority partner(s), member(s) or shareholder(s) of Franchisee, if Franchisee is a partnership, a limited liability company or a corporation, and the Franchisee's designated manager, if applicable, shall execute a general release of any and all claims against the Company and its affiliates, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement or under federal, state or local laws, rules, regulations or orders.

(d) Franchisee shall execute the Company's then-current form of renewal franchise agreement, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, higher percentage Processing Fees, advertising contributions or expenditure requirements, and/or smaller Exclusive Territory.

(e) Franchisee shall pay the Company the renewal fee set forth in Section 4.6.

(f) Franchisee, and the majority partner(s), member(s) or shareholder(s) of Franchisee, if Franchisee is a partnership, a limited liability company or a corporation, and the Franchisee's designated manager, if applicable, shall execute the Company's then-current form of Principal Owner's Guaranty (attached hereto as Schedule "D").

#### **1.4 Location of Franchisee's Center.**

The location of Franchisee's Center must be within the Exclusive Territory. Franchisee cannot relocate Franchisee's Center or operate at any location other than the Site without the prior written consent of the Company.

## **2. OBLIGATIONS OF THE COMPANY**

### **2.1 Site Selection.**

The Company will provide guidance to Franchisee in the selection of a site for Franchisee's Center within the Exclusive Territory. Final site selection for Franchisee's Center will be subject to the approval of the Company. Within 30 days of the Company's receipt of the proposed site location, the Company will respond to Franchisee in writing of its approval or disapproval of the proposed site (following approval, the "Site"). Franchisee specifically acknowledges that site approval by the Company is not to be interpreted as a guarantee of success or profitability of the We The People Center that is to be operated at the Site.

### **2.2 Lease Review.**

Franchisee must submit a copy of the proposed lease for Franchisee's Center for the Company to review. Franchisee acknowledges that the Company's review of the lease does not constitute an assurance that the rights and interests of the Franchisee are adequately protected. Section 3.1 below sets forth certain provisions that must be included in the lease for Franchisee's Center.

### **2.3 Confidential Manuals.**

The Company will lend Franchisee a copy of the We The People Confidential Operating Manual and any state specific addenda in connection therewith (the "Confidential Operating Manual"), and a copy of the We The People Confidential Compliance Manual and any state specific addenda in connection therewith (the "Confidential Compliance Manual" and together with the Confidential Operating Manual, the "Confidential Manuals"), as each of the foregoing may be supplemented from time to time by the Company in its sole discretion to use during the term of this Agreement. The Company may from time to time revise the contents of the Confidential Operating Manual to convey to Franchisee advancements and new developments in sales, marketing, operational techniques, and other items and procedures relevant to the operation of the Franchised Business, and the Company may from time to time revise the contents of the Confidential Compliance Manual to update Franchisee's legal compliance requirements. The Company may send new pages or a completely revised Confidential Manual to Franchisee, at no cost to Franchisee.

### **2.4 Training.**

The Company will conduct a training program in the management and operation of the Franchised Business. The training program will consist of approximately 49 hours of classroom and on-the-job instruction at the Company's business offices or other location that the Company may select for the benefit of Franchisee. Franchisee, if Franchisee is an individual, or the majority partner(s), member(s) or shareholder(s) of Franchisee, if Franchisee is a partnership, a limited liability company or a corporation, and the Franchisee's designated manager, if applicable, must attend and successfully complete the

training program to the satisfaction of the Company prior to the opening of the Franchised Business. Two people may attend the initial training program without charge. The Company will provide Franchisee with the necessary training materials. Franchisee must pay all travel, food, lodging, and other expenses incurred by Franchisee and its employees in connection with attendance at the training program.

If Franchisee fails to complete the training program to the satisfaction of the Company, then the Company may terminate this Agreement effective immediately. Upon termination, the Company will retain \$10,000 of the Initial Franchise Fee (as defined in Section 4.1) as compensation for services rendered to the time of termination and will promptly refund the balance of the Initial Franchise Fee to Franchisee.

## **2.5 Center Opening.**

The Company, at the expense of the Franchisee, will promptly place an opening order for letterhead, envelopes, business cards, window signs, and brochures utilizing the standard colors, logos and type styles of the Company. A representative of the Company will advise and assist Franchisee in the opening of Franchisee's Center and in establishing procedures essential to the operation of a We The People Center.

## **2.6 Document Preparation.**

The Company will produce all legal documents that are utilized by the Franchisee in the operation of the Franchised Business. The Company has had all document templates reviewed and approved by an attorney licensed in the state in which Franchisee's Center is located and agrees that the documents will comply with applicable state law so long as the information provided by the customer and Franchisee is accurate.

## **2.7 Supervising Attorney.**

The Company will designate a supervising attorney who will be available during reasonable business hours for consultation on legal issues that may be presented by We The People customers and franchisees. Although the Company will designate a supervising attorney licensed in Franchisee's particular state, Franchisee acknowledges and agrees that the Company is not responsible for advice given by the supervising attorney.

## **2.8 Advisory Services.**

The Company may provide, as and to the extent required and reasonable in the Company's judgment, limited consultation on operations, promotional, marketing and advertising techniques, and customer relations.

Upon Franchisee's request, field representatives will be available for on-site consultation and assistance on a fee basis by appointment only. The Company's current fee for such assistance is \$250 per day plus expenses, including travel expenses, lodging, computer research time, and telephone use charges. The Company reserves the right to change its fee structure from time to time upon written notice to its franchisees.

## **2.9 Regional Meetings.**

The Company may conduct regional meetings on a periodic basis to discuss changes and developments in the We The People System and other topics that are relevant to the operation of the Franchised Business. Franchisee must attend all scheduled regional meetings. There will be no registration fee or other charge for the regional meetings, but

Franchisee must pay all travel, food, lodging and other expenses incurred in connection with attendance.

#### **2.10 Annual Meetings.**

The Company may conduct an annual national meeting for all We The People franchisees. Franchisee must attend all annual meetings. There will be no registration fee or other charge for the annual meeting, but Franchisee must pay all travel, food, lodging and other expenses incurred in connection with attendance.

#### **2.11 Suggested Prices.**

The Company will provide Franchisee from time to time with suggested prices for the preparation of legal documents. Notwithstanding the foregoing, the Company shall not require the Franchisee to sell its products or services at any specified minimum prices.

#### **2.12 Computation.**

The Company will give Franchisee 30 days' written notice of any change in the manner in which Processing Fees are computed.

### **3. OBLIGATIONS OF FRANCHISEE**

#### **3.1 Lease.**

Franchisee must secure a site for Franchisee's Center within the Exclusive Territory. Franchisee must execute a lease or otherwise secure premises for the operation of Franchisee's Center within 90 days after execution of this Agreement by the Company. If (i) the Company and Franchisee fail to agree on a site within 90 days, or (ii) Franchisee does not open for business within 120 days of the date of this Agreement, the Company may terminate this Agreement effective immediately. Upon such termination, the Company will retain \$10,000 of the Initial Franchise Fee as compensation for services rendered to the time of termination. In the event of such termination, Company will promptly refund the balance of the Initial Franchise Fee to Franchisee following Franchisee's return of the Workbooks and any other Proprietary Information furnished by Company.

Any lease entered into by Franchisee must provide the following:

(a) That landlord will give the Company written notice of any act or omission which would result in a breach or default of the lease by Franchisee and that the Company will have the option, but not the obligation, to cure the breach or default;

(b) That upon any breach or default of the lease by Franchisee, or upon termination or expiration of this Agreement, the Company will have the right, but not the obligation, to assume Franchisee's position as tenant under the lease and to assume liability for all rent and other charges payable to the landlord that accrue under the lease after the date of assumption;

(c) A lease term which is at least equal to the initial term of this Agreement;

(d) An acknowledgement by landlord that the Company is not the tenant and that the Company is not responsible for tenant's obligations under the lease.

Franchisee acknowledges that the Company has advised Franchisee to have an attorney review and evaluate the lease.

The Company may purchase or lease the Site and then lease the Site to Franchisee at its fair market rental value.

### **3.2 Tenant Improvements.**

Upon approval of the lease for Franchisee's Center, Franchisee must commence construction and installation of the tenant improvements, trade fixtures, and interior décor in accordance with design specifications set forth in the Confidential Operating Manual. Franchisee must have its retained professionals (architects and contractors) secure the necessary building permits for its interior design plans and must ensure their compliance with applicable laws, ordinances, building codes and permit requirements as well as with Franchisee's lease requirements and restrictions. Franchisee will not make any changes to the layout or design without the prior written consent of the Company. Franchisee must submit a copy of the drawings for any proposed change to the layout or design to the Company for review.

Franchisee must promptly obtain a telephone number and a separate facsimile number for Franchisee's Center. Franchisee must give the Company written notice of the numbers when they are issued by the telephone company. Upon termination of this Agreement, Franchisee, at the option of the Company, shall assign to the Company all rights to the telephone numbers of Franchisee's Center and any related Yellow Pages trademark listing or other business listings and execute the Telephone Number Transfer Agreement form attached hereto as Schedule "B" and all other forms and documents required by the Company and any telephone company at any time to transfer such service and numbers to the Company. Further, Franchisee shall assign to the Company all Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usage related to the Franchised Business. Franchisee hereby appoints the Company its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, e-mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

### **3.3 Owner Participation.**

Franchisee is not required to participate personally in the day-to-day operation of Franchisee's Center. If Franchisee will not participate personally in the operation of Franchisee's Center, then Franchisee must designate a manager who must devote his/her full time and best efforts to the day-to-day operations of Franchisee's Center. Franchisee and the designated manager must both attend and successfully complete the initial training program to the satisfaction of the Company. Franchisee must ensure that its manager(s) comply fully with all applicable terms of this Agreement, including maintaining all trade secrets, not competing with Franchisee's Center, and safeguarding all We The People documents, manuals, and other proprietary information provided to Franchisee by the Company.



### **3.4 Employees.**

Franchisee must hire and train all employees who are necessary for the operation of Franchisee's Center. Franchisee will be solely responsible for the terms of employment, including compensation, benefits, training and supervision.

### **3.5 Opening of Business.**

Franchisee must commence business operations upon completion of the tenant improvements and the issuance of a certificate of occupancy for Franchisee's Center. Thereafter, Franchisee must continually operate the Franchised Business at Franchisee's Center as a full-time business enterprise.

### **3.6 Business Hours.**

Franchisee must keep Franchisee's Center open for business during the hours specified in the Confidential Operating Manual unless otherwise authorized in writing by the Company.

### **3.7 Apparel.**

Franchisee and its employees must wear professional business apparel as described in the Confidential Operating Manual.

### **3.8 Name and Marks.**

All uses of the We The People name and Marks must be in form and substance approved by the Company in writing. In addition, Franchisee shall comply with the following requirements in connection with the We The People name and Marks:

#### **3.8.1 Use of Name.**

Franchisee must conduct Franchisee's Center only under the We The People name and Marks and in strict compliance with this Agreement and the Confidential Manuals. Franchisee agrees to not to use any other trademark in combination with the We The People name or any Mark without the prior express written approval of the Company.

**3.8.2 Proprietary Rights.** Franchisee acknowledges the Company's exclusive right, title and interest in the Marks, and will not take any action contesting or impairing the right, title or interest of the Company. Franchisee will not represent that Franchisee has any ownership rights in the Marks, and acknowledges that its use thereof will not create in its favor any right, title, or interest in or to the Marks. Franchisee must affix trademark notices and indication of registration when necessary or proper in accordance with applicable laws, and must add notices of any new trademarks or service marks owned by the Company during the term of this Agreement.

**3.8.3 Display of Name.** At all times during the term of this Agreement, Franchisee will use the Marks in all advertising, promotion, and communications involving the Franchised Business, including yellow pages listings, signs, banners, business cards, stationery, promotional and advertising materials, forms, contracts, and all other materials that identify the Franchised Business. All use of the We The People names and the Marks by Franchisee must clearly state that each We The People Center is independently owned and operated.

