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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

SAN FERNANDO VALLEY DIVISION

In re SEXY HAIR CONCEPTS, LLC, Debtor and Debtor In Possession	Case No.: Chapter 11 **NOTICE OF MOTION AND MOTION OF DEBTOR SEXY HAIR CONCEPTS, LLC FOR ORDER APPROVING ASSUMPTION OF INVESTMENT AGREEMENT; MEMORANDUM OF POINTS AND AUTHORITIES** [Declaration of T. Scott Avila filed separately] [Declaration of Robert Warshauer filed separately] Date: January 11, 2010 Time: 10:00 a.m. Place: Courtroom 21041 Burbank Blvd. Woodland Hills, CA 91367

PLEASE TAKE NOTICE that on January 11, 2010, at 10:00 a.m., or as soon thereafter as the matter can be heard, before the Honorable _____, United States Bankruptcy Judge, in Courtroom ___, located at 21041 Burbank Blvd., Woodland Hills, California, Sexy Hair Concepts, LLC, a debtor in the above captioned case ("SHC") will move the Bankruptcy Court for an Order, substantially in the form attached hereto as Exhibit 1, authorizing SHC's assumption of an agreement (the "Investment

Agreement") that provides for an investment by a plan sponsor in connection with SHC's concurrently filed plan of reorganization, pursuant to Bankruptcy Code section 365 (the "Investment Agreement Assumption Order").

PLEASE TAKE FURTHER NOTICE that the Motion is based upon this Notice of Motion and Motion, the attached Memorandum of Points and Authorities, the separately filed Declaration of Robert Warshauer, the separately filed Declaration of T. Scott Avila in Support of First Day Motions ("Avila Declaration"), the separately filed plan of reorganization (the "Plan"), the separately filed disclosure statement (the "Disclosure Statement"), the records and files in this chapter 11 case, and such additional evidence and argument as may be presented at or before the hearing on the Motion.

PLEASE TAKE FURTHER NOTICE that pursuant to Local Bankruptcy Rule 9013-1(h), failure to file and serve a timely response in accordance with the Local Bankruptcy Rules may be deemed by the Bankruptcy Court to be consent to the granting of the relief requested in the Motion.

Dated: December 21, 2010

PEITZMAN, WEG & KEMPINSKY LLP

By: /s/ Scott F. Gautier
Scott F. Gautier
Lorie A. Ball
Thor D. McLaughlin
Proposed Attorneys for the Debtor and Debtor-in-Possession

MEMORANDUM OF POINTS AND AUTHORITIES

I.

JURISDICTION AND VENUE

This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter relates to the administration of this bankruptcy estate and is accordingly a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A). Venue of this case is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief requested herein are sections 105, 365 and 503 of title 11 of the United States Code (the "Bankruptcy Code").

II.

STATEMENT OF FACTS

A. Business and Corporate Structure

Debtor Sexy Hair Concepts, LLC, a California limited liability company ("SHC"), is an operating company engaged in the development, distribution and marketing of premium quality hair-care products and brands. SHC outsources the production and manufacture of its various lines of premier hair-care products and operates from a single facility in Chatsworth, California that houses its corporate offices and distribution warehouse. SHC works with several distributors domestically and internationally, but does not maintain any other offices.

SHC's sole managing member is Ecoly International, Inc. ("Ecoly"). Ecoly is owned by its majority shareholder Luxe Beauty Midco Corporation ("Midco" and together with Ecoly and SHC, the "Debtors") and its minority shareholder Luxe Beauty Holdings Corporation ("Holdings"). Midco is wholly owned by Holdings. The current corporate structure, including the formation of Midco and Holdings, is the result of a transaction in 2008 whereby Ecoly was purchased in a private sale. SHC remains the only operating entity.

