



**VERIFIED COMPLAINT BREAKDOWN OF CLAIMS**  
**Roseann Pennisi / Bronx Documents, Inc.**  
**(Formerly We The People of Westchester Square, New York, Inc. )**

**Breach of Radius Clause - \$245,660.00**

**Interest incurred based on the Breach of Radius Clause - \$114,010.80:**

\$245,660.00 x 1.10% = \$270,226  
\$270,226.00 x 1.10% = \$297,248.60  
\$297,248.60 x 1.10% = \$326,973.46  
\$326,973.46 x 1.10% = \$359,670.80 > Interest = \$114,010.80

**Interest - \$75,000.** on the principal on the large sums of money which Claimants have had to borrow as a result of Dollar's breach of the Exclusive Territory Clause, and for its failure/refusal to properly redirect the customers of the two offending stores once it finally closed them in June 2006.

**Breach of Covenant of Good Faith and Fair Dealing and Unfair Competition - \$125,000.** - Refusal to close offending stores: closing of the Throgs Neck and Parkchester Stores.

**Breach of the Staten Island II Agreement- \$44,750.:** - representing the amount Claimant paid for her 25% interest in a franchise which – despite their clear and unrefuted obligation – Respondents refused to open. Accordingly, Claimant is entitled to a refund of that amount.

**Interest Incurred Based on the Breach of the Staten Island II Agreement- \$27,320.32:**

\$44,750 x 1.10 = \$49,225      *Interest on top = \$27,320.32*  
\$49,225 x 1.10 = \$54,147.50  
\$54,147.50 x 1.10 = \$59,562.25  
\$59,562.25 x 1.10 = \$65,518.48  
\$65,518.48 x 1.10 = \$72,070.32

**Lost Profits- \$59,625.25:** 25% of the lost profits from the revenues generated from the "Staten Island I" franchise, which served the Zip Code 10306, from November 2004 until its closing in July 2006.

**Reimbursement of the 25% Processing Fee- \$70,000.** for all documents returned to the Company for defects.

**Salary of Proofreader - \$90,000.:** Claimants have expended money in hiring a proofreader whose sole job has been to proofread the documents received from the Company's Processing Center.

**Unjust Enrichment- \$180,000.** - Claimants' proofreading benefitted WTP.

**Breach of Covenant of Good Faith and Fair Dealing - \$70,000.** - refusal to institute a system to ensure quality control over the documents produced for Plaintiffs, and insistence that Claimants nonetheless pay the 25% processing fee per document.

**Breach of Covenant of Good Faith and Fair Dealing - \$80,000.** – failure to exercise “discretionary power” in deciding whether to operate a “cooperative advertising” program for Claimants.

**Breach of Covenant of Good Faith and Fair Dealing - \$23,000.** - increasing Product Prices.

**Breach of Covenant of Good Faith and Fair Dealing- \$25,000.** reduction and threat of continued reduction of the number of products Plaintiffs may offer to their customers.

**Attorneys’ Fees:** \$91,832.

\$245,660.00

\$114,010.80

\$ 75,000.00

\$125,000.00

\$ 44,750.00

\$ 27,320.32

\$ 59,625.25

\$ 70,000.00

\$ 90,000.00

\$180,000.00

\$ 70,000.00

\$ 80,000.00

\$ 23,000.00

\$ 25,000.00

\$ 91,832.80

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\$1,321,199.17 TOTAL

## FUTURE CLAIMS CALCULATION

**Roseann Pennisi / Bronx Documents, Inc.**

**(Formerly We The People of Westchester Square, New York, Inc.)**

Failure to Perform Future Contractual Obligations - \$106,000.00

(number of remaining years in the franchise agreement) X (an average of the past 3 years annual gross revenue from document preparation sales less the 25% processing fees)

Loss of Goodwill - \$ 52,500.00

Calculate the annual dollar amounts spent on marketing for the number of years operating under the franchise agreement. (cable TV 41K, Chamber 2500, FJ Pines and events 5K, Hotels travel yellow pages.com 3K)

Rebranding - \$ 17,000.00

Add costs for new awning and signage 5K, custom printed brochures, billboards 2K & other miscellaneous items that would require updating. Add technological costs associated with setting up individual websites and search engine services since wethepeopleusa.com might become inoperable 10K .

Potential Future Litigation Costs Associated with Shoddy Document Processing \$ 100,000. 00

Consider the state's history in which you operate.

Franchise Purchase Price Refund - \$ 47,850.00

Prorate the total initial purchase price paid over the term of the franchise agreement. Multiply this dollar figure by the remaining years left in the franchise agreement.

$\$89,500. + \$72,396. = \text{total paid } \$161,896. / 20 = \$8,094.80 \times 13 \text{ years remaining} = \$105,232.40$

Open Purchase Orders - \$ 10,000.00

Remaining Office Lease Obligations - \$ 18,000.00

Multiply the offices monthly rent by the number of months remaining in your lease agreement.

TOTAL \$456,582.40

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF BRONX

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ROSEANN PENNISI and WE THE PEOPLE of : Index No. 15024/07  
WESTCHESTER SQUARE, NEW YORK, INC., :

Plaintiffs, :

— against — :

**AMENDED  
VERIFIED  
COMPLAINT**

WE THE PEOPLE USA, INC., IRA DISTENFIELD,  
LINDA DISTENFIELD, IDLD, INC., and DOLLAR :  
FINANCIAL CORP., DOLLAR FINANCIAL  
GROUP, INC. and WE THE PEOPLE USA, LLC, :

Defendants. :

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Plaintiffs Roseann Pennisi and We the People of Westchester Square, New York, Inc., by and through their attorneys, Snitow Kanfer Holtzer & Millus, LLP, as and for their Amended Verified Complaint, respectfully allege as follows:

THE PARTIES

1. Plaintiff Roseann Pennisi ("Pennisi") was and still is a resident of the County of Queens, State of New York.
2. Plaintiff We the People of Westchester Square, New York, Inc. ("WTPWSQ") was and still is a corporation organized and existing under and by virtue of the laws of California, is qualified to do business in the State of New York, and maintains an office for the transaction of business in the State of New York, County of Bronx.
3. Pennisi is the sole owner of the issued and outstanding stock of WTPWSQ.
4. Upon information and belief, defendant Ira T. Distenfield ("Ira") was

and still is a resident of the state of California and together with his wife, defendant Linda Distenfield ("Linda"), also a resident of California, were the sole owners of the stock of We the People Forms and Service Centers USA, Inc. ("WTPFSC").