**3.8.4 Internet Use.** Franchisee may not operate a website using any of the Company's names or Marks or advertising the services of the Franchised Business without

the Company's prior written approval. Franchisee shall comply with all applicable rules and regulations related to electronic communications, including without limitation e-mail and telephone communications, via the Internet or any other communications network in the course of operating the Franchised Business.

**3.8.5 Franchisee's Name.** Franchisee cannot use the We The People name or Marks as part of its corporate, partnership, limited liability company or other form of legal business name. Franchisee is authorized and required to adopt a fictitious trade name incorporating the words "We The People Center" in compliance with all fictitious name registration laws. Franchisee will, within 30 days after termination of this Agreement, amend its fictitious business name registrations to remove the words "We The People Center" and all marks and logos associated therewith from its business name.

**3.8.6 Signs.** Franchisee must install and maintain standard signs in accordance with the specifications established by the Company. The Company, at the sole expense of the Franchisee, may place an order for approved outdoor signs. Franchisee may not use any other signs, banners or visual displays in connection with Franchisee's Center without the prior written consent of the Company.

**3.8.7 Protection of Marks.** Franchisee must promptly notify the Company of any unauthorized use of the We The People name or Marks, or any colorable imitations of the Marks, by third parties. Franchisee must promptly notify the Company of any claim, demand or suit against Franchisee based on, or arising out of, Franchisee's use of the We The People name or Marks. Franchisee acknowledges that Franchisee has no authority to defend or prosecute any action relating to the We The People name or Marks, and that the Company, at its sole discretion, may elect to defend or prosecute any action relating to the Marks. If the Company undertakes the defense or prosecution of any litigation relating to the Marks, Franchisee will execute all documents and do all acts that may be necessary, at the determination of the Company's legal counsel, to carry out the litigation.

### **3.9 Confidential Manuals.**

In order to protect the reputation and goodwill associated with the Marks, and to maintain the uniform standards of quality and operations thereunder, Franchisee must conduct its Franchised Business in strict accordance with the Confidential Manuals, which may be amended from time to time at the sole discretion of the Company. Franchisee acknowledges that it will be responsible for reviewing and understanding the contents of the Confidential Manuals and all amendments made thereto. Franchisee will insert any updated pages at the Confidential Manuals upon receipt from the Company, and will remove all superseded pages and return them to the Company within five business days.

### **3.10 Products and Services; Expenses.**

Franchisee will at all times offer those products and services prescribed by the Company in the Confidential Operating Manual to be offered by franchisees, and Franchisee will not offer any products or services that are not specifically approved under this Agreement, in the Confidential Operating Manual, or otherwise in writing by the Company Operating Expenses. Franchisee will pay its own costs of doing business, including rent, telephone, utilities, insurance and other fixed and variable expenses as they become due.

### **3.11 Document Preparation.**

Franchisee will instruct its customers to insert the required information into the appropriate workbook for the type of legal documents they are seeking. Franchisee must forward the completed workbooks, along with a purchase order, to the Document Preparation Center designated by the Company for Franchisee's use. The Company will return the completed legal documents to Franchisee's Center. The foregoing requirements may be changed from time to time by the Company as a result of technological advancements in the submission and transmission of such information.

Franchisee acknowledges that the Company will produce all legal documents that are utilized by Franchisee in the operation of Franchisee's Center. Franchisee is not permitted to produce or create any legal documents itself, nor is Franchisee authorized to have any legal documents prepared by any other source. Franchisee may not make alterations to any documents the Company prepares. The Company does not assume responsibility for documents altered by Franchisee or for incorrect or inadequate information provided by Franchisee's customers.

### **3.12 Unauthorized Practice of Law is Prohibited.**

The unauthorized and unlicensed practice of law is illegal and is strictly forbidden by this Agreement. Franchisee cannot advertise or otherwise hold itself out to the public as practicing, or being entitled to practice, law. Franchisee acknowledges that it shall be required to comply with all rules, statutes and regulations pertaining to the legal document preparation business applicable in the jurisdiction in which Franchisee conducts the Franchised Business. Such particular rules, statutes and regulations of individual states shall be listed in Franchisee's Confidential Compliance Manual.

Franchisee cannot offer legal advice to its customers. Franchisee must refer all legal questions that are presented by its customers to the supervising attorney who is designated by the Company.

### **3.13 Independent Advertising.**

Franchisee must maintain a bold type listing in the telephone yellow pages directories that serve Franchisee's Exclusive Territory. Franchisee, at its own expense, must also conduct other advertising and promotional activities as reasonably required to enhance public awareness, the goodwill and the image of the Franchised Business. Franchisee must spend the greater of (a) \$2,000 and (b) eight percent (8%) of Franchisee's Gross Revenues (as defined below) per month in advertising and promotional activities.

Franchisee cannot use any advertising, sales or promotional materials other than those in the Confidential Operating Manual, or conduct any broadcast advertising or promotion, without first obtaining the written approval of the Company. To obtain approval, Franchisee must submit a copy of the proposed advertising to the Company for review. Franchisee may use ad copy that has been approved by the Company without obtaining subsequent approval so long as Franchisee does not make any substantive changes to the ad copy.

### **3.14 Accounting Records and Reports; Inspections.**

Franchisee must maintain during the term of this Agreement, and shall preserve for at least five (5) years from the date of their preparation, full and complete records of

Franchisee's Center in accordance with generally accepted accounting principles and the standards and manuals provided by the Company. Franchisee will submit to the Company such information and accounting data as the Company may reasonably request, including income statements showing operations for each calendar month and calendar year to date. Franchisee acknowledges that the accounting standards and reporting requirements established by the Company may require a computer system and designated software.

The Company has the right during reasonable business hours to inspect and audit Franchisee's books, records, ledgers, journals, bank statements, sales tax reports, income tax returns, cash control systems and other business and accounting records pertaining to Franchisee's Center. If any audit shows that Franchisee has underpaid any Processing Fees, promotional fund contributions, or other amounts due to the Company, Franchisee must immediately make payment to the Company to correct the underpayment. If the underpayment exceeds 2% of the total Processing Fees, promotional fund contributions, or any other amounts due in any twelve-month period which includes the date when the underpayment occurred, Franchisee must also pay or reimburse the Company for the costs of conducting the audit. In addition, Franchisee will be obligated to pay any late charges due under Section 4.7 as a result of Franchisee's underpayment.

In addition, in order to preserve the validity and integrity of the Marks, and to assure that Franchisee is properly employing the We The People System in the operation of Franchisee's Center, the Company and its agents have the right to enter and inspect Franchisee's Center, the right to observe the manner in which Franchisee is rendering its services, and the right to confer with Franchisee's employees, customers and business associates.

### **3.15 Maintenance and Repair; Hardware/Software Requirements.**

Franchisee must maintain the condition and appearance of Franchisee's Center in a manner consistent with the image of We The People Centers as specified in the Confidential Operating Manual. Franchisee will perform all maintenance that is reasonably required from time to time to maintain the condition, appearance and efficient operation of Franchisee's Center including replacement of worn-out or obsolete fixtures, equipment, signs, supplies and inventory, repair of the interior and exterior of the premises, and periodic cleaning and decorating. If at any time, in the Company's reasonable judgment, the general state of repair, appearance or cleanliness of Franchisee's Center does not meet the Company's standards, the Company will give Franchisee written notice specifying the action(s) to be taken by Franchisee to correct the deficiency, and Franchisee will initiate the required action immediately upon receipt of the notice.

Franchisee is required to install, maintain and use specified computer software programs to maintain data and business records for Franchisee's Center. Franchisee must at all times maintain the ability to receive and transmit communications from and to the Company over the internet. The Company reserves the right to uniformly require all franchisees to install and maintain certain hardware and software, including software that will interface with the Company's computer system over the internet which, after having been fully tested and approved for use by all franchisees, will be listed in the Confidential Operating Manual as a mandatory requirement for all franchisees. To ensure full operational efficiency and communication capability with the Company's computers, Franchisee must at all times, at Franchisee's own expense, keep its computer system in good repair and must purchase certain annual maintenance and service contracts from the

manufacturer of the hardware or the licensor of the software. If in the future the Company institutes a POS System ("POS System") for use by franchisees, the Company may require that Franchisee purchase or license from the Company or designated suppliers and have installed all components of the POS System, including, without limitation, all software, which may change from time to time. Franchisee shall obtain and maintain an internet account that provides, direct web access and shall maintain a browser capable of accessing the Company's intranet website at all times.

### **3.16 Confidentiality.**

Franchisee acknowledges that during the term of this Agreement, Franchisee, its principals and its employees will have access to, become acquainted with, and have disclosed to it by the Company confidential or proprietary information, programs, legal document forms, devices, methods, techniques and processes that are not generally known to the public pertaining to the promotion, marketing, operation and management of a legal document preparation service, including the System and the information contained in the Confidential Operating Manual (the "Proprietary Information"). Moreover, Franchisee acknowledges that since the Company's parent company is a public company, Franchisee's obligation under this Agreement to keep Proprietary Information confidential is even more pronounced. Therefore, at all times, both during the term of this Agreement and after its expiration or termination for any reason, Franchisee must take all steps necessary to preserve and protect the Proprietary Information from publication, communication or other unauthorized disclosure. Franchisee must not disclose any of the Proprietary Information, use it in any way, or assist any other person or entity in using it either during the term of this Agreement or at any time thereafter. The proprietary Confidential Manuals are the sole property of the Company and must promptly be returned upon the expiration, non-renewal, or other termination of this Agreement.

### **3.17 Competition.**

**3.17.1 In-Term Covenants.** Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable training, trade secrets and confidential information, including, without limitation, the Proprietary Information. Franchisee acknowledges that such specialized training, trade secrets and confidential information provide a competitive advantage and will be valuable to Franchisee in the development and operation of Franchisee's Center, and that gaining access to such specialized training, trade secrets and confidential information is, therefore, a primary reason why Franchisee is entering into this Agreement. In consideration for such specialized training, trade secrets, confidential information and rights, Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by the Company, Franchisee shall not, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person or entity:

(i) Divert, or attempt to divert, any business or customer of the franchised business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(ii) Own, maintain, operate, engage in, have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any

business located within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which the Company has used, sought registration of or registered the Marks or any variations thereof or operates or licenses others to operate a business under the Marks or any variations thereof, which business is of a character and concept similar to the Franchised Business, including a business that provides legal document preparation services, and/or any other business in which the Company may engage in the future.

**3.17.2 Post-Term Covenants.** Franchisee acknowledges and agrees that the pursuit of the activities forbidden by this Section 3.17 would necessarily involve the use or disclosure of Proprietary Information in breach of Section 3.16. Therefore, in consideration for the specialized training, trade secrets, confidential information and rights described in Section 3.17.1, Franchisee covenants that for a continuous uninterrupted period commencing upon the expiration, termination of, or transfer of all of Franchisee's interest in, this Agreement and continuing for two years thereafter, except as otherwise approved in writing by the Company, Franchisee shall not, directly or indirectly, for itself, or through, on behalf of or in conjunction with any person or entity:

(i) Divert, or attempt to divert, any business or customer of the franchised business hereunder to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(ii) Employ, or seek to employ, any person who is at that time or was within the preceding ninety (90) days employed by the Company, any of its affiliates or by any other franchisee or developer of the Company, or otherwise directly or indirectly induce such person to leave that person's employment, except as may be approved in writing by the Company.

(iii) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in a legal entity), advise, assist or make loans to, any business that is of a character and concept similar to the Franchised Business, including a business that provides legal document preparation services and/or any other business in which the Company may engage in the future, which business is, or is intended to be, located within the Exclusive Territory or within a twenty-five (25) mile radius of the location of any franchisee or Company-owned center in existence or under construction at any given time during such period.

