

UNITED STATES BANKRUPTCY COURT

PROOF OF CLAIM

Name of Debtor: WE THE PEOPLE USA, INC., ET AL.,

Case Number: 10-10503 (KJC), et seq (jointly administered)

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

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

Check this box to indicate that this claim amends a previously filed claim.

Name and address where notices should be sent: LAW OFFICE OF SURESH C. PATHAK 18119 S. PRAIRIE AVE., SUITE 108 TORRANCE, CA 90504 Telephone number: (310) 698-4529

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Court Claim Number: (if known)

Filed on:

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

Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

Telephone number:

Check this box if you are the debtor or trustee in this case.

1. Amount of Claim as of Date Case Filed: \$ TO BE DETERMINED

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

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

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

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

Specify the priority of the claim.

2. Basis for Claim: ATTACHED DECLARATION (See instruction #2 on reverse side.)

Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B).

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

3a. Debtor may have scheduled account as:

Wages, salaries, or commissions (up to \$10,950*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. §507 (a)(4).

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

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

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

Describe:

Value of Property: \$ Annual Interest Rate %

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

if any: \$ Basis for perfection:

Amount of Secured Claim: \$ Amount Unsecured: \$

Contributions to an employee benefit plan - 11 U.S.C. §507 (a)(5).

Up to \$2,425* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. §507 (a)(7).

Taxes or penalties owed to governmental units - 11 U.S.C. §507 (a)(8).

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

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

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

If the documents are not available, please explain:

Other - Specify applicable paragraph of 11 U.S.C. §507 (a)().

Amount entitled to priority:

\$

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

Date: 05/10/2010

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

SADIQA RAI

Handwritten signature of Sadiqa Rai

FOR COURT USE ONLY We the People



INSTRUCTIONS FOR PROOF OF CLAIM FORM

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

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

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

Creditor's Name and Address:

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

1. Amount of Claim as of Date Case Filed:

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

2. Basis for Claim:

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

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

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

3a. Debtor May Have Scheduled Account As:

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

4. Secured Claim:

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

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

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

6. Credits:

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

7. Documents:

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

Date and Signature:

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

DEFINITIONS**Debtor**

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

Creditor

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

Claim

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

Proof of Claim

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

Secured Claim Under 11 U.S.C. §506(a)

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

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

Unsecured Claim

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

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

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

Redacted

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

Evidence of Perfection

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

INFORMATION**Acknowledgment of Filing of Claim**

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

Offers to Purchase a Claim

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

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

)	
In re:)	CHAPTER 11
)	Case Nos. 10-10503 (KJC), et seq.
WE THE People USA, Inc., et al.,)	Jointly Administered
)	
)	
)	

ATTACHMENT TO SECTION 2 OF PROOF OF CLAIM

TO THE HONORABLE COURT, ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

I, Sadiqa Rai declare as follows:

1. That I am the Claimant in the within action and have personal knowledge of the facts stated in this declaration. If called upon to testify, I can and will competently testify thereto.
2. At all times mentioned herein, I was and am an individual and owner of 25% interest in WE The People of Pt. Loma, CA, Inc., a corporate entity granted an exclusive protected territory in San Diego, California specifically located at 1435 University Avenue, San Diego, California. [Hereinafter referred to as "Store"] A copy of the Agreement granting 25% interest to me is attached and made part hereto as Exhibit "A" [hereinafter referred to as an "Agreement"].
3. Pursuant to the aforesaid "Agreement", I paid \$25,000.00 to the Debtor to secure my 25% interest in the "Store". I always complied with the terms and conditions of the

“Agreement”.

4. Pursuant to the aforesaid “Agreement” Debtor was responsible for all staffing, operation and management of the “Store”.

5. Pursuant to the aforesaid “Agreement” the Debtor was required to furnish me with a monthly profit and loss statement accompanied with the monthly check representing 25% of the all net proceeds earned by the “Store”.

6. Pursuant to the “Agreement”, I was not responsible for any losses.

7. I was never provided any profit and loss statements by the Debtor despite repeated request. And off course never received the monthly check representing 25% of the all net proceeds earned by the “Store”.

8. On or about January 25, 2007, I received a letter from the Debtor expressing Debtor’s desire to reopen the “Store” no later than May 1, 2007. Further Debtor stated in the letter that failure to reopen by that date would be considered a breach of the Franchise Agreement and Agreement would be considered in default. A copy of the Letter is attached and made part hereto as Exhibit “B”. Debtor breached the “Agreement” by not operating and managing the “Store” pursuant to the “Agreement”, failure to provide me the profit and loss statement, failure to provide me the monthly profits and unilaterally terminating the “Agreement”

9. Debtor made false representations as stated in the “Agreement” to me knowing that the representations were false in order to obtain \$25,000.00 from me. I relied on aforesaid representations and entered into the “Agreement” with the Debtor. Debtor knew that Debtor would not comply with the “Agreement” and Debtor never complied with the “Agreement”.

10. I have been damaged in the amount to be determined as a direct result of the aforesaid fraudulent conduct of Debtor but not limited to my original investment of \$25,000.00 with legal rate of interest, monthly profit pursuant to the Agreement and consequential damages. .

I declare under penalty of perjury that the foregoing is true and correct.

Dated: May 11, 2010



SADIQA RAI

Exhibit "A"

ADDENDUM TO FRANCHISE AGREEMENT

Sadiqa Rai ("Rai"), 12752 Valley View, Garden Grove, CA 92845 and We The People Forms and Service Centers USA, Inc. ("Company"), 1501 State Street, Santa Barbara, CA 91303 hereby agree to the following addendum to the Franchise Agreement with We The People Forms and Service Centers USA, Inc., a California corporation. If The Franchise Agreement and the Addendums conflict in any way, the Addendums shall control. The defined terms of the Franchise Agreement have the same meaning herein.