5. Upon information and belief, IDLD, Inc., ("IDLD") formerly known as WTPFSC, was and still is a corporation organized and existing under and by virtue of the laws of the State of California, and has and continues to transact business in the State of New York.

6. Upon information and belief, Ira and Linda (sometimes referred to as the "Distenfields") owned and still own all of the issued and outstanding shares of IDLD, Inc.

7. Upon information and belief, defendant Dollar Financial Corp. ("DFC") is a corporation organized and existing under and by virtue of the laws of the State of Delaware with a principal place of business in Berwyn, Pennsylvania.

8. Upon information and belief, DFC was and is the owner of defendant Dollar Financial Group, Inc. ("DFG"), a wholly owned subsidiary of DFC.

9. Upon information and belief, DFG is a corporation organized and existing under and by virtue of the laws of the State of New York with a principal place of business in Berwyn, Pennsylvania.

10. Upon information and belief, DFG was and is the owner of WTPUSA, Inc., a wholly owned subsidiary of DFG.

11. Upon information and belief, defendant WTPUSA, Inc. was and still is a Delaware corporation, with a principal place of business in Berwyn, Pennsylvania, and is engaged in the business of franchising We the People businesses in and throughout the

United States.

12. Upon information and belief, at some point following DFG's acquisition of WTPUSA, Inc.,<sup>1</sup> DFG converted the entity to a limited liability company and renamed it We the People, LLC ("WTPUSA LLC"). DFC, DFG, WTPUSA, Inc. and WTPUSA, LLC are collectively referred to as "Dollar" or "Company."

13. This Court has jurisdiction pursuant to CPLR 301 and 302 because DFC, DFG, WTPUSA, Inc. and WTPUSA, LLC all transact or have transacted business in New York.

**PLAINTIFFS' FRANCHISE AGREEMENT  
AND THE EXCLUSIVE TERRITORY PROVISION**

14. On or about August 28, 2004, Pennisi purchased a 50% interest (comprising 5,000 shares) in a Westchester Square, Bronx franchise (WTPWSQ) from WTPFSC pursuant to a purchase agreement executed by Ira Distenfield as Chairman and Linda Distenfield as President ("the Purchase Agreement"). The Purchase Agreement was explicitly subject to a Franchise Agreement, effective November 20, 2003.

15. Pursuant to the Purchase Agreement, WTPWSQ and WTPFSC granted Pennisi the sale and exclusive right to operate a We The People franchise in Westchester Square.

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<sup>1</sup> On March 7, 2005, DFC and DFG, through an entity they created known as WTP Acquisition Corp., a wholly-owned subsidiary of DFG, acquired substantially all of the assets of We The People Forms and Service Centers USA, Inc. Annexed hereto as Exhibit "A" is the Securities and Exchange Commission Form 8-K memorializing that acquisition. DFC and DFG later renamed WTPFSC to WTPUSA, Inc.

16. Pursuant to the Purchase Agreement, Pennisi's "Exclusive Territory" was specifically identified on Schedule "A" annexed to the Franchise Agreement as a two-mile radius around 49 Westchester Square, the address of the WTPWSQ storefront.

17. In Paragraph 1.2, The Franchise Agreement warranted, that "the Company will not grant any other person a franchise to open a We The People Forms and Service Center within the Exclusive Territory, nor will the Company open a We The People Forms and Service Center within the Exclusive Territory."

18. Although Pennisi's Purchase Agreement provided, among other things, that it was to be governed by the laws of the State of New York, the Franchise Agreement to which it was subject provided that the laws of California govern its interpretation.

19. On or about June 9, 2005, Pedro Montero ("Montero"), executed a stock purchase agreement to purchase the 5,000 remaining shares of WTPWSQ from Bush Patel, James Ozello and Ronni Ozello (the "sellers") that were not owned by Pennisi.

20. Montero's stock purchase agreement was signed and executed by defendant Ira Distenfield as the authorized representative of the sellers and in his capacity as President and Chief Executive Officer of WTPUSA, Inc. and Senior Vice President of DFC.

21. On August 9, 2005, Pennisi purchased Montero's 5,000 shares in WTPWSQ pursuant to a stock purchase agreement.

22. The Distenfields warranted and represented to Pennisi that the WTPWSQ Exclusive Territory would be respected and no other We the People franchises were located within or would be sold to and operated by any other person, entity, or business including the Company, within the WTPWSQ Territory.



23. These among other representations were material and formed a basis for Pennisi to purchase an interest in a Company franchise and it was upon these representations which Pennisi relied and upon which the Distenfields knew Pennisi would rely.

24. The Distenfields and WTPFSC engaged in a pattern of deception, designed intentionally to misrepresent the nature and scope of the franchise agreement and the WTPWSQ Exclusive Territory, all to fraudulently induce Pennisi to purchase such franchise.

#### BREACH OF THE "EXCLUSIVE TERRITORY" PROVISION

25. Notwithstanding the Distenfields and WTPFSC's express representations concerning Pennisi's and WTPWSQ exclusive territory, Defendants permitted two other WTP franchises to open and/or operate within Plaintiffs' territory after WTPWSQ commenced its operations.

26. The two (2) competing WTP franchises located within Plaintiffs' Exclusive Territory were We the People of Throgs Neck, New York, Inc. ("Throgs Neck") and We The People of Westchester Ave, (Bronx), New York, Inc. ("Parkchester").

27. Upon information and belief, the Throgs Neck and/or Parkchester franchises were "company operated" stores owned and operated by defendants in direct competition with Plaintiffs, and in violation of Plaintiffs' franchisee rights.

28. In or about January 2005, Pennisi notified Ira Distenfield about the Throgs Neck Store and that it violated the Exclusive Territory provision in the Franchise

Agreement.

29. In or about March 2005, Pennisi's counsel notified Ira Distenfield about the Parkchester Store and that it violated the Exclusive Territory provision in the Franchise Agreement.

30. Dollar ignored Pennisi and continued to permit the Throgs Neck and Parkchester Stores to remain open and violate the Plaintiffs' Franchise Agreement for more than a year following notice of the breach of the Franchise Agreement which bound Dollar, as WTPFSC's successor.