**3.17.3 Public Company.** Section 3.17.1(ii) and 3.17.2(iii) shall not apply to ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

**3.17.4 Reasonableness.** The parties acknowledge and agree that each of the covenants contained in this Section are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company. The parties agree that each of these covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held

unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

**3.17.5 Reduction of Scope.** Franchisee understands and acknowledges that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section, or any portion thereof, without Franchisee's consent, effective immediately upon notice to Franchisee; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding any provision in this Agreement to the contrary.

**3.17.6 No Defense.** Franchisee expressly agrees that the existence of any claims it may have against the Company, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by the Company of the covenants in this Section.

**3.17.7 Injunctive Relief.** Failure to comply with the requirements of Section 3.16 or this Section 3.17 shall constitute a material event of default under this Agreement. Franchisee and acknowledges that a violation of the terms of Section 3.16 or this Section 3.17 would result in irreparable injury to the Company for which no adequate remedy at law may be available, and Company accordingly may secure an injunction, without the need to post a bond, prohibiting any conduct by Franchisee in violation of the terms of Section 3.16 or this Section 3.17. Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by the Company in connection with the enforcement of Section 3.16 or this Section 3.17, including payment of all costs and expenses for obtaining specific performance of, or an injunction against violation of, the requirements of Section 3.16 or this Section 3.17.

**3.17.8 Judicial Proceedings.** If, in any judicial proceeding, a court refuses to enforce any of the covenants set forth in Section 3.16 or this Section 3.17, the unenforceable covenant will be amended to relate to such lesser period or geographical area that will be enforceable. Each of these covenants is a separate and independent covenant in each of the separate counties and states in the United States in which the Company transacts business. To the extent any covenant may be determined to be judicially unenforceable in any county or state, that covenant will not be affected with respect to any other county or state. If, in any judicial proceeding, a court refuses to enforce any of the covenants set forth in Section 3.16 or this Section 3.17, the unenforceable covenant will be amended to relate to such lesser period or geographical area that will be enforceable.

### **3.18 Insurance.**

Franchisee must purchase and maintain comprehensive liability insurance with a combined single limit for bodily injury, death, or property damage in the amount set forth in the Confidential Operating Manual and must purchase and maintain All Risk coverage on the contents of Franchisee's Center in an amount not less than 80% of the replacement cost. All insurance policies must be issued by insurance companies of recognized responsibility and must be satisfactory to the Company in form, substance and coverage.

Every insurance policy must contain a provision that the policy cannot be canceled without 30 days prior written notice to the Company.

All required insurance policies shall name the Company and its affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds, and shall include a waiver of subrogation in favor of the additional insureds. All such insurance policies shall provide that any interest of the additional insureds therein shall not be affected by any breach by the Company of any policy provisions. All public liability and property damage policies shall contain a provision that the additional insureds, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of the negligence of Franchisee or its servants, agents or employees.

The Company may periodically increase the required minimum limits of liability coverage or require Franchisee to maintain additional types of insurance.

Franchisee must maintain workers' compensation insurance, unemployment insurance, and all other types of insurance that may be required by applicable law with minimum limits of liability as required by law.

Franchisee must deliver a certificate of the issuing insurance company to the Company evidencing each policy that is required under this Agreement. If Franchisee fails to obtain any insurance that is required under this Agreement, the Company may, but is not obligated to, obtain the required insurance at the sole cost and expense of Franchisee. All costs incurred by the Company must be reimbursed immediately upon demand, together with interest as specified at section 4.7 of this Agreement.

### **3.19 Taxes.**

Franchisee will promptly pay when due all payroll, sales and use taxes, all taxes and assessments against the premises or the equipment used in Franchisee's Center, all liens or encumbrances against any of its property, and all accounts and other indebtedness incurred by Franchisee in the operation of Franchisee's Center.

### **3.20 Compliance with Law.**

Franchisee will comply with all federal, state, and local laws and regulations pertaining to the operation of the Franchised Business and will obtain all permits, certificates or licenses necessary for the operation of the Franchised Business. Franchisee will pay when due all state, city, and county licensing and permit fees in connection with the operation of the Franchised Business.

### **3.21 Franchise Sales Promotion.**

At the request of the Company, Franchisee will maintain a display containing information furnished by the Company regarding the availability of We The People franchises.

### **3.22 Indemnity.**

Franchisee agrees to indemnify and hold the Company harmless from and against, and reimburse the Company for, all claims, demands, losses, damages, judgments, orders, decrees, actions, lawsuits, proceedings, costs, liabilities, and expenses (including reasonable



attorneys' fees and costs of suit) on account of any actual or alleged loss, injury or damage to any person or property arising out of or in connection with (i) the operation of the Franchised Business, (ii) any transaction between Franchisee and any third party, (iii) any claims by any of Franchisee's customers, (iv) any claims by Franchisee's employees, or (v) Franchisee's improper use of the Marks. This indemnification will survive the termination of this Agreement.

### **3.23 Business Entity Franchisee.**

If Franchisee is a business entity, Franchisee represents, warrants and covenants that:

(a) Franchisee is duly organized and validly existing under the state law of its formation and it is duly qualified and authorized to do business in each jurisdiction in which its business activities require qualification;

(b) The execution of this Agreement and the performance of the transactions contemplated hereby are within Franchisee's power, are permitted under all documents governing its organization and management, and have been duly authorized;

(c) The person executing this Agreement on behalf of Franchisee has the requisite authority to bind it to this Agreement;

(d) A complete and accurate list of all the stockholders, partners, members or other investors who own or hold a direct or indirect equity interest in Franchisee, and a description of the nature of their interest, is set out in the Principal Owner's Statement attached as Schedule "C" to this Agreement;

(e) Each person named on the Principal Owner's Statement will execute the Principal Owner's Guaranty, attached as Schedule "D" to this Agreement.

### **3.24 Litigation.**

**3.24.1 Franchisee as Defendant.** If Franchisee is sued by a third party in an action involving this Agreement, the Company, or the Marks, Franchisee will notify the Company in writing within ten days of commencement of the action or the issuance of any order, writ, injunction, award, or decree of any court, agency, or other judicial or governmental instrumentality. Upon receipt of the notice, the Company will have the right, in an appropriate case, to intervene in the litigation with counsel of its own choice. If the Company intervenes, the Company will pay its own costs, expenses and attorney's fees.

**3.24.2 Franchisee as Plaintiff.** Franchisee cannot institute any action related to the Company or the operation of Franchisee's Center without prior notice to and consent from the Company, unless the Company's interests are adverse. Upon receipt of the notice, the Company will have the right to take the action contemplated by Franchisee in Franchisee's name or, if appropriate, in the Company's own name, if the Company determines it to be reasonably necessary in good faith for the continued protection of other franchisees or the System. Any recovery of money damages will be shared between the parties as their interests may appear. The fees and expenses incurred in obtaining the recovery will be paid first and shared between the parties on the same basis.

### **3.25 Notary.**

Franchisee must become a Notary Public prior to opening Franchisee's Center. The process of becoming a Notary Public can take up to 90 days to complete.

### **3.26 Supplies.**

Franchisee must purchase all stationery, letterhead, envelopes, business cards, window signs, and brochures utilizing the standard colors, logos and type styles of the Company from suppliers who meet or adequately demonstrate the ability to comply with the Company's specifications and standards. The Company will approve independent suppliers only if their products meet the reasonable quality standards and specifications established by the Company. Franchisee must submit a sample of the product to the Company for review. The Company may charge for its review such fee as may be prescribed from time to time in the Confidential Operating Manual. Upon the Company's review of the sample and the specifications, the Company will respond to Franchisee in writing of its approval or disapproval of Franchisee's use of the product.

## **4. FEES AND PAYMENTS**

### **4.1 Initial Fee.**

Franchisee will pay to the Company an Initial Franchise Fee of \$89,500. The Initial Franchise Fee is payable in full upon the execution of this Agreement. The Initial Franchise Fee will be refunded in the event the legal document preparation business is determined to be illegal in Franchisee's state. Other than as specifically provided in this Section 4.1 or the other provisions of this Agreement, the Initial Franchise Fee is not refundable, in whole or in part.

### **4.2 Processing Fee.**

In consideration for the preparation of legal documents and the continuing use of the Company's names, the Marks and the System, Franchisee will pay a Processing Fee (as defined below) to the Company for every legal document that is prepared by the Company for Franchisee's customers and for all other revenues derived from the operation of Franchisee's Center. Franchisee will pay to the Company: (a) 25% of the Gross Revenues received by Franchisee for each legal document prepared for Franchisee's customers, but no less than 25% of the suggested list price for these items; and (b) a fee of 25% of the Gross Revenues received by Franchisee arising from, attributable to, or in any way derived from the operation of Franchisee's Center ((a) and (b) collectively, a "Processing Fee"). The Company may provide to Franchisee a monthly report itemizing the total amount Franchisee owes the Company for Processing Fees for the previous month.

Processing fees are due and payable in full by the tenth day of each month for all legal documents that are processed in the preceding calendar month. Payments of Processing Fees are not refundable.

### **4.3 Supervising Attorney Fee.**

Franchisee must pay the Company a monthly fee for the supervising attorney. The current supervisory fee is \$200 per month. The Company reserves the right to increase the supervisory fee from time to time upon written notice to Franchisee to reflect increased

comparable index) for the period commencing on the date of this Agreement and terminating upon the date of transfer.

#### **4.6 Renewal Fee.**

Upon any renewal of this Agreement Franchisee will pay to the Company a renewal fee of \$2,500, provided that such amount shall increase proportionate to the percentage increase of the Consumer Price Index for All Urban Consumers published by the U.S. Department of Labor, Bureau of Labor Statistics (or a comparable index) for the period commencing on the date of this Agreement and terminating upon the date of renewal.

#### **4.7 Late Payment.**

Franchisee agrees that if any payment to the Company is not received within 10 calendar days after its due date, or if a reimbursement owed to the Company, upon demand by the Company, Franchisee will pay interest on the delinquent amount at the rate of 6% per year, or the maximum rate as may be permitted by applicable law, from the date payment was due to the date payment is received by the Company.

#### **4.8 Electronic Funds Transfer.**

Franchisee agrees that the Company shall have the right to withdraw funds from Franchisee's designated bank account each month by electronic funds transfer ("EFT") in the amount of all fees and payments described in this Section 4. Such withdrawals shall be drawn on the tenth day of each month for the amount of the Processing Fees with respect to Franchisee's Gross Revenues for the preceding month, as evidenced by the most recent Processing Fee report. If a Processing Fee report has not been received for a particular month, then the Company may process an EFT for the Processing Fee for the subject month based on the most recent Processing Fee report provided to the Company by Franchisee; provided that if a Processing Fee report for the subject month is subsequently received and reflects (A) that the actual amount of the Processing Fee due was more than the amount of the EFT by the Company, then the Company shall be entitled to withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or (B) that the actual amount of the Processing Fee due was less than the amount of the EFT by the Company, then the Company shall, at its option, return the excess amount to Franchisee or credit the excess amount to the payment of Franchisee's future Processing Fee obligations.

Upon execution of this Agreement and at any time thereafter at the Company's request, Franchisee shall execute such documents or forms as the Company deems necessary for the Company to process EFTs from Franchisee's designated bank account for the payments due hereunder. Should any EFT not be honored by Franchisee's bank for any reason, Franchisee agrees that it shall be responsible for that payment plus a service charge applied by the Company and the bank, if any. Franchisee further agrees that it shall at all times maintain in the designated bank account funds sufficient to pay all Processing Fee and required Fund contributions when due. If Processing Fee payments are not received when due, late charges may be assessed by the Company in accordance with Section 4.7. Upon written notice to Franchisee, Franchisee may be required to pay such Processing Fees directly to the Company, by another method of payment, in lieu of EFT at the Company's sole discretion. Franchisee shall coordinate with the Company any changes in its depository account so that no interruptions in the automatic disbursement of the Processing Fee or other amounts occur.

