

be charged to the funds belonging to Licensee and by the Licensor.

See Attached Rider.

7. The Licensor and Licensee agree that it is essential to the success of the contemplated enterprise and the reputation of the Licensor, to maintain the highest possible standard of instruction and the highest standard of behavior among the personnel employed by Licensee. The Licensee therefore agrees that the names, photographs, qualifications and references of all dancing instructors, interviewers, supervisors and other employees to be employed by the Licensee shall be submitted to the Licensor for Licensor's approval prior to employment; and the applicants must pass, to the Licensor's reasonable satisfaction, examinations in writing prepared by the Licensor and given under Licensor's supervision or direction prior to being employed by Licensee. The Licensee agrees to institute and maintain all rules of behavior and regulations [fol. 128] pertaining thereto, which are or may be established by Licensor, from time to time at the New York studio owned or supervised by Licensor. Any instructors, interviewers, supervisors or other employee hired and subsequently with or without cause, found objectionable by the Licensor, shall be dismissed forthwith at the request of the Licensor. The Licensee agrees that failure on his part to maintain adherence of his employees to the rules of behavior and the standard of instruction established by the Licensor, or the failure of Licensee, in the judgment of the Licensor, to maintain Licensee's school on a level with the high character and excellence of the New York studio owned or supervised by the Licensor or should the Licensee permit, allow or countenance illegal, immoral or questionable conduct on his own or on the part of any of his teachers or employees or should, in the opinion of Licensor, the reputation of the Licensee's studio be impugned, sufficient cause shall be deemed to exist to justify immediate cancellation of this license. The salaries and expenses of all dancing instructors and other employees hired, employed and engaged by the Licensee shall be borne by Licensee and not by the Licensor. Licensee agrees to require all employees

as a pre-requisite to their employment, to sign an employment contract, in the form prescribed by Licensor, which shall be uniform for all Licensees hereafter licensed and shall be in the form used by the New York studio, giving to Licensor, amongst other things, the right to enforce the covenants thereof on the part of the employee to be performed at the reasonable expense of Licensee. If Licensee fails to do so to Licensor's reasonable satisfaction.

The Licensee specifically agrees: (a) that he will not employ any dancing instructor, interviewer, supervisor or other employee without first obtaining the written consent of the Licensor; (b) that he will not employ any dancing instructor, interviewer or supervisor who is under the age of twenty-one years; and that, upon the Licensor's request, he will furnish the Licensor with legal proof of age of any dancing instructor, interviewer or supervisor; (c) that he will not employ any dancing instructor unless such instructor has had at least one hundred hours of private instruction in dancing at an Arthur Murray Dancing School, or has [fol. 129] attended a Teacher's Training Class at an Arthur Murray Dance Studio for at least two hundred (200) hours; (d) that he will maintain approximately the same rates of pay for his dancing instructors, interviewers and supervisors as is maintained at the New York Studio owned or supervised by Licensor, taking into consideration any special local conditions that may exist, if any. The Licensee further agrees that he will at all time require the instructors and supervisors employed by him to have a complete knowledge of all the latest Arthur Murray dance steps and Arthur Murray methods of teaching such steps and agrees that he will require his instructors and supervisors to attend classes in the latest Arthur Murray dance steps and Arthur Murray teaching methods, when and as the Licensor sends its representatives to the Licensee's place of business in order to teach the latest Arthur Murray steps and Arthur Murray methods of instruction to the Licensee and his instructors and supervisors. The Licensee agrees to reimburse the Licensor to the extent of not more than \$500.00 in any calendar year for the cost of sending such representatives to the Licensee's studio.

Licensee further agrees, at Licensee's expense, to attend or to send the individual charged with the training and supervision of Licensee's instructors to New York City to attend a seminar to be conducted by Licensor in the late Arthur Murray dance steps and Arthur Murray teaching methods when notified by Licensor of the holding of such seminar, at least once in each calendar year for at least one week. Licensor will give not less than three weeks' notice of such seminars.