31. In or about 2006, potential customers approaching the Throgs Neck and Parkchester Stores found, during business hours, the storefronts with lights off, chairs on top of desks, no flyers on windows with forwarding information, and, upon calling the pre-existing telephone number, heard a message stating: "The mailbox is full. Please try again later."

32. In or about June 2006, Dollar closed the Throgs Neck and Parkchester Stores.

33. When it closed the two Stores, Dollar improperly redirected customers of those Stores to the We The People franchise operating in Norwood, much farther away than WTPWSQ.

34. When it closed the two Stores, the existing customers whose forms were in the midst of processing were not contacted about the store closings and were not provided with information about the status of their matters.

35. Thereafter, Dollar closed the Norwood store, and redirected its

customers to the Gramercy Park store in Manhattan.

#### COOPERATIVE ADVERTISING PROGRAM

36. Paragraph 4.4.1 of the Franchise Agreement permits Plaintiffs to avail themselves of a "cooperative advertising" program.

37. After Dollar acquired the Company in March 2005, it ran cable television advertisements directing viewers to a "1-800" telephone number.

38. In the spring of 2005, Dollar's representatives gratuitously offered Plaintiffs an opportunity to participate in a "cooperative advertising" program, but at a cost much greater than that provided for in Paragraph 4.4.1 of the Franchise Agreement.

39. In or about August 2005, Plaintiffs inquired into participating in a separate advertising program whereby callers from could be directed straight to their store.

40. In or about August 2005 through May 2006, Dollar's representatives rejected Plaintiffs' request to run their own cable advertising program. Dollar's representatives advised that to permit any of the independent or partially-independent franchisees to run their own cable advertising would result in competition with Dollar's corporate-owned stores.

#### BREACH OF THE DOCUMENT PREPARATION CLAUSE

41. Paragraph 2.6 of the Franchise Agreement obligates Dollar to provide Plaintiffs with accurate documents which comply with applicable state law. In exchange for this fundamental franchisor service, Paragraph 4.2 of the Franchise Agreement obligates the

Plaintiffs to pay Dollar a 25% "processing fee."

42. Additionally, currently the Company advertises on its website that its processing center prepares its documents "accurately and efficiently."

43. Dollar has known from the outset of its acquisition that there was a substantial number of errors in the documents generated by its processing center.

44. Since Dollar's acquisition of the Company, the majority of the documents it has produced for the Plaintiffs have contained multiple errors requiring extensive corrections before they could be provided to the customer or filed in court. Additionally, a significant number did not "comply with applicable state law" and have been rejected by the applicable court.

45. Throughout 2004 and continuing through the present, Plaintiffs provided notice to Dollar about the errors in transcribing information and the defective documents due to the faulty templates.

46. Rather than correct the templates or implement a quality control program to ensure that processors properly transcribe Plaintiffs' documents, Dollar threatened to cease preparing documents altogether.

#### AUGUST 2009 INCREASE IN RETAIL PRICES OF DOCUMENTS

47. Paragraph 4.2 of the Franchise Agreement provides for notice required by the Company of any increase in processing fees or increase in suggested list prices for documents.

48. The Franchise Agreement does not define "processing fee" or

"suggested list price" beyond what is stated in Paragraph 4.2. Nor does the Franchise Agreement obligate Plaintiffs to use the prices listed in the suggested price list as the prices charged for the documents Plaintiffs sell to their customers.

49. Since Dollar acquired the Company, it has arbitrarily and capriciously changed the prices for documents, each time advising Plaintiffs that they would be charged a 25% processing fee for each document sold based on the Product Pricing Guide of the document. Additionally, each time the Product Pricing Guide listed the documents and their prices, it showed that the prices varied per state, inasmuch as different states' documents required different amounts of effort to prepare.

50. On June 20, 2009, however, Dollar announced another price change, but this time raised the suggested retail prices significantly -- from between 20-50% per document. Additionally, for the first time, the Product Pricing Guide does not have different prices per state, but instead contains one uniform list regardless of the state.

#### THE COMPANY'S ELIMINATION OF ESSENTIAL DOCUMENTS

51. When Dollar acquired the Company, its Central Processing Center processed over 80 legal documents for its franchisees, including but not limited to documents involving Leases, Divorce, Bankruptcy, Living Trusts, Wills and Incorporation.

52. On January 1, 2007, the Company improperly and arbitrarily removed thirty-three products, including all four types of Leases it had previously offered, QDROs and QDROs with Joinder, all documents which are necessary in New York to complete certain divorces.

53. By notice dated June 30, 2009, the Company has advised that it may further "reduce[]" the number of documents and products offered for sale."

THE COMPANY'S ELIMINATION FROM ITS WEBSITE OF  
BANKRUPTCY FORMS AS DOCUMENTS OFFERED BY THE COMPANY

54. Pursuant to the "Stipulated Final Judgment" dated October 12, 2005 stemming from the Bankruptcy proceeding Martini v. We the People Forms and Service Centers USA, Inc. et al. in the Eastern District of New York ("Martini Judgment"), both Dollar and all of the individual franchisees are prohibited from using the word "legal" in advertising bankruptcy services in the print media, broadcast media or Internet.

55. Following the Martini Judgment, Dollar removed Bankruptcy forms from the Company's website as a document offered by the Company.

56. The Franchisees have not, however, been prohibited from offering Bankruptcy documents as part of their services offered, and Dollar has continued to process such forms, and demand a 25% fee.

57. Inasmuch as there has been and is currently great demand for bankruptcy forms and filing, Dollar has failed to accommodate the Franchisees as a result of the import of the Martini Judgment.

58. Similar companies advertise Bankruptcy as a form available for purchase by the public, including one such company that is now operated by Dollar's former general counsel.

59. Dollar's refusal to include in any advertising Bankruptcy as a

document form offered by the Company has been made in bad faith for the purpose of frustrating Plaintiffs' legitimate expectations of benefits to be derived from the Franchise, particularly at a time when there exists a severe recession and massive credit crisis propelling an already great demand for Bankruptcy documents, and constitutes a breach the implied covenant good faith and fair dealing.