## **5. TRANSFERABILITY**

### **5.1 Transfer by the Company.**

There are no restrictions on the right of the Company to sell or assign this Agreement in whole or in part; provided, however, that the Company will not assign or otherwise transfer its responsibilities to fulfill contractual obligations to its franchisees unless the Company first determines, in its sole judgment, that the transferee shall perform the Company's obligations set forth in this Agreement following such transfer.

### **5.2 Transfer by Franchisee.**

Franchisee cannot sell, assign, transfer, or convey any interest in this Agreement or in the Franchised Business without the prior written consent of the Company. Any purported assignment not having the prior written consent of the Company will be null and void and will constitute a material default under this Agreement.

If Franchisee is a corporation or a limited liability company (the "Corporation"), then any issuance, redemption, or transfer of the equity or voting securities of the Corporation, or any disposition of the assets of the Corporation in one transaction or in a series of transactions which, in the aggregate, results in either (i) more than a 25% change in the beneficial ownership of Corporation or (ii) a change in the voting control of the Corporation constitutes a transfer which requires the written consent of the Company. The bylaws of the Corporation and all share certificates evidencing ownership of this Corporation must contain the following provision:

"The transfer of stock in this Corporation is subject to the restrictive provisions of a Franchise Agreement with We The People USA, Inc. Reference is made to the Franchise Agreement for all particulars."

If Franchisee is a general or limited partnership (the "Partnership"), then the admission of a new partner, or the redemption, purchase, liquidation, or transfer of a Partnership interest, or any disposition of the assets of the Partnership, in one transaction or in a series of transactions which, in the aggregate, results in either (i) more than a 25% change in the beneficial ownership of the Partnership or (ii) a change in the voting control of the Partnership constitutes a transfer which requires the written consent of the Company. The Partnership Agreement must contain the following provision:

"The transfer of a legal or beneficial interest in the partnership is subject to the restrictive provisions of a Franchise Agreement with We The People USA, Inc. Reference is made to the Franchise Agreement for all particulars."

The following requirements must be met to the full satisfaction of the Company as a condition to any transfer:

(a) The proposed transferee or its principals must complete the Company's confidential questionnaire, must meet the Company's reasonable requirements for experience, net worth, and character, as applied by the Company on a nondiscriminatory basis in selecting new franchisees, and must have or obtain before transfer all licenses required by law for operation of the Franchised Business.

(b) The proposed transferee, and its designated manager (if applicable), must attend and satisfactorily complete the Company's initial training program.

(c) The proposed transferee (and each of its partners or shareholders) must execute the then-current form of franchise agreement, except that the initial term will be the same as the remaining term of the original franchise agreement.

(d) All maintenance, repairs, and renovation required to bring Franchisee's Center into compliance with the Company's standards must have been completed.

(e) The transferor and each of its partners, shareholders, officers and directors must execute a general release, in form and substance satisfactory to the Company, of any and all claims against the Company, its shareholders, officers, directors, employees and agents, affiliates or subsidiaries, and their respective officers, directors, agents and employees.

(f) The transfer fee must have been paid in full.

No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Agreement, or in the Franchised Business will relieve Franchisee, or the shareholders or partners participating in any transfer, of the confidentiality or non-competition provisions of this Agreement.

### **5.3 Death or Disability.**

Upon the death or permanent disability of Franchisee if Franchisee is an individual, or upon the death or disability of the majority shareholder or partner of Franchisee if Franchisee is a corporation or a partnership, the spouse, adult children, or estate will have the right to participate in the ownership of the Franchised Business under the terms of this Agreement for a period of 6 months from the date of death or disability. During that time, the spouse, adult children, or estate must either:

(a) Satisfy all of the qualifications for a transferee or purchaser of a We The People franchise, except that no transfer fee or initial franchise fee will be charged; or

(b) Sell, transfer, or assign the franchise to a person who satisfies all of the qualifications for a transferee or purchaser of a We The People franchise.

### **5.4 Right of First Refusal.**

If at any time during the term of this Agreement, Franchisee receives a bona fide offer to purchase the franchise, which offer Franchisee is willing to accept, Franchisee must prior to accepting give the Company written notice of the terms of the offer, the name and all other identifying information of the offeror and copies of all proposed transfer documents. The Company may elect to purchase the franchise on the same terms contained in the transfer documents within ten business days after the Company's receipt of the transfer documents. If the Company fails to give written notice of election within ten business days, Franchisee may sell to the offeror on the terms offered, subject to the provisions relating to transferability as set forth in this Article 5; provided that Franchisee shall furnish to the Company copies of all transfer documents signed by Franchisee in connection with the transfer. If the Company elects to purchase, the purchase must be completed within 120 calendar days from the date of the Company's notice of election to purchase. If Franchisee receives a subsequent offer to purchase the franchise, or if any of the terms of the previous offer are changed from those initially disclosed to the Company,

Franchisee must resubmit to the Company written notice of terms of the new or changed offer and the proposed transfer documents containing the new or changed offer, and the Company shall have the same rights described above with respect to the new or changed offer.

## **6. TERMINATION AND DEFAULTS**

### **6.1 Termination by the Company.**

**6.1.1 With Opportunity to Cure.** Unless otherwise specifically provided in this Agreement, the Company may terminate this Agreement if Franchisee fails to cure any default within ten business days after the Company gives written notice of default to Franchisee.

**6.1.2 Automatic Termination.** This Agreement shall automatically terminate without any need for notice by the Company if:

(a) Franchisee or the Franchised Business is declared bankrupt or judicially determined to be insolvent; or

(b) All or a substantial part of the assets of Franchisee or the Franchised Business are assigned to or for the benefit of any creditor; or

(c) Franchisee admits its inability to pay its debts as they come due.

**6.1.3 Without Opportunity to Cure.** The Company may terminate this Agreement immediately, without opportunity to cure, if:

(a) Franchisee abandons the franchise by failing to operate the Franchised Business for five consecutive calendar days during which Franchisee is required to operate the business under the terms of this Agreement, or any shorter period after which it is not unreasonable under the facts and circumstances for the Company to conclude that Franchisee does not intend to continue to operate the franchise; or

(b) The Company and Franchisee mutually agree in writing to terminate the franchise; or

(c) Franchisee makes any material misrepresentations to the Company relating to the acquisition of the Franchised Business; or

(d) Franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the System; or

(e) Franchisee fails, for a period of 30 calendar days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchised Business; or

(f) Franchisee, after curing any default after notice and opportunity to cure, engages in the same noncompliance whether or not corrected after notice; or

(g) Franchisee repeatedly fails to comply with one or more requirements of the franchise or the Confidential Manuals, whether or not corrected after notice; or

(h) The Franchised Business is seized, taken over or foreclosed by a government official in the exercise of his duties, or seized, taken over, or foreclosed by a

creditor, lien holder or lessor, provided that a final judgment against Franchisee remains unsatisfied for 30 calendar days (unless an appeal bond has been filed); or

(i) A levy of execution has been made upon the license granted by this Agreement or upon any property used in the Franchised Business, and it is not discharged within five business days; or

(j) Franchisee is convicted of, or pleads nolo contendere to, a felony or any other criminal misconduct which is relevant to the operation of the franchise, other than motor vehicle traffic laws; or

(k) Franchisee fails to pay any franchise fees or other amounts due to the Company or any affiliate within five business days after receiving written notice that the fees are overdue; or

(l) Franchisee fails to maintain the confidentiality of any of the Proprietary Information, or any other documents or materials embodying the Proprietary Information; or

(m) Franchisee attempts to assign or transfer its rights under this Agreement other than in accordance with Article 5; or

(n) Franchisee violates any of the provisions of Section 3.8 of this Agreement.

**6.1.4 Savings Clause.** If any valid, applicable law or regulation of a governmental authority having jurisdiction over this Agreement and the parties hereto limits the Company's rights of termination hereunder, or requires longer notice periods than those set forth above, this Agreement will be deemed amended to conform to the minimum notice periods or restrictions on termination.

## **6.2 Rights and Duties of Parties Upon Expiration or Termination.**

Upon termination or expiration of this Agreement for any reason, all rights of Franchisee under this Agreement will immediately terminate, but Franchisee will have the following duties which survive termination of this Agreement:

(a) Franchisee must promptly pay the Company all sums owing under this Agreement, including all damages, costs, expenses, and reasonable attorneys' fees, incurred by the Company by reason of default on the part of Franchisee, whether or not the expenses occur before or after the termination or expiration of the franchise.

(b) Franchisee must immediately cease use of the Marks in advertising, forms, manuals, slogans, signs or in any other manner. Franchisee will not represent or advertise that Franchisee was formerly a We The People franchisee, or that Franchisee did business under the Marks or the System.

(c) Franchisee must ensure at its own expense that all use of the Marks in connection with Franchisee is removed at the earliest possible time from all telephone directories, directory assistance records, building directories, signboards, membership rosters and every other place and publication.

(d) Franchisee must take all action to cancel any assumed name or equivalent registration that contains any of the Marks. Franchisee will furnish the Company with satisfactory evidence of cancellation.

(e) Franchisee must deliver to the Company, or its duly authorized representative, all materials and papers upon which the Marks appear. Franchisee will not, at any time, adopt or use any word or mark which is similar to or confusingly similar to the Marks.

(f) Franchisee will assign to the Company all of Franchisee's interest in the telephone numbers that were used in the operation of the Franchised Business as set forth in Section 3.2.

(g) At the request of the Company, Franchisee will assign all its interest in any lease for its business location and equipment to the Company or the Company's designee, and the assignee will assume all continuing obligations thereunder. Franchisee grants a limited, irrevocable power of attorney to the Company to execute all assignment documents in the name and on behalf of Franchisee. If the business location is not assigned to the Company or its designee, then Franchisee, at its expense, must make such changes to the signs, displays and interior decor as the Company requests to effectively distinguish the premises from its former appearance and from the appearance of other We The People franchises. Franchisee agrees that if Franchisee fails to make the requested changes within 30 days, the Company may enter the premises to make the changes and charge the Franchisee for all fees thereby incurred.

(h) Franchisee must return to the Company the Confidential Manuals, all copies or extracts thereof, and all other documents and records that are reasonably necessary or important to the continuation of the Franchised Business, including all client and customer lists and legal documents.

(i) The Company will be released and forever discharged of any and all claims Franchisee may have against the Company, its subsidiaries or affiliates, and their respective officers, directors, agents and employees regarding Franchisee's previous participation in the System.

## **7. MISCELLANEOUS**

### **7.1 Governing Law.**

This Agreement will be interpreted, construed and governed according to the internal laws of the State of Pennsylvania, and not the laws pertaining to choice or conflict of laws, except that:

(a) The laws of the state in which Franchisee's Center is to be located that govern the offer, sale, and registration of franchises, including any "Little FTC Act," will apply to the offer, sale, and registration of the franchise granted by this Agreement;

(b) The laws of the jurisdiction in which any action to enforce any covenants not-to-compete will govern those covenants without giving effect to the principles pertaining to choice or conflict of laws;

(c) The U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.) will govern all matters related to Franchisee's use of the Marks; and

(d) The Federal Arbitration Act (9 U.S.C. §1 et seq.) will govern all matters related to arbitration.