8. The Licensee agrees that all advertising to be placed by him in newspapers, on signs, on the radio, and all printed matter, shall first be submitted to the Licensor for Licensor's written approval before being used. Licensee agrees to approve or disapprove any such advertising within two weeks after receipt of copy or script by Licensor. The Licensee may advertise in any paper published in or over any radio station broadcasting from the area in which the Licensee is licensed to do business and until such advertising conflicts with the advertising of another Arthur Murray Licensee (of which fact Licensee [fol. 130] shall be sole judge and arbitrator as to whether any such conflict actually exists) in which case Licensee shall desist forthwith from advertising in any newspaper or over any radio station when so directed in writing by the Licensor unless and until arrangements shall have been made, satisfactory to such Licensee and Licensor, to coordinate the conflicting advertising.

The Licensee when and if called upon to do so, agree to pay his proportionate share of the cost of national advertising of the Licensor during the term of this agreement. By "national advertising" is meant advertising appearing in printed publications, on the radio or through any other medium which is generally directed to the population of the nation rather than to some particular locality. By "proportionate share of the cost" is meant the share allocable to the Licensee according to the ratio of the population of the territory in which this license is effective to the population of all licensed territory in the continental United States (including territory serviced by Licensor directly) based upon latest available population statistics.

Any allocation of costs certified to by the Certified Public Accountant employed by the Licensor for such purpose shall be final and binding on the parties hereto but shall not exceed 2% of the annual gross receipts of the Licensee for the previous calendar year.

Should the gross income of Licensee for the first operating year of this contract be less than \$25,000.00 or should the gross income of the Licensee for any consecutive three months, after the end of the first operating year of this contract, be less than 66 2/3% of the gross income of the corresponding consecutive three months of the preceding year, the Licensor, at Licensor's option, shall have the right to direct the advertising of the Licensee for as long as Licensor deems such direction advisable or necessary, it being understood, however, that all expense of this advertising shall be borne and paid for by the Licensee and not by the Licensor but shall not exceed 15% of current gross monthly receipts of Licensee, it being agreed that as soon as the current gross monthly receipts again equal or exceed 90% or more of the gross receipts of the corresponding consecutive three months of the preceding year, [fol. 131] Licensor will, upon request made to Licensor by Licensee, relinquish control of said advertising unless and until the gross receipts again diminish as aforesaid.

9. Upon Licensor's request, Licensee agrees to use in his advertising, appointment cards, receipts, etc., wherever the name "Arthur Murray" appears, the following phrase:

"Arthur Murray Dance Studio
Mark & Marzalie Stevens, Licensee."

10. The Licensee agrees that he shall solely be responsible for all the expenses of the aforesaid dancing school and for taxes and levies of any and all kinds in connection with said school and the income arising therefrom and that the Licensor shall not be liable for any such expenses, taxes or levies or disbursements otherwise paid or incurred in connection with the establishment and maintenance of the aforesaid dancing school, and the Licensee agrees to indemnify and hold the Licensor harmless from any and all claims, lawsuits, demands and other causes of action that

may arise or be asserted against the Licensor by reason of the establishment and maintenance of the aforesaid school or by reason of Licensee's use of the name "Arthur Murray" and all counsel fees and expenses in defending the same, and it is understood and agreed that in granting this license the Licensor does not authorize or empower the Licensee to use the name "Arthur Murray" in any other capacity than as provided herein, or to sign the name "Arthur Murray" to any contracts, documents, bills, notes, checks, drafts, leases, bonds, mortgages, bills of sale, or any other instrument in writing, or to hold himself out as a general or special agent, officer, director or partner of the Licensor, and the Licensee agrees that all contracts which he may enter into in the establishment and maintenance of said school shall be in his own name and not in the name of Arthur Murray. The Licensee, however, may state that he is doing business as such Licensee under the trade name and style of "Arthur Murray Dance Studio" during the pendency of this agreement. In addition to any other remedy, the Licensor may indemnify itself out of the Fund set up in paragraph 6 of this agreement from any and all claims, law suits, demands and any other causes of action and the cost and expense of defending the same, as hereinbefore set forth. Counsel fees charged to Licensee shall be reasonable.