60. Plaintiffs have sustained damages by Dollar's actions in an amount to be determined at trial.

**First Cause of Action**

(Breach of Franchise Agreement As Against all Defendants)

61. Plaintiffs repeat and reallege the allegations set forth in paragraphs "1" through "60."

62. By virtue of all of the above, defendants jointly and severally have breached the "Exclusive Territory" provision in the Franchise Agreement governing Plaintiffs' franchise.

63. Dollar is liable to plaintiffs for breach of the "Exclusive Territory" provision in the Franchise Agreement governing Plaintiffs' franchise, both by virtue of its purchase of the entity which had already breached the Franchise Agreement (WTPFSC) in March 2005, and also by knowingly continuing the breach and refusing to remedy it for more than a year.

64. The Distenfields, IDLD and WTPFSC violated the "Exclusive Territory" provision when they opened and operated two other franchise stores located within

Plaintiffs' Exclusive Territory as defined in the Franchise Agreement subsequent to the opening of Plaintiffs' store, and, following its acquisition of the assets and liabilities of its predecessor, and upon receipt of notice of the violation, Dollar refused to close the offending stores for more than a year.

65. Dollar, as WTPFSC's successor, is liable to Plaintiffs for a continued breach of the Exclusive Territory Clause in that as franchisor, Dollar had a continuing obligation to uphold and abide by the terms of the Franchise Agreements it acquired from its predecessor, and which it enforced against Plaintiffs as Franchisees.

66. Dollar knew about Plaintiffs' Exclusive Territory provision in their Franchise Agreement.

67. Consequently, Plaintiffs have sustained damages in an amount not less than \$300,000.

**Second Cause of Action**

(Breach of Franchise Agreement and Covenant of Good Faith  
and Fair Dealing as Against Dollar)

68. Plaintiffs repeat and reallege the allegations set forth in paragraphs "1" through "67."

69. Defendants owed a duty of care to Plaintiffs as a franchisee and violated the implied and expressed covenant of good faith and fair dealing.

70. By virtue of all of the above, Dollar's reckless closing of the Throgs Neck and Parkchester Stores undermined the good will of the WTPUSA franchise to the customers in the neighborhood, including that of WTPWSQ, beyond repair.



71. By reason of Dollar's actions, Plaintiffs have incurred great and irreparable damages due to the loss of revenue due to the loss of good will.

72. By virtue thereof Plaintiffs have been damaged in an amount to be determined at trial but no less than \$300,000.00.

**Third Cause of Action**

(Breach of Covenant of Good Faith and Fair Dealing as Against Dollar)

73. Plaintiffs repeat and reallege paragraphs "1" through "72."

74. Although Dollar had discretionary power of whether to operate a "cooperative advertising" program, a duty was imposed to exercise that discretion in good faith and in accordance with fair dealing.

75. Dollar exercised its discretionary authority in bad faith for the purpose of frustrating Plaintiffs' legitimate expectations of benefits to be derived from the Franchise, and accordingly breached the implied covenant good faith and fair dealing.

76. Plaintiffs have sustained damages by Dollar's actions in an amount to be determined at trial.

**Fourth Cause of Action**

(Unfair Competition)

77. Plaintiffs repeat and reallege the allegations set forth in paragraphs "1" through "76."

78. Dollar's refusal to close the Throgs Neck and Parkchester Stores violating Plaintiffs' Exclusive Territory clause, and refusal to permit Plaintiffs to participate

in an advertising program without agreeing to terms far more onerous than those provided for in the Franchise Agreement, while Dollar ran its own cable television advertisements to Bronx customers and routed the calls to its Company-owned stores, violated California's Unfair Competition Law, and has caused Plaintiffs to incur substantial losses.

79. Plaintiffs have sustained damages by Dollar's actions in an amount to be determined at trial but no less than \$300,000.00.

**Fifth Cause of Action**

(Breach of Franchise Agreement As Against Dollar)

80. Plaintiffs repeat and reallege paragraphs "1" through "79."

81. Dollar's breach of the Document Preparation clause has resulted in damages to Plaintiffs and they are entitled to the reimbursement of the 25% processing fee for all documents returned to the Company for defects, plus consequential damages resulting therefrom.

82. Accordingly, Plaintiffs have sustained damages in an amount to be determined at trial, but no less than \$75,000.

**Sixth Cause of Action**

(Breach of Covenant of Good Faith and Fair Dealing as Against Dollar)

83. Plaintiffs repeat and reallege paragraphs "1" through "82."

84. The Company's updated Product Pricing Guide with 20-50% increases will force Plaintiffs to effect corresponding price increases to continue being able to operate at the current expense structure, resulting in a loss of customers and ultimate loss of revenue.

85. Additionally, by creating a new Product Pricing Guide without regard to state is arbitrary and clearly undercuts the benefits of the franchise to Plaintiffs.

86. Plaintiffs have sustained and will continue to sustain damages by Dollar's actions in an amount to be determined at trial.

**Seventh Cause of Action**

(Breach of Covenant of Good Faith and Fair Dealing as Against Dollar)

87. Plaintiffs repeat and reallege paragraphs "1" through "86."

88. Dollar's refusal to institute a system to ensure quality control over the documents produced for Plaintiffs, and insistence that Plaintiffs nonetheless pay the 25% processing fee per document, have resulted in damages to Plaintiffs and they are entitled to the reimbursement of the 25% processing fee for all documents returned to the Company for defects, plus consequential damages resulting therefrom, in an amount to be determined at trial but no less than \$70,000.

**Eighth Cause of Action**

(Breach of Covenant of Good Faith and Fair Dealing as Against Dollar)

89. Plaintiffs repeat and reallege paragraphs "1" through "88."

90. The Company's reduction and threat of continued reduction of the number of products Plaintiffs may offer to their customers have damaged Plaintiffs by eliminating the types of products they may offer to the public and have in turn reduced their revenue.

91. Plaintiffs have sustained damages by Dollar's actions in an amount to

be determined at trial.

**Ninth Cause of Action**  
(Unjust Enrichment As Against Dollar)

92. Plaintiffs repeat and reallege the allegations set forth in paragraphs "1" through "91."

93. Plaintiffs have expended time and money for the purpose of proofreading forms produced by Dollar in order to avoid exposure to liability caused by inaccurate documents. Plaintiffs have been forced to hire an employee whose sole job has been to proofread the documents received from the Company's Processing Center.