## **7.2 Arbitration.**

**7.2.1 Procedure.** Any dispute, controversy or claim arising out of or relating to this Agreement, other than a claim for injunctive relief, will be settled by binding arbitration, conducted on an individual and not a class basis, under the rules of the American Arbitration Association ("AAA"), and judgment on the award may be entered in any court of competent jurisdiction. The arbitration will be conducted through the AAA office closest to the Company's corporate offices before a panel of three arbitrators. Each party will select one arbitrator, and the two arbitrators designated by the parties will select the third arbitrator. All provisions of the Pennsylvania Rules of Civil Procedure relating to discovery in civil lawsuits will be applicable to the arbitration proceedings. The arbitrators will render a decision based on, and consistent with, Pennsylvania law and with the facts and evidence that are properly introduced at the hearing. If there are any disputes in matters of public policy, restraint of trade, securities laws, or any other matter that cannot be the subject of arbitration, those matters will be separated and will be brought before a court of competent jurisdiction after completion of the arbitration proceedings. If the parties cannot agree on the separation of matters to be determined by arbitration, the parties will present their positions to the arbitrators, and their decision regarding the appropriateness of arbitration will be determinative and binding on the parties. Each party will bear its own costs and expenses in preparing for and participating in the arbitration hearing except that (a) each party will pay one-half of the compensation payable to the arbitrators, one-half of any fees to the AAA and one-half of any other costs related to the hearing proceedings, and (b) the arbitrators will have the authority to award attorney's fees to the prevailing party. It is expressly agreed by each of the parties hereto that no arbitration can be commenced except in conformity with this Section 7.2.

**7.2.2 Limits on Arbitrator.** IN PROCEEDING WITH ARBITRATION AND IN MAKING DETERMINATIONS HEREUNDER, THE ARBITRATORS SHALL NOT EXTEND, MODIFY OR SUSPEND ANY TERMS OF THIS AGREEMENT OR THE REASONABLE STANDARDS OF BUSINESS PERFORMANCE AND OPERATION ESTABLISHED BY THE COMPANY IN GOOD FAITH. NOTICE OF OR REQUEST TO OR DEMAND FOR ARBITRATION SHALL NOT STAY, POSTPONE OR RESCIND THE EFFECTIVENESS OF ANY TERMINATION OF THIS AGREEMENT. THE ARBITRATORS SHALL APPLY PENNSYLVANIA LAW AND THE TERMS OF THIS AGREEMENT IN REACHING THEIR DECISION.

**7.2.3 Waiver of Certain Damages.** FRANCHISEE HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) AGAINST THE COMPANY, ITS AFFILIATES, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, AGENTS, REPRESENTATIVES, INDEPENDENT CONTRACTORS, SERVANTS AND EMPLOYEES, IN THEIR CORPORATE AND INDIVIDUAL CAPACITIES, ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT OR OTHERWISE) AND AGREES THAT IN THE EVENT OF A DISPUTE, FRANCHISEE SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT. IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR

UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) SHALL CONTINUE IN FULL FORCE AND EFFECT.

### **7.3 Venue.**

**7.3.1 General.** WITH RESPECT TO ANY CLAIMS, CONTROVERSIES OR DISPUTES THAT ARE NOT FINALLY RESOLVED THROUGH MEDIATION OR ARBITRATION, OR AS OTHERWISE PROVIDED ABOVE, FRANCHISEE HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE STATE COURTS OF PENNSYLVANIA AND THE FEDERAL DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA. FRANCHISEE HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. FRANCHISEE HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON IT IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY PENNSYLVANIA OR FEDERAL LAW. FRANCHISEE FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE CHESTER COUNTY, PENNSYLVANIA; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION (1) FOR MONIES OWED, (2) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF OR (3) INVOLVING POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY, THE COMPANY MAY BRING SUCH ACTION IN ANY STATE OR FEDERAL DISTRICT COURT THAT HAS JURISDICTION. WITH RESPECT TO ALL CLAIMS, CONTROVERSIES, DISPUTES OR ACTIONS, RELATED TO THIS AGREEMENT OR THE RELATIONSHIP CREATED THEREBY, THIS AGREEMENT AND ANY SUCH RELATED CLAIMS, CONTROVERSIES, DISPUTES OR ACTIONS SHALL BE GOVERNED, ENFORCED AND INTERPRETED UNDER PENNSYLVANIA LAW.

**7.3.2 Mutual Benefit.** FRANCHISEE AND THE COMPANY ACKNOWLEDGE THAT THE PARTIES' AGREEMENT REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH IN SECTION 7.3 PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS AGREEMENT. EACH OF FRANCHISEE AND THE COMPANY FURTHER ACKNOWLEDGES THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT AND THAT EACH PARTY'S AGREEMENT REGARDING APPLICABLE STATE LAW AND CHOICE OF FORUM HAVE BEEN NEGOTIATED FOR IN GOOD FAITH AND ARE PART OF THE BENEFIT OF THE BARGAIN REFLECTED BY THIS AGREEMENT.

**7.3.3 Performance in Berwyn, Pennsylvania.** FRANCHISEE AND THE COMPANY ACKNOWLEDGE THAT THE EXECUTION OF THIS AGREEMENT AND ACCEPTANCE OF THE TERMS BY THE PARTIES OCCURRED IN BERWYN, PENNSYLVANIA, AND FURTHER ACKNOWLEDGE THAT THE PERFORMANCE OF CERTAIN OBLIGATIONS OF FRANCHISEE ARISING UNDER THIS AGREEMENT,

INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF MONIES DUE HEREUNDER.

**7.4 Waiver of Jury Trial.**

The parties, for themselves and their successors, assigns, heirs and personal representatives, waive the right to a jury trial in any action or proceeding based on, or arising out of, this Agreement.

**7.5 Waiver.**

Failure of either party to enforce any provision of this Agreement, or waiver by either party of any default, will not operate as a waiver of successive defaults.

**7.6 Notices and Communications.**

All notices hereunder must be in writing and must be duly given by hand delivery or sent by facsimile, telegram, registered or certified mail, via overnight delivery, postage prepaid, addressed:

If to the Company: We The People USA, Inc.  
1436 Lancaster Ave., Suite 300  
Berwyn, Pennsylvania 19312  
Attn: Office of the General Counsel

If to Franchisee: the address set forth on the signature page to this Agreement,

or at such other address as either party may specify by notice to the other party. Any notice will be deemed to have been given at the time of personal delivery or, in the case of facsimile, telegram or telex, upon transmission (provided confirmation is sent as described above) or, in the case of expedited delivery service or registered or certified mail, three business days after the date and time of mailing. If Franchisee is a business entity, Franchisee must designate in writing to the Company the name and address of its agent to receive notice. Notice to the agent will be conclusively presumed to be full and adequate notice to Franchisee.

**7.7 Attorneys' Fees.**

If any legal action is necessary to enforce the terms and conditions of this Agreement, the prevailing party will be entitled to recover reasonable compensation for preparation, investigation and court costs, and reasonable attorneys' fees, as fixed by a court of competent jurisdiction.

**7.8 Remedies Cumulative.**

All rights and remedies of the parties enumerated in this Agreement are cumulative, and, except as specifically contemplated otherwise by this Agreement, none will exclude any other right or remedy allowed at law or in equity.

**7.9 Other Franchises.**

Franchisee acknowledges that the Company contemplates granting other franchises similar to the franchise granted herein.

#### **7.10 Relationship of the Parties.**

Franchisee is an independent contractor. Franchisee is not authorized to make any contract, agreement, warranty, or representation, or to create any obligation, express or implied, on behalf of the Company. The Company will not be liable for any act, omission, contract, debt, tax, or other obligation of Franchisee. This Agreement does not make Franchisee and the Company partners or joint venturers or make them agents, servants or employees of the other. Franchisee will advise its suppliers of its independent ownership of the Franchised Business.

#### **7.11 Severability.**

If any term or provision of this Agreement is invalid, illegal, or incapable of being enforced by any rule of law or public policy, all other terms and provisions of this Agreement will remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby are not affected in any manner that is materially adverse to either party. Upon the determination that any term or provision is invalid, illegal, or incapable of being enforced, the parties will negotiate in good faith to modify this Agreement to effect the original intent of the parties as closely as possible.

#### **7.12 Joint and Several Obligations.**

If Franchisee consists of more than one individual or entity, Franchisee's liability under this Agreement are joint and several.

#### **7.13 Business Entities.**

Each reference in this Agreement to a corporation or partnership will be deemed to refer to a limited liability company or any other legal entity or organization. Each reference to the organizational documents, equity owners, directors, and officers of a corporation will be deemed to refer to the functional equivalents of the organizational documents, equity owners, directors, and officers of a limited liability company or any other legal entity or organization.

#### **7.14 State Required Addendum.**

If the franchise regulatory authority for the state in which Franchisee is located requires certain terms and conditions to be included in this Agreement, those terms and conditions will be found on the state required amendments attached hereto as Schedule "E" and incorporated herein by reference.

#### **7.15 Consents and Approvals.**

Whenever the consent or approval of the Company is required under this Agreement, such consent may be withheld by the Company in its sole discretion.

#### **7.16 Force Majeure.**

If Franchisee is delayed in commencing operations for causes beyond the control of Franchisee such as fire, flood, or earthquake ("Force Majeure"), then the date of commencement for Franchisee will be extended for a period equivalent to the time of the delay. In addition, if Franchisee fails to operate the Franchised Business due to Force Majeure, the period in which such Force Majeure is in effect shall not be counted for the number of days required prior to the Company having the right to terminate this Agreement under Section 6.13(a).

#### **7.17 Consent to Relief.**

If Franchisee becomes the subject of a voluntary or involuntary case under any chapter of the Bankruptcy Code, Franchisee hereby consents to relief from the automatic stay imposed by 11 U.S.C. § 362(a) upon the filing of an appropriate motion by the Company so the Company may exercise its right to setoff any funds the Company holds or owes to Franchisee in order to satisfy any claims the Company has or may have against Franchisee in the bankruptcy case.

#### **7.18 Limitation of Claims.**

Franchisee and the Company agree that any and all claims by the Franchisee against the Company arising out of, or relating to, the making of, interpretation of, or performance under, directly or indirectly, this Agreement, may not be commenced by Franchisee, unless brought before the earlier of (a) the expiration of one (1) year after the act, transaction or occurrence upon which such action is based; or (b) the expiration of one (1) year after Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against the Company; or (c) one year after this Agreement expires or is terminated for any reason. Franchisee agrees that any action not brought by it within the periods required under this Section 7.18 shall forever be barred as a claim, counterclaim, defense, or set off.

#### **7.19 Entire Agreement.**

This Agreement and any agreement or document referenced herein, and their respective schedules and attachments, constitute the entire agreement of the parties concerning the subject matter hereof and supersedes all prior written or oral agreements. This Agreement cannot be amended except by a written document signed by all the parties to this Agreement.

#### **7.20 Counterparts.**

This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together constitute one agreement.

#### **7.21 Success of Business.**

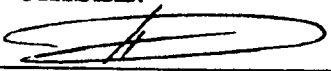
Franchisee acknowledges that the success of the business venture contemplated by this Agreement depends primarily upon the ability and efforts of Franchisee as an independent business owner. Franchisee acknowledges that neither the Company nor any other person has guaranteed that Franchisee will succeed in the operation of the Franchised Business or has provided any sales or income projections of any kind to Franchisee.

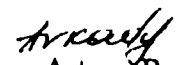
Franchisee further acknowledges that there have been no representations, promises, guarantees or warranties of any kind made by the Company to induce Franchisee to execute this Agreement except as specifically set forth in the Uniform Franchise Offering Circular that has been delivered to Franchisee.

Franchisee further acknowledges that Franchisee has reviewed the Uniform Franchise Offering Circular and has received all information which Franchisee has requested concerning the business operation of the Company, and any other information which, in the opinion of Franchisee, is necessary for Franchisee to decide whether to enter into this Agreement.