11. The Licensee agrees to obtain the Licensor's written approval of the location, layout and decoration of any school or studio to be operated by the Licensee hereunder prior to the beginning of operation therein. The Licensee agrees that it is in the mutual interest of Licensee and Licensor that the furniture, furnishings, and decorations of the Licensee's studios shall be in good taste, of high quality and character and that studios throughout the country shall be as nearly uniform in appearance as is practical and, accordingly, Licensee agrees that he will decorate and maintain his studio in accordance with the Licensor's directions. In the event that at any time the said furniture, furnishings and decorations of Licensee's studio or studios do not meet with the Licensor's approval, or that the Licensee fails to decorate and maintain his studios in accord-

ance with the Licensor's directions, Licensor shall notify Licensee of such determination and Licensee shall have 90 days in which to redecorate in accordance with the Licensor's recommendations. If Licensee's recommendations are not complied with in said period, or if Licensee by the end of said period shall not have progressed sufficiently with such redecoration to demonstrate to Licensor that the Licensee is proceeding with such redecoration in good faith and as expeditiously as possible, the Licensee hereby authorizes the Licensor to employ an interior decorator to decorate or redecorate the said studios and agrees to pay the reasonable cost of furniture, furnishings and decorations chosen by said interior decorator plus the fees of such decorator. Licensor agrees, however, that Licensee will not be called upon to expend in excess of 5% of Licensee's gross receipts for the twelve months next preceding the commencement of such redecoration without Licensee's prior written consent. The Licensee further agrees that he will install when and where practical and maintain in good order a music system of high quality and character, and shall make such change in his music system and in the kind and type of music played in his studios, as the Licensor from time to time may direct.

12. The Licensee agrees that he will make refunds to his pupils of unused lessons, at the request of any pupils for a refund when and if a refund is justified.

[fol. 133] In the event that the Licensee fails to make such justifiable refund to any of his pupils, the Licensor, if convinced that such refund is justified, is authorized to make such reasonable refund as Licensor deems proper, and charge the amount so paid to the Licensee, and Licensee agrees to reimburse Licensor upon demand or Licensor may charge such payment against the deposits provided for in Paragraph 6. Licensor agrees to endeavor to keep such refunds to a minimum.

13. The Licensee shall keep true and correct books of account, employing such bookkeeping and reporting system as Licensor may from time to time direct. Among other things, there shall be entered and recorded therein the name and address of each and every dancing pupil en-

rolled in the Licensee's school, together with a statement as to the amount paid to the Licensee for dancing lessons and the number of lessons subscribed for, given and unused. The books of account of Licensee shall be open to the examination and inspection of the Licensor or Licensor's duly authorized agent during all business hours of the day. Duplicates of Social Security reports, State unemployment reports, State and Federal tax returns and any other records or accounts shall be furnished the Licensor upon written request. The Licensee shall pay the entire cost of establishing, maintaining and auditing his books and records, as required hereunder.

14. The Licensee shall mail to the Licensor at Licensor's address in New York on Friday of each week: (1) a full and accurate statement showing the gross receipts received by the Licensee during the preceding calendar week; (2) the names and addresses of dancing pupils enrolled during said preceding week, with complete details of their enrollment, and the amounts paid to the Licensee by dancing pupils for lessons during that week together with the names of all pupils taking lessons during said week and the number of lessons taken by each such pupil (unless such information is shown in other records required to be furnished to Licensor by Licensee); (3) duplicates of all entries made by Licensee in his books of account; (4) teacher's original time slips; (5) duplicate original slips of payments by pupils; (6) original appointment sheets and such other forms or reports as Licensor may [fol. 134] from time to time require. Said documents shall be accompanied by Licensee's check in payment of the percentage of the Licensee's aforesaid weekly gross receipts as herein set forth.

15. The Licensee shall not at any time directly or indirectly furnish any information as to the methods of operation, interviewing, teaching, advertising, publicity, promotion fees, or any other information relative to the Licensee's dancing school, or any dancing school licensed, owned or managed by the Licensor, to anyone except the Licensor. The Licensee may, however, discuss general problems of method and management with other managers

of Arthur Murray Dancing Schools (or the Licensees operating same) but nothing herein contained shall be construed to sanction the Licensee's discussion with or divulging to another person or Licensee of any information, method or advertisement or suggestion made available to the Licensor only to such of the Licensees as have shared or have agreed to share the expense of preparing or obtaining such information, method, advertisement or suggestion or which the Licensor may designate as for the exclusive information or guidance of the Licensee.