94. Dollar has been unjustly enriched by Plaintiffs' efforts.

95. Consequently, Plaintiffs are entitled to reimbursement for the wages paid to the employee they hired as a proofreader, plus an additional amount corresponding with maintaining goodwill of the Company generally, for an amount to be determined at trial, but no less than \$90,000.

**Tenth Cause of Action**  
(Injunctive Relief)

96. Plaintiffs repeat and reallege the allegations set forth in paragraphs "1" through "95."

97. By virtue of all of the above, Plaintiffs are entitled to a permanent injunction against all the Defendants to prevent the selling and/or opening of any other We the People franchises within the Plaintiffs' exclusive geographical and territorial area.

**Eleventh Cause of Action**

(Breach of the SI II Purchase Agreement As Against all Defendants)

98. Plaintiffs repeat and reallege the allegations set forth in paragraphs "1" through "97."

99. On or about October 12, 2004, Pennisi and her mother entered into a purchase agreement with WTPFSC and Defendant Ira Distenfield, the latter of whom represented himself as President of We the People Staten Island II ("WTP SI II"), a We The People franchise yet to be opened in Staten Island.

100. At the time, there existed a "Staten Island I" franchise which was open and operating.

101. Pursuant to the WTP SI II Purchase Agreement, Pennisi and her mother paid WTPFSC \$44,750 for 2,500 shares, representing a 25% interest in WTP SI II.

102. Pennisi's WTP SI II Purchase Agreement provided for an Exclusive Territory of Zip Code 10306, among others.

103. Despite statements from Ira Distenfield – even after Dollar acquired the Company when Mr. Distenfield served as President and CEO of WTPUSA and Senior Vice President of DFC – acknowledging Pennisi's payment and assuring that Dollar was searching for the proper geographic site, the Defendants never opened the Staten Island II franchise.

104. In or about April 2005 through July 2005, Pennisi demanded a refund of the \$44,750.00 but Defendants have failed and refused to return to Pennisi her \$44,750.00

105. Based on the above, the Defendants have breached their contract with

Pennisi, Pennisi has been damaged in the amount of \$44,750.00 together with interest thereon from October, 2004, and the Defendants are jointly and severally liable for the same.

**Twelfth Cause of Action**

(Breach of the SI II Purchase Agreement As Against Dollar)

106. Plaintiffs repeat and reallege the allegations set forth in paragraphs "1" through "105."

107. Pennisi's WTP SI II Purchase Agreement provided for an Exclusive Territory of Zip Code 10306.

108. Since the date on which Pennisi paid \$44,750, WTPFSC and then Dollar have been operating a "Staten Island I" franchise.

109. The Staten Island I franchise's territory overlapped with some of the territory within Staten Island II.

110. From the date on which Pennisi paid \$44,750, Staten Island I generated revenues, a portion of which constitutes lost profits to which Claimant Pennisi is entitled.

111. In light of Dollar's failure to open the contemplated WTP SI II store, and the overlapping zip code, Pennisi is entitled to a portion of the revenue generated from the "Staten Island I" franchise as lost profits, for an amount to be determined but no less than 25% of the profits from the revenues amounting to \$238,501 from November 2004 until its closing in July 2006, plus return of \$44,750.

**Thirteenth Cause of Action**  
(Unjust Enrichment As Against Dollar)

112. Plaintiffs repeat and reallege the allegations set forth in paragraphs "1" through "111."

113. By acquiring the assets of its predecessor WTPFSC, Dollar has been unjustly enriched by Pennisi's payment of \$44,750 for the WTP SI II store which never opened, and she is entitled to its return.

**Fourteenth Cause of Action**  
(Fraudulent Representation Against the Distenfields  
and IDLD, Inc, Defendants)

114. Plaintiffs repeat and reallege the allegations set forth in paragraphs "1" through "113."

115. Pennisi paid the Distenfields and IDLD \$44,750.00 based upon their representations to Pennisi that they would open up a WTP franchise entitled "Staten Island II" within an exclusive territory in Staten Island and that Pennisi could have a twenty-five (25%) percent interest therein for her investment of \$44,750.00.

116. Based upon the Distenfields' representations which the Distenfields knew to be untrue at the time they were made, Pennisi reasonably relied on said representations and gave the Distenfields \$44,750.00 in anticipation of them opening up WTP SI II. The Distenfields made material representations to Pennisi and engaged in fraudulent and other tortious conduct.

117. The Distenfields engaged in a pattern of deception designed

intentionally to misrepresent the nature and scope of the franchise agreement for Staten Island II, the geographical territory it would encompass and Pennisi's interests in said-franchise, all to fraudulently induce Pennisi to invest in such franchise. Notwithstanding the Distenfields' express representations that Staten Island II would be opened forthwith, the Distenfields never opened a Staten Island II franchise.

118. As a direct consequence thereof, Pennisi incurred and suffered damages in the amount of \$44,750.00 together with the interest thereon from October, 2004 and the defendants are liable to Pennisi for the same.

**Fifteenth Cause of Action**

(Breach of Fiduciary Duty As Against the Distenfields and IDLD, Inc. Defendants)

119. Plaintiffs repeat and reallege the allegations set forth in paragraphs "1" through "118."

120. In or about October, 2004, when the Distenfields and IDLD offered Pennisi a twenty-five (25%) percent interest in Staten Island II as the franchiser, they were duty bound to disclose to Pennisi all material facts related to Staten Island II prior to investing \$44,750.00 in said franchise.

121. At the time that the Distenfields and IDLD discussed the offer to Pennisi for her twenty-five (25%) percent interest in Staten Island II, they told Pennisi that there was not nor would be any competing franchise within the exclusive territory of Staten Island II.

122. At the time that the said Defendants made these statements they



knowingly concealed that Staten Island I franchise was already located in Staten Island and overlapped with some of the territory within Staten Island II.

123. As the franchisers, the Distenfields, and Ira as the franchisee selling a part of his share to Pennisi, were duty bound and owed Pennisi the duty to disclose all material facts relevant to her purchase of an interest in Staten Island II.

124. The Defendants intended to defraud Pennisi by not advising her of the overlapping territory between Staten Island I and Staten Island II and advising her that Staten Island II would have an exclusive territory without any competition from other WTP franchises.