(1) Rai, in partnership with the Company, will own a 25% interest in We The People of Pt. Loma, CA, Inc., a corporate entity granted an exclusive protected territory in San Diego, California to open a We The People independent paralegal document preparation center.

(2) Rai will pay to the Company an initial Franchisee Fee of \$25,000. Any and all additional costs incurred in the creation, growth, and management of the above referenced store will be paid and become the sole financial responsibility of the Company, including but not limited to, the costs of furniture, fixtures, signage, rent, leasehold improvements, telephones, fax machine, business equipment, office supplies, security deposit, personnel costs, legal fees, media, advertising, and working capital.

(3) The office located in the above referenced territory will be fully furnished and equipped commensurate to the standards of the Company, and the final location site will be subject to the approval of Rai and the Company.

(4) The Company will be responsible for all staffing, operating and managing of the office.

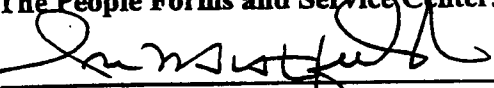
(5) During the life of this Agreement, the Company will furnish Rai with a monthly profit and loss statement, accompanied with a monthly check representing 25% of all net proceeds earned by the store. Rai will be responsible for no losses.

(6) Rai and the Company will form a California corporation titled We The People of Pt. Loma, CA, Inc.; that entity being the holder of the Franchise rights with the Company. Rai has the right to sell, transfer, or assign a portion of those interests in this corporation to a person(s) or entity, provided Rai remain the individual representing those interests to the Company.

IN WITNESS WHEREOF the parties have executed and delivered this Addendum to the Franchise Agreement on the 23rd day of July, 2004.

"COMPANY":

We The People Forms and Service Centers USA, Inc.

By: 
Ira T. Distenfield, Chairman

"RAF":


By: 
Sadiqa Rai

Exhibit " B "



We The People.

January 25, 2007

We the People of Pt. Loma, Inc.
We The People of Pt. Loma (San Diego) CA, Inc.
c/o We The People Desert Area, Inc
5266 Hollister Ave
Suite 111
Santa Barbara, CA 93111

RE: Notice to Re-open We The People Store
Hillcrest, CA

To the Shareholders, Members of the Board of Directors and Officers:

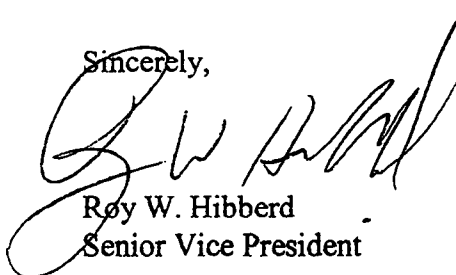
By Franchise Agreement effective July 1, 2004 you were granted the right to open and operate a We the People Store within an Exclusive Territory known as Hillcrest. The Hillcrest We The People Store operated at 1435 University Avenue, San Diego, CA 92103 until January, 2006. At that time, We The People USA was informed that the Hillcrest store closed due to the landlord's reletting the Store premises to another tenant.

Since that date, we have discussed the re-opening of the Store on several occasions. At this time, We The People believes it is appropriate to request that the Store now be re-opened no later than May 1, 2007. A failure to reopen by that date will be considered a breach of your Franchise Agreement and the Agreement will be considered in default.

A copy of We The People's relocation policy is included for your reference along with a checklist of the materials necessary to reopen the Hillcrest Store.

Should you have any questions regarding this Notice or the re-opening process, please contact Kate McPeak of our staff.

Sincerely,



Roy W. Hibberd
Senior Vice President

cc: certified and regular mail

SURESH C. PATHAK
LAW OFFICE OF SURESH C. PATHAK
18119 S. PRAIRIE AVE.,
SUITE 108
TORRANCE, CA 90504
Bar No.: 218963

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re: WE THE PEOPLE USA, INC., ET)
AL.,)
)
)
)
_____)

Case No. 10-10503(KJC), et seq

Chapter 11

PROOF OF SERVICE BY MAIL

I, SURESH C. PATHAK, declare that:

I am employed in the County of LOS ANGELESX, California. My business address is:
18119 S. PRAIRIE AVE., SUITE 108, TORRANCE, CA 90504

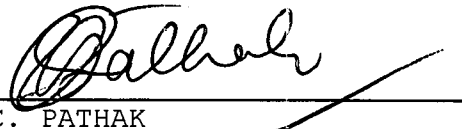
I am over the age of eighteen years and not a party to this cause.

On 05/11/2010, I served the PROOF OF CLAIM

_____ in said cause by placing a true and correct
copy thereof enclosed in a sealed envelope with postage thereon fully prepaid in the United States Mail
at TORRANCE, California, addressed as follows:

- | | |
|---|--|
| 1. ADAM HILLER
PINCKNEY, HARRIS
& WEIDINGER, LLC
1220 N. MARKET ST., # 950
WILMINGTON, DE 19801 | 2. U.S. TRUSTEE
844 KING STREET, ROOM 2207
LOCKBOX # 35
WILMINGTON, DE 19899-0035 |
|---|--|

I declare under penalty of perjury that the foregoing is true and correct and that this declaration
was executed on MAY 11, 2010, at TORRANCE, California.



SURESH C. PATHAK