The Licensee shall not at any time directly or indirectly furnish or divulge to anyone, except the Licensor, the names of the dancing pupils enrolled in his aforesaid dancing school, nor shall he solicit their patronage for his own, or for the use of any other dancing school at any time during a period of three years after the termination of this agreement.

The Licensee shall not have any interest, financial or otherwise, in any dancing school, studio, or dance hall in any part of the United States, other than as a Licensee hereunder or in territory for which he has a license in effect from the Licensor, during the term hereof.

16. In addition to any specific rights of cancellation contained in this agreement, upon the failure of the Licensee to comply with any and all terms and conditions of this agreement, or should the Licensee for any reason whatsoever not conduct or be unable to conduct said dancing school personally and give full time and personal attention [fol. 135] to the same for any period aggregating four months or should the Licensee, in the opinion of Licensor, neglect said dancing school the Licensor shall have the right, upon thirty days written notice, mailed to the Licensee at his address hereinabove set forth, to terminate this agreement and thirty days from the date that such notice is so mailed this agreement shall terminate and come to an end. If Licensee's failure to give full time and personal attention to said dancing school or schools is caused by bona-fide illness or physical disability, said default may be cured provided and if Licensee prior to the expiration of said thirty days shall have employed a man-

ager approved in writing by Licensee, to take full and personal charge of said studio or studios.

17. The Licensee agrees that Licensee will use and advertise the name "Arthur Murray" or "Arthur Murray Dancing School" only within the territory in which he is licensed to operate and only in conjunction with the dancing schools operated by him within that territory and only in accordance with this contract and that at the termination of this agreement, he will not use the name "Arthur Murray" nor will he advertise or hold himself out in connection with any other dancing school, or while engaged in the teaching of dancing, as having formerly been connected with Arthur Murray or with an Arthur Murray Dancing School, and the Licensee further agrees that he will not, for a period of one year, following the termination of this agreement, engage directly or indirectly in his own behalf, or that of any other person, firm or corporation in the City of New York or any county adjoining the County of New York or within the territory in which the Licensee is hereby licensed to use the name "Arthur Murray" or the Arthur Murray Method or within a radius of twenty-five miles of any Arthur Murray dance studio, wherever the same may be located, in teaching dancing to or soliciting the patronage of any persons who were at any time, or are, pupils of the Licensor, or the Licensee, or in teaching dancing to any other persons. The Licensee admits that the Arthur Murray Method is a unique and special method of conducting a dancing school and teaching social dancing devised and developed over the course of years by Arthur Murray. The Licensee further agrees that any and all contracts [fol. 136] made between him and his dancing instructors will be in writing and will provide that he will receive from each dancing instructor notes in payment for training and agreements similar to those signed by employees of the New York Studio or Studios and such agreements shall state that upon the termination of the contract of employment between said dancing instructor and the Licensee, said dancing instructor, while engaged in the teaching of dancing, or while connected with any other dancing school, will not advertise or hold himself or herself out as having been formerly connected with Arthur Murray or with any

Arthur Murray Dancing School, and also, an agreement in writing to the effect that upon the termination of the contract of employment between the said dancing instructor and Licensee, the said dancing instructor will not, for a period of one year following the termination of his or her employment, engage directly or indirectly in his or her own behalf, or that of any person, firm or corporation in the City of New York, or any county adjoining the County of New York, or within the territory in which the Licensee is hereby licensed to use the name "Arthur Murray" or the Arthur Murray Method or within a radius of twenty-five miles of such territory, or within a radius of twenty-five miles of any Arthur Murray dance studio, wherever the same may be located, in teaching dancing to, nor will he solicit the patronage of, any persons who at any time were or are pupils of the Licensor or the Licensee, or in teaching dancing to any other persons.