125. Pennisi reasonably relied upon the Distenfields and IDLD's representation about the exclusivity of the territory.

126. Based upon Pennisi's reasonable reliance on the exclusivity of the territory she agreed to make the investment and paid to the defendants the sum of \$44,750.00 for her twenty-five (25%) percent share in Staten Island II.

127. Staten Island II was never opened by said defendants, Pennisi has demanded a return of her investment and payment of \$44,750.00 but the Defendants have failed and refused to return same.

128. Based on the above and the Defendants' failure to provide material facts, the defendants are liable to Pennisi the amount of \$44,750.00 together with interest thereon from October, 2004.

**Sixteenth Cause of Action**  
(Piercing the Corporate Veil As Against Dollar)

129. Plaintiffs repeat and reallege the allegations set forth in paragraphs "1" through "128."

130. DFC, DFG and WTPUSA, Inc./WTPUSA, LLC act as a single enterprise.

131. DFC uses DFG as a mere shell or conduit for the performance of the operations of its various companies for which DFC receives revenue.

132. Likewise, DFG's managerial and administrative control over WTPUSA, Inc./WTPUSA, LLC's activities effectively make WTPUSA, Inc./WTPUSA, LLC an alter ego of DFG.

133. Accordingly, DFC and DFG are liable for any restitution owed by WTPUSA, Inc./WTPUSA, LLC.

**WHEREFORE**, Plaintiffs respectfully request entry of a money judgment on each cause of action, except for the tenth cause of action an order enjoining the defendants from selling and/or operating any other WTP franchises within the plaintiffs' geographical location; together with costs, disbursements, and attorneys' fees, and for such other and further relief as the Court deems just, proper and equitable.

Dated: September 14, 2009

SNITOW KANFER  
HOLTZER & MILLUS, LLP  
By: Virginia K. Trunkes  
Virginia K. Trunkes  
575 Lexington Avenue, 14<sup>th</sup> Floor  
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(212) 317-8500  
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WE THE PEOPLE FORMS AND SERVICE CENTERS USA, INC.

*Dated April 2004*

FRANCHISE AGREEMENT IN A FORM FOR EXECUTION

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#### SCHEDULES:

Schedule "A"	Exclusive Territory
Schedule "B"	State Specific Amendments to Franchise Agreement
Schedule "C"	Purchase Affidavit
Schedule "D"	Principal Owners' Statement
Schedule "E"	Principal Owners' Guaranty

WE THE PEOPLE FORMS AND SERVICE CENTERS USA, INC.

FRANCHISE AGREEMENT

This Franchise Agreement (the "Agreement") is made by and between We The People Forms and Service Centers USA, Inc., a California corporation (the "Company"), whose address is 1501 State Street, Santa Barbara, California 93101, and We The People of Westchester Square, New York, Inc. 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 independent paralegal document preparation services (a "We The People Forms and Service 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 (the "System") in connection with the operation of We The People Forms and Service 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 (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 Forms and Service Center franchise on the terms and conditions set forth herein ("Franchisee's Center").

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 independent paralegal document preparation services to the public from a storefront location (the "Franchised Business") 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 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 Forms and Service Center within the Exclusive Territory, nor will the Company open a We The People Forms and Service Center within the Exclusive Territory.

Franchisee's Exclusive Territory does not include sales via the internet. The Company reserves the right to sell and to allow its designees to sell We The People services via the internet.

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 from the sale. If the Company sells a We The People service to a customer via the internet and that customer resides in the Exclusive Territory of a We The People franchisee, the Company will pay that franchisee 25% of the Net Profit from the sale. If the Company sells a We The People service to a customer who completes the transaction electronically, and a We The People franchisee is consulted or is otherwise directly involved in the processing of the customer's workbook, the Company will pay that franchisee 100% of the Net Profit from the sale. For the purposes of this paragraph, Net Profit means the purchase price received by the Company for the legal document prepared less the applicable processing fee charged by the Company.

### 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. If Franchisee elects to renew the franchise, Franchisee will be required to sign the Company's then current form of franchise agreement and pay the renewal fee. 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.

**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 Forms and Service Center in compliance with the Confidential Operating Manual; or
- (d) The Franchisee has demonstrated an unwillingness to take remedial actions recommended by the Company to improve Franchisee's business operations.



## 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. 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 Forms and Service Center that is to be operated at the Site. Franchisee cannot relocate its We The People Forms and Service Center without the prior written consent of the Company.

### 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 Operating Manual.

The Company will lend Franchisee a copy of the We The People Confidential Operating Manual 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. The Company may send new pages or a completely revised Confidential Operating 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 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) or shareholder(s) of Franchisee, if Franchisee is a partnership 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. Upon termination, the Company will retain \$10,000 of the Initial Franchise 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 Forms and Service 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 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 does not charge any fee for its review. 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.

#### **2.12 Inspection.**

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 the Franchised Business, 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.

#### **2.13 Hardware/Software Requirements.**

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. Franchisee will not be required to purchase the Computer System or any non-proprietary software programs from the Company or from any specific designee.

### **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 the Franchised Business within 90 days after execution of this Agreement by the Company. If Franchisee does not open for business within 120 days of the date of this Agreement, or if the Company and Franchisee fail to agree on a site within 90 days, the Company may terminate this Agreement. Upon such termination, the Company will retain \$10,000 of the Initial Franchise Fee as compensation for services rendered to the time of termination and will promptly refund the balance of the Initial Franchise Fee to Franchisee.

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.

### **3.3 Owner Participation.**

Franchisee is not required to participate personally in the day-to-day operation of the Franchised Business. If Franchisee will not participate personally in the operation of the Franchised Business, then Franchisee must designate a manager who must devote his/her full time and best efforts to the day-to-day operations of the Franchised Business. Franchisee and the designated manager must both attend and successfully complete the initial training program to the satisfaction of the Company.

### **3.4 Employees.**

Franchisee must hire and train all employees who are necessary for the operation of the Franchised Business. Franchisee will be solely responsible for the terms of employment, including compensation, 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 business premises. Thereafter, Franchisee must continually operate the Franchised Business as a full-time business enterprise. If Franchisee is delayed in commencing business operations

for causes beyond the control of Franchisee such as fire, flood, or earthquake, then the date of commencement for Franchisee will be extended for a period equivalent to the time of the delay.

