AMERICAN ARBITRATION ASSOCIATION

COMMERCIAL ARBITRATION TRIBUNAL

In the Matter of the Arbitration between:

NATIONAL LEAGUE OF JUNIOR COTILLIONS, INC., hereinafter referred to as "CLAIMANT",

-and-

CHRISTY D. PORTER, and COLORADO JUNIOR COTILLION, LLC, hereinafter referred to as "RESPONDENTS"

CASE NO. 31-114-00260-07

AWARD OF ARBITRATOR

I, THE UNDERSIGNED ARBITRATOR, having been designated in accordance with the Arbitration Agreement entered into by the above-named Parties and dated August 14, 2000, and having been duly sworn and having duly heard the proofs and allegations of the Parties, make the following Findings of Fact and Conclusions of Law:

Findings of Fact

1. In April 2000, Claimant and Respondent Christy Porter entered into a licensing agreement ("the Agreement") whereby Claimant conferred upon Ms. Porter the rights to use certain intellectual property and other materials associated with Claimant's instructional "System." The territory for which Ms. Porter contracted was Douglas County, Colorado.

2. The Agreement contained a "non-compete" provision through which Ms. Porter contracted not to "use.... any of [Claimant's] confidential information, knowledge or know-how concerning the operation, products, services, trade secrets, procedures, policies, techniques or materials or customers," acquired through her relationship with Claimant, nor compete against Claimant or its licensees in a specified area for a period of two years.

3. The geographic area specified in the "non-compete" provision (termed the "Restricted Territory") included "the twenty-five miles surrounding the boundary of the Exclusive Territory previously granted...."

4. In April 2006, Ms. Porter gave notice of termination of the Agreement to Claimant. Shortly after the termination, she established the Colorado Junior Cotillion ("CJC"). Its first classes in etiquette, manners and dance were held in August 2006, and continued thereafter.

The curriculum that CJC employed, the materials that it used and the marketing approach it followed were similar to Claimant's.

5. Respondents' classes were conducted within the twenty-five miles surrounding Douglas County.

6. Upon Ms. Porter's termination of the Agreement, Claimant sought replacement of Ms. Porter as its licensee. It had not "abandoned" the Exclusive Territory, but was hampered in reestablishing its presence in Douglas County by Respondents' acts in, essentially, converting Claimant's Douglas County Chapter into CJC.

7. Until the federal court's preliminary injunction in August, 2007, Respondents used a logo which was substantially similar to Claimant's logo. Claimant's logo was protected by a registered trademark.

8. Until the federal court's preliminary injunction in August 2007, Respondents used a document known as a "Parents Reception Invitation," which was reasonably identical to Claimant's "Parents Reception Invitation," which was protected under copyright.

Conclusions of Law

1. Respondents violated the non-compete provision of the Agreement. This violation constitutes an unfair and deceptive act under N.C.G.S. §75-1.1. The nature of the violation, particularly in light of the Respondents' failure to obey the federal court's injunction, amount to "aggravating circumstances." These acts entitle Claimant to its lost profits during the two-year period, as well as the costs associated with seeking a new licensee. Claimant is also entitled to the value of the goodwill damaged by Respondents' acts. Under N.C.G.S. § 75-16, the total amount of damages must be trebled.

2. By using a logo substantially similar to Claimants, particularly in the context here, Respondents unlawfully infringed upon Claimant's registered trademark.

3. By using a "Parent's Reception Invitation" virtually identical to Claimant's, Respondents unlawfully infringed Claimant's registered copyright for both the 2006-2007 and 2007-2008 seasons.

4. The undersigned concludes that all of Claimant's other claims for trademark, copyright and trade dress infringement are not legally supported.

5. Claimant is entitled to reasonable legal fees associated with prosecution of this matter under the Agreement, applicable state and federal arbitration statutes and N.C.G.S. § 75-16.1.

Accordingly, I AWARD as follows:

1. For breach of the non-compete provision of the Agreement, RESPONDENTS shall jointly and severally pay CLAIMANT: (a) $19,057 as lost profits; (b) $1,097.53 as

expenses incurred in its unsuccessful efforts to identify a replacement; and (c) $10,000 as loss of goodwill. These amounts are hereby trebled under N.C.G.S. § 75-16.1, resulting in a total sum due from Respondents to Claimants of $90,463.59.

2. For their act of infringement upon Claimant's trademark, RESPONDENTS shall jointly and severally pay CLAIMANT $5,000.

3. For their two acts of infringement upon Claimant's copyright, RESPONDENTS jointly and severally shall pay CLAIMANT $10,000.

4. RESPONDENTS shall jointly and severally pay CLAIMANT'S Attorneys' fees in the amount of $41,242.50.

5. RESPONDENTS shall jointly and severally pay Claimants post-judgment interest on the above sums at the rate of 8% per annum commencing November 3, 2008, until paid in full.

6. The administrative filing fees and case service fees of the American Arbitration Association ("the Association") totaling $3,800.00 shall be borne 75% by RESPONDENTS and 25% by CLAIMANT. The fees and expenses of the arbitrator totaling $18,300.00 shall be borne 75% by RESPONDENTS and 25% by CLAIMANT. Therefore, RESPONDENTS shall reimburse CLAIMANT the additional sum of $6,175.00, representing that portion of said fees and expenses in excess of the apportioned costs previously incurred by CLAIMANT.

7. All of Claimant's other claims for monetary damages and equitable relief are denied.

This AWARD is in full settlement of all claims submitted to this Arbitration.

Gary W. Jackson Date: 11/10/08