The Licensee gives the Licensor permission to use his name and photograph in all Arthur Murray advertisements, tie-ups with other advertisers and in any and all forms of advertising and publicity. Licensee agrees to obtain the same right to use the names and photos of his instructors, supervisors and interviewers, for himself and for the Licensor and Licensee will assume full responsibility and liability for Licensor's use of the same and agrees to indemnify and hold Licensor harmless from any claim of any such employee for such use. A duplicate original of each such agreement and consent in writing between the Licensee and his dancing instructors, supervisors and interviewers, shall be delivered to the Licensor before the employment of instructors, supervisors or interviewers.

[fol. 137] 18. The Licensee shall not sell, transfer, assign, sublicense, mortgage or pledge this agreement or any rights or privileges accruing hereunder, to any persons, firm or corporation, without the written consent of the Licensor, had and obtained. In the event of the Licensee's bankruptcy or insolvency or adjudication as a bankrupt or insolvent under the National Bankruptcy Act, or under any other Insolvency Act, State or Federal, or if a Receiver shall be appointed by any Court of competent jurisdiction

to take possession of the property of the Licensee, this agreement shall, immediately upon the happening of any such events, terminate and come to an end.

19. The Licensee shall post in a conspicuous place in the reception room of his dancing school or studio the certificate of Arthur Murray Dance Studio license in the form issued by the Licensor.

20. In the event of any breach of this agreement, Licensor shall give Licensee written notice thereof and Licensee shall have fifteen days in which to cure such breach. Such notice shall be deemed to have been delivered to Licensee forty-eight hours after it shall have been deposited in the mails with proper postage affixed, addressed to Licensee at any studio operated by Licensee.

Upon the failure of the Licensor to insist, in any one or more instances, upon strict performance of any one or more of the terms and conditions of this agreement, or to exercise any rights hereunder, shall not be construed as a waiver thereof but the same shall continue and remain in full force and effect.

21. Licensee agrees to discharge any employee within three days after delivery of notice so to do at any studio operated by Licensee addressed to Licensee and dispatched by Licensor to Licensee postage properly prepaid by registered mail.

22. Any failure of Licensee to cure a breach of this agreement, as aforesaid, or any failure to discharge an employee, as aforesaid shall be good cause for termination hereof. Such termination may be effected by Licensor notifying Licensee of its desire so to do in writing sent to Licensee at any studio operated by Licensee by registered mail, and [fol. 138] such termination shall be effective as of the date indicated in such written notice.

23. This agreement shall be deemed to have been made in the State of New York and shall be construed according to the laws of the State.

24. This contract supersedes all contracts if any, whether written or oral, between the parties hereto pertaining to

the operation of dancing schools except that any monies owed by Licensee to Licensor or its predecessors under the terms of such prior contract shall be paid. Any monies held in escrow, trust or on deposit by Licensor or its predecessors pursuant to any prior contract shall be held by Licensor pursuant to the terms thereof.

25. This agreement contains the entire agreement between Licensor and Licensee, all oral agreements being merged herein, and any agreements hereafter made shall be ineffective to change, modify or discharge it in whole or in part unless such agreement is in writing and signed by the party against whom enforcement of the change, modification or discharge is sought.

26. All pronouns and any variations thereof, as used herein shall be deemed to refer to the masculine, feminine, singular, or plural as the identity of the person or persons may require.

27. This agreement shall commence as of the date hereof and shall continue for one (1) year beyond the 31st day of August next succeeding the date hereof. Thereafter the term of this agreement shall be automatically renewed each year for a further period of one year unless either party mails a written notice of intention not to renew, to Licensee, at Licensee's address hereinbefore set forth or to Licensor at Licensor's then principal place of business, by registered mail, at least thirty (30) days prior to the end of any such annual period. If such notice is so mailed the term of this agreement shall terminate as of the 31st day of August next succeeding the mailing of said notice.