### **3.6 Business Hours.**

Franchisee must keep its We The People Forms and Service 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.**

**3.8.1 Use of Name.** Franchisee must conduct the Franchised Business only under the We The People name and Marks and in strict compliance with this Agreement and the Confidential Operating Manual.

**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 Forms and Service Center is independently owned and operated.

**3.8.4 Internet Use.** Franchisee cannot use the Company's corporate name or the Marks, or any colorable imitations of the Marks, for identifying, referencing, linking or otherwise connecting to any internet web site or domain name other than those internet web sites and domain names as are presently, or may be subsequently, owned by or registered to the Company. Franchisee cannot use the Company's corporate name or the Marks, or any colorable imitations of the Marks as part of its email address.

**3.8.5 Franchisee's Name.** Franchisee cannot use the We The People name or Marks as part of its legal business name. Franchisee is authorized and required to adopt a fictitious trade name incorporating the words "We The People Forms and Service 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 Forms and Service Center" and all marks and logos associated therewith from its business name.

**3.8.6 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 Operating Manual.**

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 Operating Manual, 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 Operating Manual and all amendments made thereto. Franchisee will insert any updated pages at the Confidential Operating Manual upon receipt from the Company, and will remove all superseded pages and return them to the Company within five business days.

### **3.10 Services.**

Franchisee will at all times offer and provide only those services that are approved by the Company as comprising the We The People System.

### **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.

### **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 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 local advertising and promotional activities as reasonably required to enhance public awareness, the goodwill and the image of the Franchised Business.

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.**

Franchisee must maintain full and complete records of the Franchised Business 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 the Franchised Business. If any audit shows that Franchisee has underpaid any royalties, 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.

#### **3.15 Maintenance and Repair.**

Franchisee must maintain the condition and appearance of Franchisee's Center in a manner consistent with the image of We The People Forms and Service 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.

#### **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 an independent paralegal document preparation service, including the System and the information contained in the Confidential Operating Manual (the "Proprietary Information"). 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 Operating Manual is the sole property of the Company and must promptly be returned upon the expiration, nonrenewal, or other termination of this Agreement.

The parties acknowledge that upon violation of any of these covenants it will be difficult to determine the resulting damages to the Company and, in addition to any other remedies it may have, the Company will be entitled to make application in a court of competent jurisdiction for temporary and permanent injunctive relief without the necessity of proving actual damages.

### 3.17 Competition.

During the term of this Agreement, Franchisee, its principals, and its employees will not, directly or indirectly, own, maintain, engage in, or participate in the operation of any competing business except other authorized We The People franchisees.

For a period of two years after the termination of this franchise, regardless of the cause of termination, Franchisee and its principals agree not to, directly or indirectly, own, maintain, engage in, or participate in the operation of a paralegal document preparation service at Franchisee's business address or within Franchisee's Exclusive Territory or within the exclusive territory of any other then existing We The People franchisee.

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.

The parties acknowledge that upon violation of any of these covenants it will be difficult to determine the resulting damages to the Company and, in addition to any other remedies it may have, the Company will be entitled to make application in a court of competent jurisdiction for temporary and permanent injunctive relief without the necessity of proving actual damages.

If, in any judicial proceeding, a court refuses to enforce any of these covenants, 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, must designate the Company as an additional named co-insured party, 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.

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 upon demand, together with interest at 4% above the prime interest rate charged by Bank of America NT&SA, unless otherwise limited by applicable law, from the date the expense is incurred until the date payment is received by the Company.

#### **3.19 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.

#### **3.20 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 the Franchised Business, all liens or encumbrances against any of its property, and all accounts and other indebtedness incurred by Franchisee in the operation of the Franchised Business.

#### **3.21 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.

#### **3.22 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.

#### **3.23 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 franchisees.

#### **3.24 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.

### **3.25 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, or (iv) Franchisee's improper use of the Marks. This indemnification will survive the termination of this Agreement.

### **3.26 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, 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 "D" to this Agreement;

(e) Each person named on the Principal Owner's Statement must execute the Principal Owner's Guaranty, attached as Schedules "E" to this Agreement.

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.

### 3.27 Litigation.

**3.27.1 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.

**3.27.2 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.

### 3.28 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.

## 4. FEES

### 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 is not refundable, in whole or in part, except as specifically provided in this Agreement. Franchisee will receive an entire set of workbooks as part of Franchisee's initial franchise fee.

### 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 to the Company for every legal document that is prepared by the Company for Franchisee's customers. The Company will charge Franchisee a processing fee of 25% of the purchase price received by Franchisee for each legal document prepared for Franchisee's customers. The Company will provide Franchisee with a suggested price for the preparation of legal documents. The Company may provide to Franchisee a monthly report itemizing the total amount Franchisee owes the Company for Processing Fees for the previous month.

The Company will give Franchisee 30 days written notice of any increase in processing fees or increase in suggested list prices for documents. 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 a monthly fee to 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 costs in legal support services. The supervising attorney fee is due and payable in full by the tenth day of each month. Payments of supervising attorney fees are not refundable.

#### **4.4 Promotional Fund.**

**4.4.1 Franchisee Contributions.** The Company may, but is not obligated to, establish a cooperative advertising program. If the Company does establish a cooperative advertising program, Franchisee will pay to the Company each month as a contribution to the We The People Promotional Fund (the "Promotional Fund") an amount not to exceed 6% of Franchisee's monthly Gross Revenues from the operation of the Franchised Business.

Promotional Fund contributions are due and payable in full by the tenth day of each month based on the Gross Revenues in the preceding calendar month. Contributions to the Promotional Fund are not refundable.

**4.4.2 Use.** The Company will not commingle Promotional Fund contributions with its general funds, but will hold all Promotional Fund contributions separate from all its general funds in one or more designated accounts.

The Promotional Fund may be used for the following purposes:

(a) To purchase national, regional and local advertising in broadcast and print media as determined by the Company;

(b) To prepare and distribute camera-ready advertising copy for use in local advertising, script or text for broadcast advertising, signs, posters, brochures, banners, and other point-of-sale advertising and promotional materials;

(c) To acquire the services of advertising and public relations professionals;

(d) To carry on other advertising and promotional activities that the Company may reasonably deem advisable to increase demand for services offered by a We The People Forms and Service Center; and

(e) To pay the reasonable expenses of administering the Promotional Fund, including the reasonable compensation of the Company's employees and expenses of the franchise advisory committee while working on behalf of the Promotional Fund.