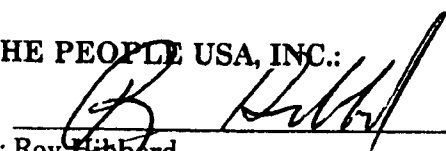
NOW THEREFORE, Franchisee has executed and delivered this Agreement on December 15, 2005 to be effective as of the date and year executed by the Company below.

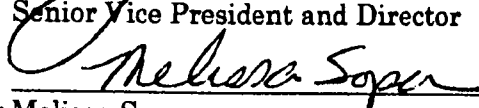
FRANCHISEE:

  
\_\_\_\_\_

By:   
Name: ~~Arturo~~ Portnoy  
Title: Franchisee  
Address: Home: 23401 Schoolcraft Street  
West Hills, CA 91307  
Work: c/o Miracle Mail  
5850 W. 3<sup>rd</sup> Street, #E  
Los Angeles, CA 90036

WE THE PEOPLE USA, INC.:

By:   
Name: Roy Hibberd  
Title: Senior Vice President and Director

By:   
Name: Melissa Soper  
Title: Executive Vice President, General Manager and Director

Effective Date: 12-15-05

THIS AGREEMENT IS NOT EFFECTIVE UNTIL SIGNED BY BOTH CORPORATE OFFICERS OF WE THE PEOPLE USA, INC. NO FIELD REPRESENTATIVE OR SALESMAN IS AUTHORIZED TO EXECUTE THIS AGREEMENT ON BEHALF OF WE THE PEOPLE USA, INC. FRANCHISEE IS ADVISED NOT TO INCUR ANY EXPENSE OR OBLIGATION WITH RESPECT TO THE FRANCHISED BUSINESS UNTIL FRANCHISEE HAS RECEIVED A FULLY EXECUTED COPY OF THIS AGREEMENT.

**Exhibit A*****We The People******Forms and Service Center of East San Fernando Valley*****TERRITORY ZIP CODES**

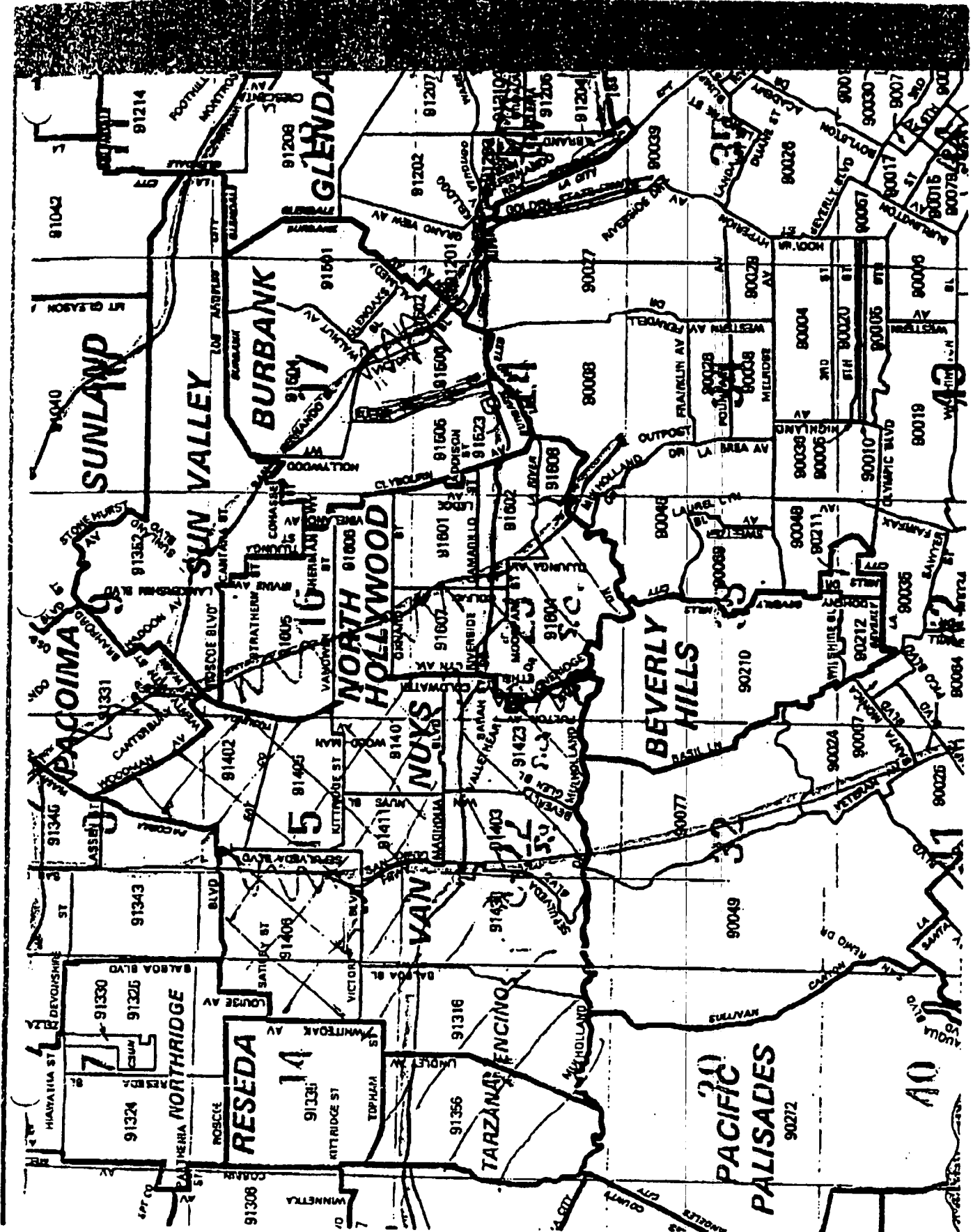
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S.O. 22 709  
S.O. 29 370  
S.C. 76 137  
N.H. 16 978

**COMMUNITIES**

Sherman Oaks  
Studio City  
Toluca Lake  
Universal City

22 709  
29 370

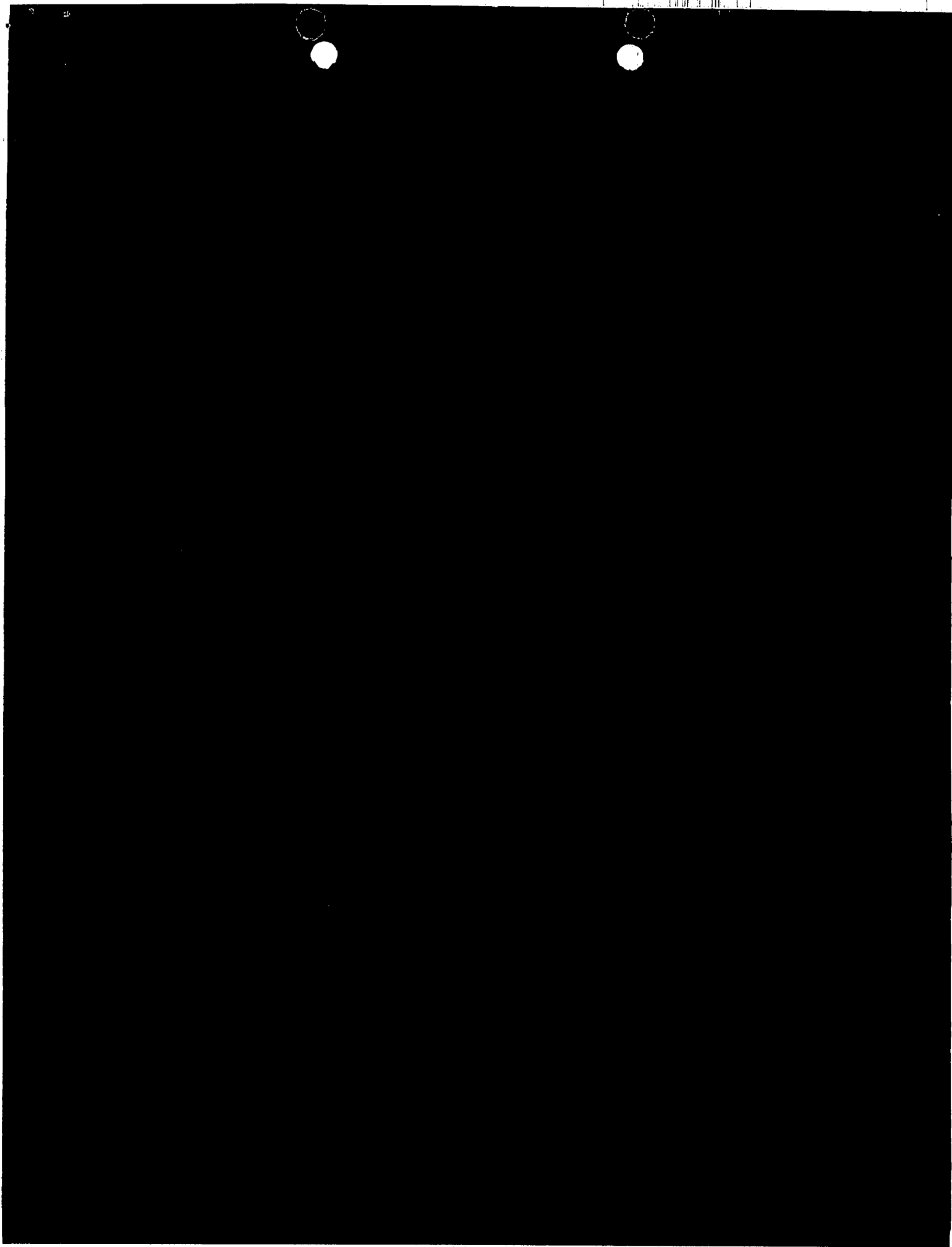




**SCHEDULE "A"**

**Territory Zip Codes**

**Specifically 91364, 91367, 91302, 90290, 91303, 91307, 91306, 91335**



March 6, 2009



Mr. Arkady Portnoy

**WE THE PEOPLE STORE We The People.**

11390 Ventura Boulevard

Suite 9

Studio City, CA 91604

**RE: Notice of Termination of Franchise Agreement  
Without Opportunity to Cure**

Dear Arkady:

**This Notice is to advise you that your We The People ("WTP") Franchise Agreement dated December 15, 2005 ("Franchise Agreement") is terminated immediately.**

As outlined in Section 6.1.3 of the Franchise Agreement, We The People LLC, as the Company and you, as the Franchisee, agreed, among other things, that:

The Company may terminate this Agreement immediately without opportunity to cure, if:

- (d) Franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the We The People Franchise System.
  - (g) Franchisee repeatedly fails to comply with one or more requirements of the franchise or the Confidential Operating Manual, whether or not corrected after notice.
1. You have offered, sold and produced legal document(s) to WTP customers outside of the WTP Business Model. This is forbidden by your Franchise Agreement, WTP Confidential Manual and the WTP Uniform Franchise Offering Circular ("UFOC") and is grounds for immediate termination.
  2. You have failed to forward compliance documentation to WTP as outlined in its Notices to you.

Enclosed are WTP's Store Closing Procedures for your review. Mike Thackray will be contacting you on Tuesday, March 10, 2009 to discuss the procedures for closing out your WTP business.

Sincerely,

Mark Prior

Associate General Counsel

cc: A. Portnoy

23401 Schoolcraft Street

West Hills, CA 91307

## **WE THE PEOPLE LLC** **STORE CLOSING PROCEDURES**

We The People LLC has terminated your Franchise Agreement. We The People LLC reserves all claims and rights against you for this breach of the Franchise Agreement.

There are several issues you must address, including, but not limited to:

1. Servicing WTP Store Customers that have not completed their WTP forms.
2. Performance and/or payment of the on-going financial and operational obligations under the remaining, uncompleted term of your WTP Franchise Agreement.
3. De-identification of the Store Premises and termination on the use of the WTP Trademark and Tradename.
4. Return of all We The People proprietary and confidential materials including manuals, guides, workbooks, etc.