28. Licensee agrees that for the first three operating years of this contract (or for each year less than three [fol. 139] years that said contract is in effect), the Licensor shall be entitled to receive on account of the percentage of gross receipts, hereby provided to be paid by Licensee, the minimum sum of \$2,500.00 with respect to each of said years. Licensor agrees, if remittances from Licensee to Licensor should total less than half of said minimum sum for any half of any of said first three operating years (or for any year less than three years that said contract is in

effect), that Licensee at Licensee's sole option, may retain this franchise, only by paying the difference between the amount of remittances actually made by Licensee to Licensor for such six months operation and one half of the aforesaid minimum sum, within thirty (30) days after the close of such operating period. If Licensee fails to do so within said thirty (30) days, then Licensor may, on the thirty (30) days' written notice by registered mail to Licensee, mailed within sixty (60) days after the end of said operating period, request Licensee to pay the difference as aforesaid or to surrender this license and to cease and desist from doing business under the name of "Arthur Murray" or any similar name, and if the Licensee, within thirty (30) days after the mailing of such written notice, fails to remit to Licensor such difference, then Licensee agrees to surrender this license and to cease and desist from doing business under the name of "Arthur Murray" or any similar name. Any sum paid by Licensee to Licensor in excess of one half of the above specified minimum sum for the first six month period in any operating year shall be credited to any deficiency below one half thereof in the second half of that operating year.

With respect to the gross receipts of the licensee which shall be required as a minimum after the end of the first three operating years of this contract, all of the cities in which Licensees of "Arthur Murray" operate schools (other than New York City) shall first be ranked according to their population (on the basis of the latest official U.S. Census); then all Licensees of "Arthur Murray" who operate schools (other than New York City) shall be ranked according to their gross receipts for the operating year in question. Gross receipts and population ranking as prepared by Licensor's certified public accountants shall be binding on Licensor and Licensee.

[fol. 140] If the gross receipts ranking of the Licensee is not better than three or less below the relative population ranking of the City in which the Licensee operates in any operating year after the third operating year of this contract then and in that event Licensee agrees that Licensor may, at its option, terminate this contract, as aforesaid, and Licensee agrees, at the request of the Licensor, to

surrender this license as aforesaid and to cease and desist from doing business under the name of "Arthur Murray" or any similar name.

Licensee may, however, retain this franchise, at Licensee's sole option, by paying, within thirty (30) days after the expiration of any such operating year (after the end of the third year hereof if same continues in effect for more than three years), any deficiency between the amount of the remittances actually made by Licensee and the amount necessary to be paid so that Licensee's total payments for the said operating year would entitle him to be ranked with respect to gross receipts of Arthur Murray Licensees not more than three places below the relative population ranking of the City in which the Licensee is operating for the said operating year. If Licensee fails to do so within thirty (30) days, then Licensor may, on the thirty (30) days' written notice by registered mail to Licensee, mailed within sixty (60) days after the end of any such operating year, request Licensee to pay such difference or to surrender this license and to cease and desist from doing business under the name of "Arthur Murray" or any similar name, and if the Licensee, within thirty (30) days after said mailing, fails to pay such difference (in the amount of such difference contained in said notice, certified to by Licensor's certified public accountants), then Licensee agrees to surrender this license and to cease and desist from doing business under the name of "Arthur Murray" or any similar name.

Nothing hereinabove contained shall be construed (provided Licensee elects to and does surrender and terminate this license and ceases to do business as aforesaid) to obligate Licensee to pay Licensor any of the aforesaid differences between payments actually made and the minimums aforesaid. If Licensor fails to give said written notice by registered mail, as aforesaid, Licensor, shall be [fol. 141] deemed to have waived its right to terminate this contract for Licensee's failure to make such minimum payment for such particular operating period or year as the case may be, without affecting Licensor's said rights with respect to any subsequent period or year.

The term "operating year" as used in this contract shall be construed to mean the year commencing with the date as of which this contract is signed without regard to the date of its termination.

29. If Licensee fails to cease and desist from doing business under the name of "Arthur Murray" or any similar name, upon any termination or cancellation hereof, it is agreed that as liquidated damages (the exact damage being difficult of ascertainment) the Licensor shall be entitled to recover from Licensee 50% of Licensee's gross receipts thereafter as long as Licensee continues to do business under the name "Arthur Murray" or any name similar thereto.