**4.4.3 Administration.** The Promotional Fund will be administered by the Company or by an advertising agency selected by the Company. The Company, in its sole discretion, may establish a franchisee advisory committee to provide input and suggestions regarding use of the Promotional Fund and the effectiveness of programs funded by the Promotional Fund.

**4.4.4 Accounting.** The Company will account to Franchisee annually for all Promotional Fund contributions. The accounting will be made by written report setting forth the total contributions received from all franchisees as a group, and all expenditures made by the Company, together with the balance on account in the Promotional Fund as of the date of the report.

#### 4.5 Transfer Fee.

Upon any transfer or assignment of the Franchised Business, Franchisee will pay to the Company a transfer fee of \$7,500.

#### 4.6 Renewal Fee.

Upon any renewal of this Agreement Franchisee will pay to the Company a renewal fee of \$2,500.

#### 4.7 Late Payment.

Franchisee acknowledges that the actual damages that would result from any breach by Franchisee of its obligation to make timely payment to the Company are uncertain and would be extremely difficult to ascertain. Therefore, Franchisee agrees that if any payment to the Company is not received within 10 calendar days after its due date, Franchisee will pay to the Company 6% of the past due payment as liquidated and agreed damages, plus interest on the late payment at a rate of 12% per year, unless otherwise limited by applicable law, from the date payment was due to the date payment is received by the Company.

### 5. TRANSFERABILITY

#### 5.1 Transfer by the Company.

There are no restrictions on the right of the Company to sell or assign the franchise 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 commitments to establish the franchise have been met or provided for and adequate provision has been made for providing further contractual services to its franchisees.

#### 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 Forms and Service Centers 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 Forms and Service Centers 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 have duly executed an agreement to be bound by and to assume and perform all the duties of Franchisee under this 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) If the transfer results in more than a 50% change in the beneficial ownership of the franchise, then the transferee 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.

(g) 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 noncompetition 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 give the Company written notice of the terms of the offer and the name of the offer. The Company may elect to purchase the franchise on the same terms contained in the offer within ten business days after the Company's receipt of the offer notification. 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. 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.

### 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 **Without Opportunity to Cure.** The Company may terminate this Agreement immediately, without opportunity to cure, 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; or

(d) 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, unless such failure to operate is due to fire, flood, earthquake or other similar causes beyond Franchisee's control; or

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

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

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

(h) 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

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

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

(k) 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

(l) 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

(m) 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; or

Deleted: n

(n) 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

(o) Franchisee fails maintain the confidentiality of the Proprietary Information, or any other documents or materials provided by the Company; or

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

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

**6.1.3 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, and will execute all documents and instruments and give all instructions necessary to effect the transfer of same to the Company. Franchisee grants a limited, irrevocable power of attorney to the Company to execute all required documents in the name and on behalf of Franchisee.

(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 Operating Manual and all 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.

### 6.3 Arbitration.

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 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 California Code 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, California 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 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. 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 6.3.

## 7. MISCELLANEOUS

### 7.1 Governing Law.

This Agreement will be interpreted, construed and governed according to the internal laws of the State of California, 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 Venue.

The parties hereby consent to the jurisdiction of the courts of the State of California, County of Santa Barbara.

### 7.3 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.

### 7.4 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 Forms and Service Centers USA, Inc.  
1501 State Street  
Santa Barbara, CA 93101

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.

### 7.5 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.

### 7.6 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.

### 7.7 Other Franchises.

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

### 7.8 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.

**7.9 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.

**7.10 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.

**7.11 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.

**7.12 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 "B" and incorporated herein by reference.

7.15 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.

NOW THEREFORE, Franchisee has executed and delivered this Agreement on February 28, 2004, to be effective as of the date and year executed by the Company below.

FRANCHISEE

We The People of Westchester Square, New York, Inc.

By: 

We The People of Westchester Square, New York, Inc.

Name: Ira T. Distenfield

Title: President

Address: 1501 State Street, Santa Barbara, CA 93101

WE THE PEOPLE FORMS AND SERVICE CENTERS USA, INC.

By: 

Name: Ira T. Distenfield

Title: Chairman

By: 

Name: Linda Distenfield

Title: President

Effective Date: 11/20/03

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**THIS AGREEMENT IS NOT EFFECTIVE UNTIL SIGNED BY A CORPORATE OFFICER OF WE THE PEOPLE FORMS AND SERVICE CENTERS USA, INC. NO FIELD REPRESENTATIVE OR SALESMAN IS AUTHORIZED TO EXECUTE THIS AGREEMENT ON BEHALF OF WE THE PEOPLE FORMS AND SERVICE CENTERS 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.**

**SCHEDULE "A"**  
**EXCLUSIVE TERRITORY**

Your We The People (the "Center") will be at the following street address:

49 Westchester Square  
Westchester Square, NY

The Attached map delineates a two mile radius around your We The People Center ("Exclusive Territory").

In Witness Whereof, the parties have agreed to this Schedule on this 20th day of November, 2003.

FRANCHISOR:  
WE THE PEOPLE FORMS AND  
FORMS AND SERVICE CENTERS, USA

FRANCHISEE:  
WE THE PEOPLE OF WESTCHESTER AVENUE (BRONX)  
NY, INC.

FROM : F. JOHN HANDLER, Esq.

FAX NO. : 516 482-2272

Mar. 02 2005 10:40AM P1

AUG-27-2004 13:49

WE THE PEOPLE U.S.A.

805 962 1757 P.25

### SCHEDULE "A"

#### EXCLUSIVE TERRITORY

Your We The People (the "Center") will be at the following street address:

49 Westchester Square  
Westchester Square, NY

The Attached map delineates a two mile radius around your We The People Center  
("Exclusive Territory").

In Witness Whereof, the parties have agreed to this Schedule on this 20th day of  
November, 2003.

FRANCHISOR:  
WE THE PEOPLE FORMS AND  
FORMS AND SERVICE CENTERS, USA

FRANCHISEE:  
WE THE PEOPLE OF WESTCHESTER AVENUE (EMONY)  
NY, INC.