### **1. WTP STORE CUSTOMERS**

(A) The commitment to provide excellent customer service must be continued through the closing date of your WTP Store. You must identify all existing customers that have not received completed forms from the Processing Center. You must notify in writing these customers of your Store closing and the process for completing any outstanding forms, as well as a reasonable time period for them to contact you at your Store in order to complete their forms.

(B) You must keep completed customer files. Should any of your completed customers contact WTP regarding a refund or request additional information, the customer will be referred to you.

(C) You may not accept any new customers. WTP will not accept any new PO submission or workbooks for new customers after the termination. If possible, you must refer any potential customers to the address of the nearest WTP Store for service.

(D) You must keep all completed customer files. Access to the WTP Portal will be terminated as of the effective date of the termination. You will not have access to any WTP resources after the Termination Date of your Franchise Agreement.

### **2. FRANCHISE AGREEMENT OBLIGATIONS**

(A) You must be current in all your financial obligations to WTP up to the date of termination including the final payments for Supervising Attorney and processing fees.

(B) WTP reserves all rights to pursue any lost fees due to your failure to perform the entire remaining term of the Franchise Agreement.

### **3. DE-IDENTIFICATION**

(A) We The People will prosecute and protect against the unauthorized use or infringement of its trademarks or trade dress. Therefore, all WTP exterior and interior signage must be removed from the WTP Store and surrounding areas. You must provide photos of the closed WTP Store evidencing the removal of the exterior/interior signage. All letterhead, business cards and other documents utilizing the WTP trademark(s) must be destroyed.

(B) All business registrations and business licenses utilizing your WTP d/b/a must be cancelled, and all fictitious business registrations using the We The People Tradename must be cancelled.

(C) The Store Telephone number must be routed to the WTP Processing Center. Contact your Telephone Provider regarding this service. WTP will not pay for costs for any telephone service.

### **4. PROPRIETARY AND CONFIDENTIAL MATERIALS**

(A) All WTP Manuals and training materials must be returned to WTP prior to the Closing Date, postage prepaid, to the Salt Lake City Processing Center attn: Rusty Tatton, Manager.

(B) You are not permitted to copy or use in any form any copyrighted forms, workbooks, advertising materials, etc. after the termination of your Franchise Agreement.

//////

30410687

**SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES**  
**NOTICE OF CASE ASSIGNMENT - UNLIMITED CIVIL CASE**  
Case Number \_\_\_\_\_

**THIS FORM IS TO BE SERVED WITH THE SUMMONS AND COMPLAINT**

Your case is assigned for all purposes to the judicial officer indicated below (Local Rule 7.3(c)). There is additional information on the reverse side of this form.

ASSIGNED JUDGE	DEPT	ROOM	ASSIGNED JUDGE	DEPT	ROOM
Hon. Elihu M. Berle	1	534	Hon. Holly E. Kendig	42	416
Hon. J. Stephen Czuleger	3	224	Hon. Mel Red Recana	45	529
Hon. Luis A. Lavin	13	630	Hon. Aurelio Munoz	47	507
Hon. Terry A. Green	14	300	Hon. Elizabeth Allen White	48	506
Hon. Richard Fruin	15	307	Hon. Conrad Aragon	49	509
Hon. Rita Miller	16	306	Hon. John Shepard Wiley Jr.	50	508
Hon. Mary Thornton House	17	309	Hon. Abraham Khan	51	511
Hon. Helen I. Bendix	18	308	Hon. Susan Bryant-Deason	52	510
Hon. Judith C. Chirlin	19	311	Hon. John P. Shook	53	513
Hon. Kevin C. Brazile	20	310	Hon. Ernest M. Hiroshige	54	512
Hon. Zaven V. Sinanian	23	315	Hon. Malcolm H. Mackey	55	515
Hon. Robert L. Hess	24	314	Hon. Jane L. Johnson	56	514
Hon. Mary Ann Murphy	25	317	Hon. Ralph W. Dau	57	517
Hon. James R. Dunn	26	316	Hon. Rolf M. Treu	58	516
Hon. Yvette M. Palazuelos	28	318	Hon. David L. Minning	61	632
Hon. John A. Kronstadt	30	400	Hon. Michael L. Stern	62	600
Hon. Alan S. Rosenfield	31	407	Hon. Kenneth R. Freeman	64	601
Hon. Mary H. Strobel	32	406	Hon. Mark Mooney	68	617
Hon. Charles F. Palmer	33	409	Hon. Edward A. Ferns	69	621
Hon. Amy D. Hogue	34	408	Hon. Soussan G. Bruguera	71	729
Hon. Gregory Alarcon	36	410	Hon. Ruth Ann Kwan	72	731
Hon. Joanne O'Donnell	37	413	Hon. Teresa Sanchez-Gordon	74	735
Hon. Maureen Duffy-Lewis	38	412	Hon. William F. Fahey	78	730
Hon. Michael C. Solner	39	415	Hon. Carl J. West*	311	CCW
Hon. Ann I. Jones	40	414	Other		
Hon. Ronald M. Sohigian	41	417			

**\*Class Actions**

All class actions are initially assigned to Judge Carl J. West in Department 311 of the Central Civil West Courthouse (600 S. Commonwealth Ave., Los Angeles 90005). This assignment is for pretrial purposes and for the purpose of assessing whether or not the case is complex within the meaning of California Rules of Court, rule 3.400. Depending on the outcome of that assessment, the class action case may be reassigned to one of the judges of the Complex Litigation Program or reassigned randomly to a court in the Central District.

Given to the Plaintiff/Cross-Complainant/Attorney of Record on \_\_\_\_\_ JOHN A. CLARKE, Executive Officer/Clerk  
By \_\_\_\_\_, Deputy Clerk

## INSTRUCTIONS FOR HANDLING UNLIMITED CIVIL CASES

The following critical provisions of the Chapter Seven Rules, as applicable in the Central District, are summarized for your assistance.

### APPLICATION

The Chapter Seven Rules were effective January 1, 1994. They apply to all general civil cases.

### PRIORITY OVER OTHER RULES

The Chapter Seven Rules shall have priority over all other Local Rules to the extent the others are inconsistent.

### CHALLENGE TO ASSIGNED JUDGE

A challenge under Code of Civil Procedure section 170.6 must be made within 15 days after notice of assignment for all purposes to a judge, or if a party has not yet appeared, within 15 days of the first appearance.

### TIME STANDARDS

Cases assigned to the Individual Calendaring Court will be subject to processing under the following time standards:

**COMPLAINTS:** All complaints shall be served within 60 days of filing and proof of service shall be filed within 90 days of filing.

**CROSS-COMPLAINTS:** Without leave of court first being obtained, no cross-complaint may be filed by any party after their answer is filed. Cross-complaints shall be served within 30 days of the filing date and a proof of service filed within 60 days of the filing date.

A Status Conference will be scheduled by the assigned Independent Calendar Judge no later than 270 days after the filing of the complaint. Counsel must be fully prepared to discuss the following issues: alternative dispute resolution, bifurcation, settlement, trial date, and expert witnesses.

### FINAL STATUS CONFERENCE

The Court will require the parties at a status conference not more than 10 days before the trial to have timely filed and served all motions in limine, bifurcation motions, statements of major evidentiary issues, dispositive motions, requested jury instructions, and special jury instructions and special jury verdicts. These matters may be heard and resolved at this conference. At least 5 days before this conference, counsel must also have exchanged lists of exhibits and witnesses and have submitted to the court a brief statement of the case to be read to the jury panel as required by Chapter Eight of the Los Angeles Superior Court Rules.

### SANCTIONS

The court will impose appropriate sanctions for the failure or refusal to comply with Chapter Seven Rules, orders made by the Court, and time standards or deadlines established by the Court or by the Chapter Seven Rules. Such sanctions may be on a party or if appropriate on counsel for the party.

This is not a complete delineation of the Chapter Seven Rules, and adherence only to the above provisions is therefore not a guarantee against the imposition of sanctions under Trial Court Delay Reduction. Careful reading and compliance with the actual Chapter Rules is absolutely imperative.



*from the*  
**LOS ANGELES SUPERIOR COURT**  
**ADR DEPARTMENT**

If you have an unlimited civil case involving one of these subject matter areas:

- commercial
- employment
- medical malpractice
- legal malpractice
- real estate
- trade secrets
- unfair competition
- at judges' discretion

***Your case may be eligible for the court's  
Neutral Evaluation (NE) program.***

- ♦ **NE can reduce litigation time and costs and promote settlement.**
- ♦ NE is an informal process that offers a non-binding evaluation by an experienced neutral lawyer with expertise in the subject matter of the case. After counsel present their claims and defenses, the neutral evaluates the case based on the law and the evidence.
- ♦ **NE is voluntary and confidential.**
- ♦ The benefits of NE include helping to clarify, narrow or eliminate issues, identify areas of agreement, offer case-planning suggestions and, if requested by the parties, assist in settlement.
- ♦ **The first three (3) hours of the NE session are free of charge.**

For additional NE information, visit the Court's web site at [www.lasuperiorcourt.org/adr](http://www.lasuperiorcourt.org/adr)



**SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES  
ALTERNATIVE DISPUTE RESOLUTION INFORMATION PACKAGE**

[CRC 3.221 Information about Alternative Dispute Resolution]

The plaintiff shall serve a copy of this Information Package on each defendant along with the complaint (Civil only).

**What is ADR:**

Alternative Dispute Resolution (ADR) is the term used to describe all the other options available for settling a dispute which once had to be settled in court. ADR processes, such as arbitration, mediation, neutral evaluation (NE), and settlement conferences, are less formal than a court process and provide opportunities for parties to reach an agreement using a problem-solving approach.

There are many different kinds of ADR. All of them utilize a "neutral", an impartial person, to decide the case or help the parties reach an agreement.

**Mediation:**

In mediation, a neutral person called a "mediator" helps the parties try to reach a mutually acceptable resolution of the dispute. The mediator does not decide the dispute but helps the parties communicate so they can try to settle the dispute themselves. Mediation leaves control of the outcome with the parties.

**Cases for Which Mediation May Be Appropriate**

Mediation may be particularly useful when parties have a dispute between or among family members, neighbors, or business partners. Mediation is also effective when emotions are getting in the way of resolution. An effective mediator can hear the parties out and help them communicate with each other in an effective and nondestructive manner.

**Cases for Which Mediation May Not Be Appropriate**

Mediation may not be effective if one of the parties is unwilling to cooperate or compromise. Mediation also may not be effective if one of the parties has a significant advantage in power over the other. Therefore, it may not be a good choice if the parties have a history of abuse or victimization.

**Arbitration:**

In arbitration, a neutral person called an "arbitrator" hears arguments and evidence from each side and then decides the outcome of the dispute. Arbitration is less formal than a trial, and the rules of evidence are often relaxed. Arbitration may be either "binding" or "nonbinding." *Binding arbitration* means that the parties waive their right to a trial and agree to accept the arbitrator's decision as final. *Nonbinding arbitration* means that the parties are free to request a trial if they do not accept the arbitrator's decision.

**Cases for Which Arbitration May Be Appropriate**

Arbitration is best for cases where the parties want another person to decide the outcome of their dispute for them but would like to avoid the formality, time, and expense of a trial. It may also be appropriate for complex matters where the parties want a decision-maker who has training or experience in the subject matter of the dispute.

**Cases for Which Arbitration May Not Be Appropriate**

If parties want to retain control over how their dispute is resolved, arbitration, particularly binding arbitration, is not appropriate. In binding arbitration, the parties generally cannot appeal the arbitrator's award, even if it is not supported by the evidence or the law. Even in nonbinding arbitration, if a party requests a trial and does not receive a more favorable result at trial than in arbitration, there may be penalties.