30. Sixty days after the death of the Licensee (or if the Licensee be a partnership, then after the death of the last surviving partner) this franchise shall cease and come to an end unless an administrator (temporary or permanent) or an executor, or executors of the estate of the Licensee or last survivor of the Licensees, if there be more than one, be appointed within said sixty days (60) after the death of the last survivor, and such administrator or executor within such period of time appoints a manager acceptable to the Licensor and thereafter this franchise shall terminate unless such administrator or executor (or trustee) or Licensee's legatee continues to employ a manager satisfactory to Licensor. If any such manager proves unsatisfactory to Licensor at any time, such manager must be replaced with a manager satisfactory to Licensor within sixty (60) days after written demand by Licensor to such administrator or executor by registered mail.

31. All covenants on the part of all parties to be performed shall survive the surrender, termination or cancellation of this contract.

32. If this franchise should terminate pursuant to the terms thereof, or if it should be cancelled for any reason [fol. 142] whatsoever, and if a new written contract is entered into, or if the franchise is reinstated in writing, it is agreed, unless the parties otherwise agree, that any such new franchise or reinstatement shall be, as of the day

following such termination or the day following the effective date of such cancellation.

33. Any controversy or claim arising out of, or relating to, this contract or any alleged breach hereof shall be settled by arbitration in New York City in accordance with the Rules, then obtaining, of the American Arbitration Association, and judgment upon the award rendered may be entered in any court of law or equity having jurisdiction of the parties or either of them.

34. Nothing herein contained shall prevent the Licensor, in a proper case, from applying to and obtaining from any court having jurisdiction, a writ of attachment, a writ of assistance, a receiver and or other relief for the purpose of preserving the status quo of and or protecting the enterprise contemplated hereby, pending the handing down of a decision or award pursuant to the arbitration clause contained herein.

In Witness Whereof, the parties hereto have set their hands and seals as of the day and year first above written.

Arthur Murray, Inc., By: Arthur Murray, Mark E. Stevens, Marzalie Stevens. (I. S.)

State of New York)
County of New York) ss.

On the 29 day of April, 1947, before me personally came Arthur Murray to be known, who being by me duly sworn, did depose and say, that he resides in _____; that he is the _____ of Arthur Murray, Inc., the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the [fol. 143] Board of Directors of said corporation, and that he signed his name thereto by like order.

Edward G. Siegel
Notary Public in the State of New York
Residing in Queens County
N. Y. Co. Clk's No. 1205, Reg. No. 1818-S-9
Queens County Clerk's No. 1986
Commission Expires March 30, 1949

State of Nebraska }
County of Douglas } ss.

On this 16 day of June, 1946, before me personally appeared Mark E. Stevens and Marzalie Stevens, known and known to me to be the individuals described in and who executed the foregoing instrument, and they duly acknowledged to me that they executed the same.

Myrtle Skaggs,
Notary Public

This rider is substituted for sentences crossed out on lines 11 to 14 inclusive in Paragraph 6 of the Agreement between Arthur Murray, Inc., and Mark E. Stevens and Marzalie Stevens, attached hereto, and made a part hereof.

"Such payments shall continue until the Licensee has deposited the total sum of \$20,000.00 with the Licensor. Thereafter, no further payments need be made to Licensor's Escrow Fund unless said fund is depleted by payments therefrom, in which case payments shall be continued or resumed by Licensee at said rate until said Fund amounts to the sum of \$20,000.00."

"Arthur Murray" Inc. and Mark E. Stevens and Marzalie Stevens, Omaha, Nebraska.

Franchise Agreement.

[fol. 144] By Mr. Bauersfeld:

Q. Does Arthur Murray, Inc., exercise any control over the operation of the local franchise?

A. They exercise considerable control; all operating policies and procedures are designed by Arthur Murray, Inc., and the franchised studios must operate their studios in accordance with the policies and procedures designed by Arthur Murray, Inc. Some of the specific controls that are in effect are that Arthur Murray of New York has the right to approve or reject the location of any franchised studio, it has the right to approve or disapprove interior decorations and furnishings of studios and if the studio is not up to the high standard demanded by Arthur

Murray, Arthur Murray has the right to come in and put such studio up to standard and charge such cost to the franchised studio. Insofar as training and personnel of a franchised studio are concerned, Arthur Murray has in effect a requirement that each teacher must have 200 hours in a teaching class before being permitted to teach students on the dance floor. Arthur Murray has the right to reject or accept any persons hired by a franchised studio and at any time it so desires to require the firing of such personnel. It also has in effect a requirement as to minimum wage scales that the teachers and other employees of the studio would be paid. Insofar as the advertising and gross of the franchised studio, Arthur Murray has a requirement that if the advertising expenditures of the studio do not bear a certain relationship to the gross and provided the gross is not up to the standard demanded by Arthur Murray, Arthur Murray has the right to come in and take over the advertising program of the studio and to spend whatever money is required to get the gross up to the standard and charge such expense up to the studio. Also Arthur Murray of New York has another requirement in that the Studios must attain a certain par figure of gross. This par figure is revised from time to time but if the franchised Studio failed to hit this par figure the penalty thereof is an assessment of royalties on the par amount rather than on the actual gross receipts received by the franchised Studio.

In addition to these requirements, each franchised Studio is required to participate in all national advertising programs, all national contests. They are required to, I believe, attend dance seminars in New York for the purpose of keeping abreast of all new methods and developments in dance instructions. They are required to have various parties every month for the purpose of getting students together, giving them a good time, and what have you. They are required also to have several group or technique classes each week for their private students.

In addition to those requirements, there are a number of reporting requirements to Arthur Murray of New York. They have to report on a weekly basis the number of sales.

type of sale whether it be deferred plan, extension course, or what have you; for each course sold they have to give the name of the student, amount of the contract, and everything pertaining to that contract. In addition to that, they have to report daily receipts by student as to the amount received from each student each day. Also they have to return a time sheet for every employee paid as to the number of hours worked, amount paid each employee, et cetera. There are other requirements, but that's about all I can think of right now.

Q. What is the type of dance instruction given by the partnership?

A. It's private ballroom dance instruction.

Q. How long a period does a contract of instruction last or extend?

A. That would depend upon the amount of the course that was sold. Some courses are five hours and other courses range upward to 1,000 hours, and even some are lifetime courses. The smaller type of course may be sold and completed within the same fiscal year but a substantial number of courses that are sold, do extend beyond the fiscal year when sold.

Q. Will you explain what you mean by a lifetime course?

A. A lifetime course is where the student is entitled to basic number of lessons, which used to be 1,000 hours, of dance instruction and I believe at the present time it has been raised to 1,200 hours. In addition to the basic number of lessons they are entitled to two hours per month for the rest of their lives. Say a person is on the 1,000 hour or lifetime course, after the completion of that 1,000 hour course the student would be entitled to two hours per month for the rest of his life.

[fol. 146] Q. Is there any benefit like parties that lifetime students may be entitled to?

A. Yes, I believe they do have lifetime parties for the lifetime students.

Q. How often?

A. I'm not sure but I believe it's twice a year. I'm not sure.

Q. Did you install the bookkeeping system for the Schludes in 1946 when they came to you?

A. Yes, sir.

Q. Will you, in general, describe that bookkeeping system?

A. It's a complete set of double-entry records maintained on the accrual system of accounting. Income is recorded in the period when earned and costs and expenses are recorded in the period when incurred. In order to understand better how the method of taking income into account when earned is done I think requires some type of understanding of the transactions actually entered into between the Studio and the student. When a contract is entered into with a student the cash price or contract price of the course is entered on the books as a charge to the student, representing his obligation to pay, and is credited to deferred income, representing the Studio's obligation to perform that service. As the service is performed, as the hours of instruction are given, the amount is transferred out of deferred income into earned income.

Q. Will you describe the books and records which are maintained under this system by the partnership?

A. Each Studio, and there are five of them, has a separate set of books, general ledger, cash receipts register, sales register, check disbursements register and general journal, and in addition thereto there are student's cards made up.

The Clerk: Petitioner's Exhibit No. 23 is marked for identification.

(The card referred to was marked as Petitioner's Exhibit No. 23, for identification.)

By Mr. Bauersfeld:

Q. Mr. Davis, I hand you Petitioner's Exhibit No. 23 for identification and ask you to identify it.

[fol. 147] A. This is the student's card that is maintained by the Studio on each course sold by the Studio.

Q. And what is kept on the individual student card?

A. The name and address of the student, the amount of the course that has been sold, the hours involved and the total contract price, and the sale also is classed as between