**Neutral Evaluation:**

In neutral evaluation, each party gets a chance to present the case to a neutral person called an "evaluator." The evaluator then gives an opinion on the strengths and weaknesses of each party's evidence and arguments and about how the dispute could be resolved. The evaluator is often an expert in the subject matter of the dispute. Although the evaluator's opinion is not binding, the parties typically use it as a basis for trying to negotiate a resolution of the dispute.

**Cases for Which Neutral Evaluation May Be Appropriate**

Neutral evaluation may be most appropriate in cases in which there are technical issues that require special expertise to resolve or the only significant issue in the case is the amount of damages.

**Cases for Which Neutral Evaluation May Not Be Appropriate**

Neutral evaluation may not be appropriate when there are significant personal or emotional barriers to resolving the dispute.

**Settlement Conferences:**

Settlement conferences may be either mandatory or voluntary. In both types of settlement conferences, the parties and their attorneys meet with a judge or a neutral person called a "settlement officer" to discuss possible settlement of their dispute. The judge or settlement officer does not make a decision in the case but assists the parties in evaluating the strengths and weaknesses of the case and in negotiating a settlement. Settlement conferences are appropriate in any case where settlement is an option. Mandatory settlement conferences are often held close to the date a case is set for trial.

## LOS ANGELES SUPERIOR COURT ADR PROGRAMS

### CIVIL:

- **Civil Action Mediation** (Governed by Code of Civil Procedure (CCP) sections 1775-1775.15, California Rules of Court, rules 3.850-3.868 and 3.870-3.878, Evidence Code sections 1115-1128, and Los Angeles Superior Court Rules, chapter 12.)
- **Retired Judge Settlement Conference**
- **Neutral Evaluation** (Governed by Los Angeles Superior Court Rules, chapter 12.)
- **Judicial Arbitration** (Governed by Code of Civil Procedure sections 1141.10-1141.31, California Rules of Court, rules 3.810-3.830, and Los Angeles Superior Court Rules, chapter 12.)
- **Eminent Domain Mediation** (Governed by Code of Civil Procedure section 1250.420.)
- **Civil Harassment Mediation**
- **Small Claims Mediation**

### FAMILY LAW (non-custody):

- **Mediation**
- **Forensic Certified Public Accountant (CPA) Settlement Conference**
- **Settlement Conference**
- **Nonbinding Arbitration** (Governed by Family Code section 2554.)

### PROBATE:

- **Mediation**
- **Settlement Conference**

### NEUTRAL SELECTION

Parties may select a mediator, neutral evaluator, or arbitrator from the Court Party Pay Panel or may hire someone privately, at their discretion. If the parties utilize the Pro Bono Mediation or Arbitration Panel, the parties will be assigned on a random basis the name of one neutral who meets the case criteria entered on the court's website.

### COURT ADR PANELS

- Party Pay Panel** The Party Pay Panel consists of mediators, neutral evaluators, and arbitrators who have achieved a specified level of experience in court-connected cases. The parties (collectively) may be charged \$150.00 per hour for the first three hours of hearing time. Thereafter, the parties may be charged for additional hearing time on an hourly basis at rates established by the neutral if the parties consent in writing.
- Pro Bono Panel** The Pro Bono Panel consists of trained mediators, neutral evaluators, and arbitrators who have not yet gained the experience to qualify for the Party Pay Panel, as well as experienced neutrals who make themselves available pro bono as a way of supporting the judicial system. It is the policy of the Court that all pro bono volunteer mediators, neutral evaluators, and arbitrators provide three hours hearing time per case. Thereafter, the parties may be charged for additional hearing time on an hourly basis at rates established by the neutral if the parties consent in writing.
- Private Neutral** The market rate for private neutrals can range from \$300-\$1,000 per hour.

### ADR ASSISTANCE

For assistance regarding ADR, please contact the ADR clerk at the courthouse in which your case was filed.

<u>COURTHOUSE</u>	<u>ADDRESS</u>	<u>ROOM</u>	<u>CITY</u>	<u>PHONE</u>	<u>PHONE</u>
Antonovich	42011 4th St. West	None	Lancaster, CA 93534	(661)974-7275	(661)974-7060
Chatsworth	9425 Penfield Ave.	1200	Chatsworth, CA 91311	(818)576-8565	(818)576-8687
Compton	200 W. Compton Blvd.	1002	Compton, CA 90220	(310)603-3072	(310)223-0337
Glendale	600 E. Broadway	273	Glendale, CA 91206	(818)500-3160	(818)548-5470
Long Beach	415 W. Ocean Blvd.	316	Long Beach, CA 90802	(562)491-6272	(562)437-3802
Norwalk	12720 Norwalk Blvd.	308	Norwalk, CA 90650	(562)807-7243	(562)462-9019
Pasadena	300 E. Walnut St.	109	Pasadena, CA 91101	(626)356-5685	(626)666-1774
Pomona	400 Civic Center Plaza	106	Pomona, CA 91766	(909)620-3183	(909)629-6283
San Pedro	505 S. Centre	209	San Pedro, CA 90731	(310)519-6151	(310)514-0314
Santa Monica	1725 Main St.	203	Santa Monica, CA 90401	(310)260-1829	(310)319-6130
Stanley Mosk	111 N. Hill St.	113	Los Angeles, CA 90012	(213)974-5425	(213)633-5115
Torrance	825 Maple Ave.	100	Torrance, CA 90503	(310)222-1701	(310)782-7326
Van Nuys	6230 Sylmar Ave.	418	Van Nuys, CA 91401	(818)374-2337	(818)902-2440

For additional information, visit the Court ADR web application at [www.lasuperiorcourt.org](http://www.lasuperiorcourt.org) (click on ADR).

Partially Funded by the Los Angeles County Dispute Resolution Program

## **LOS ANGELES COUNTY DISPUTE RESOLUTION PROGRAMS ACT (DRPA) CONTRACTORS**

The following organizations provide mediation services under contract with the Los Angeles County Department of Community & Senior Services. Services are provided to parties in any civil case filed in the Los Angeles County Superior Court. Services are not provided under this program to family, probate, traffic, criminal, appellate, mental health, unlawful detainer/eviction or juvenile court cases.

**Asian-Pacific American Dispute Resolution Center  
(213) 250-8190**

(Spanish & Asian languages capability)

**California Academy of Mediation Professionals  
(818) 377-7250**

**Center for Conflict Resolution  
(818) 380-1840**

**Inland Valleys Justice Center  
(909) 397-5780**

(Spanish language capability)

**Office of the Los Angeles City Attorney Dispute Resolution Program  
(213) 485-8324**

(Spanish language capability)

**Los Angeles County Bar Association Dispute Resolution Services  
toll free number 1-877-4Resolve (737-6583) or (213) 896-6533**

(Spanish language capability)

**Los Angeles County Department of Consumer Affairs  
(213) 974-0825**

(Spanish language capability)

**The Loyola Law School Center for Conflict Resolution  
(213) 736-1145**

(Spanish language capability)

**Martin Luther King Legacy Association Dispute Resolution Center  
(323) 290-4132**

(Spanish language capability)

**City of Norwalk  
(562) 929-5603**

**DRPA Contractors do not provide legal advice or assistance, including help with responding to summonses. Accessing these services does not negate any responsibility you have to respond to a summons or appear at any set court date. See the reverse side of this sheet for information on the mediation process and obtaining legal advice.**

**THIS IS A TWO-SIDED DOCUMENT.**

**What is the goal of mediation?**

The goal is to assist the parties in reaching a mutually acceptable agreement or understanding on some or all of the issues. The parties jointly become the primary decision maker in how to resolve the issues as opposed to the traditional judge and/or jury system.

**Do I need an attorney for this?**

While it is recommended to have an attorney and/or receive legal advice before the mediation starts, you are not required to have representation. If you do have an attorney, they may participate in the mediation with you.

**How long does it take?**

Face-to-face mediations generally last one to three hours. Telephone conciliations, in which the parties do not meet face to face, vary from a few days to several weeks. Much depends on the number of parties involved and the complexities of the issues. When the mediation takes place depends on parties' scheduling availability.

**A Mediator helps parties. . .**

- ◆ Have productive discussions
- ◆ Avoid or break impasses
- ◆ Defuse controversy
- ◆ Generate options that have potential for mutual gain
- ◆ Better understand each other's concerns and goals
- ◆ Focus on their interests rather than their positions

**A Mediator does not...**

- ◆ Provide advice or opinions
- ◆ Offer legal information
- ◆ Make decisions for parties
- ◆ Represent or advocate for either side
- ◆ Judge or evaluate anyone or anything
- ◆ Conduct research
- ◆ "Take Sides"

**What does it cost?**

The first three hours of any mediation are free. Thereafter, charges are based on income or revenue. All fees are waived for low-income individuals.

**Legal Advice/Information**

If you want to retain an attorney, a list of state certified referral services is at [courtinfo.ca.gov](http://courtinfo.ca.gov) which also has an on-line self help legal center.

**Self-Help Legal Access Centers** are at the Inglewood, Palmdale, Pomona, and Van Nuys courthouses. [nls-la.org](http://nls-la.org) and [lafa.org](http://lafa.org)

**What is the difference between the contractors listed and the Superior Court ADR Office?**

The services offered by the contractors listed may be accessed immediately. Those offered by the Superior Court ADR Office, also a DRPA contractor, may not be accessed by parties until a court appearance, or at the directive of the judge assigned to the case.

**Court Personnel** can answer non-legal questions (forms, fees, fee waivers). [lasuperiorcourt.org](http://lasuperiorcourt.org)

**Low-Income individuals** may qualify for help from non-profit legal organizations. Court Personnel and DRPA contractors have such listings.

**Dispute Resolution Programs Act (DRPA) Grants Administration Office****(213) 738-2621**

(The DRP Office is not a Superior Court Office. Consult your phone directory to locate the number of the Court Office on your summons.)

**THIS IS A TWO-SIDED DOCUMENT.**

NAME, ADDRESS, AND TELEPHONE NUMBER OF ATTORNEY OR PARTY WITHOUT ATTORNEY:		STATE BAR NUMBER	Reserved for Clerk's File Stamp
ATTORNEY FOR (Name):			
<b>SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES</b>			
COURTHOUSE ADDRESS:			
PLAINTIFF:			
DEFENDANT:			
<b>STIPULATION TO PARTICIPATE IN ALTERNATIVE DISPUTE RESOLUTION (ADR)</b>			CASE NUMBER:

The undersigned parties stipulate to participate in an Alternative Dispute Resolution (ADR) process in the above-entitled action, as follows:

- ☐ Mediation  
☐ Non-Binding Arbitration  
☐ Binding Arbitration  
☐ Early Neutral Evaluation  
☐ Settlement Conference  
☐ Other ADR Process (*describe*): \_\_\_\_\_

Dated: \_\_\_\_\_

Name of Stipulating Party  
☐ Plaintiff ☐ Defendant ☐ Cross-defendant

Name of Party or Attorney Executing Stipulation

Signature of Party or Attorney

Name of Stipulating Party  
☐ Plaintiff ☐ Defendant ☐ Cross-defendant

Name of Party or Attorney Executing Stipulation

Signature of Party or Attorney

Name of Stipulating Party  
☐ Plaintiff ☐ Defendant ☐ Cross-defendant

Name of Party or Attorney Executing Stipulation

Signature of Party or Attorney

Name of Stipulating Party  
☐ Plaintiff ☐ Defendant ☐ Cross-defendant

Name of Party or Attorney Executing Stipulation

Signature of Party or Attorney

☐ Additional signature(s) on reverse

Short Title	Case Number
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Name of Stipulating Party  
☐ Plaintiff ☐ Defendant ☐ Cross-defendant

Name of Party or Attorney Executing Stipulation

Signature of Party or Attorney

Name of Stipulating Party  
☐ Plaintiff ☐ Defendant ☐ Cross-defendant

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