B. Prepetition Debt and Financing

1. Secured Credit Facility

In 2008, SHC borrowed funds under a revolving credit and term loan credit facility. The secured credit facility is maintained with the Bank of Montreal ("BMO" or the "Agent"), as the Administrative and Collateral Agent for the secured lender group (the "Senior Secured Lenders"),

pursuant to the terms of a Credit Agreement dated April 9, 2008 (as amended and in effect, the "Credit Agreement"). Under the Credit Agreement, BMO, as successor to Bank of America, N.A., initially made a term loan to SHC of approximately $65 million and provided a revolving line of credit of approximately $7 million (the "Senior Secured Loans"). Holdings, Midco and Ecoly guaranteed the obligations under the Credit Agreement. As of the date hereof, the outstanding pre-petition amount owing under the Credit Agreement is not less than $62,580,138.16.

Pursuant to the terms of the Credit Agreement and an executed security agreement, the Debtors and Holdings granted the Agent a security interest in all of their assets. Additionally, pursuant to the terms of an executed pledge agreement, the Debtors and Holdings pledged their respective shares and membership interests to the Senior Secured Lenders.

2. Subordinated Unsecured Notes

SHC incurred additional obligations to Northwestern Mutual Life Insurance Company ("NML" or the "Subordinated Lender") under that certain Securities Purchase and Guaranty Agreement, dated as of April 9, 2008, in respect of the 14% Subordinated Notes Due April 9, 2015 (together with all related documents, the "Subordinated Note Agreement" and the "Subordinated Notes," respectively) in the initial aggregate principal amount of $19 million. SHC's obligations to NML are guaranteed by the same entities that guaranteed the obligations under the Senior Credit Agreement. As of the date of the filing of the bankruptcy petition (the "Petition Date"), the Debtors' obligations under the Subordinated Notes were approximately $25 million.

C. Events Leading to Chapter 11 Filings

In December of 2008, SHC reported to the Agent and the Subordinated Lender that, due in part to the state of the global economy and a substantial drop in consumer spending, it would be in default of certain financial covenants under the Credit Agreement, and that it was unable to fill certain orders, had overestimated manufacturer rebates and was concerned about the ability of one of its largest customers to pay, which led to a need to increase account receivable reserves.

In June of 2009, SHC was unable to make installment payments then due and owing under the Credit Agreement. The Agent has declared that payment and other covenant defaults under the Credit Agreement are ongoing. In addition, SHC was also unable to make payments due and owing under the

Subordinated Note Agreement and received a notice of default from NML. NML has declared that payment and other defaults under the Subordinated Note Agreement are ongoing.

On July 23, 2009, the Agent exercised voting rights with respect to the pledged shares of stock in Midco and Ecoly and, as a result, by unanimous shareholder consent, (i) the directors then serving on the Board of Directors of Midco and Ecoly were removed; (ii) Michael Frow, Marilyn Sylvestre and John G. (Pete) Ball were appointed as the independent directors of Midco and Ecoly (collectively, the "Board"); (iii) Andre Laus was elected to serve as the Chief Restructuring Officer ("CRO") of Midco and Ecoly; (iv) Ecoly, the sole member of SHC, was authorized and directed to elect Andre Laus to serve as CRO of SHC; and (v) Andre Laus was authorized to hire CRG Partners Group, LLC, to assist him in his capacity as CRO. At the direction and by resolution of the Board, Andre Laus was later replaced by T. Scott Avila, who presently serves as CRO for the Debtors.

1. Attempted Financial Restructuring and Initial Sale Efforts

Initially, Andre Laus attempted to negotiate with the Debtors, NML and the Senior Secured Lenders to facilitate a refinancing or restructuring of the Debtors' loan obligations. When it became obvious that the parties were at an impasse, the Board elected to retain the law firm of Peitzman, Weg & Kempinsky LLP ("PWK") and the investment banking firm of Imperial Capital, LLC ("Imperial") to assist the Debtors in, among other things, negotiations with the Senior Secured Lenders and NML, attempts to refinance or restructure their debt obligations or, failing those alternatives, facilitating a sale of SHC to maximize value for creditors and stakeholders. Although the Senior Secured Lenders would not agree to a written forbearance agreement, the Senior Secured Lenders and Agent orally agreed to work with the Debtors from month to month provided that the Debtors continued to work in good faith to remedy existing defaults under the Credit Agreement, refinance the debt obligations, or liquidate their assets for the benefit of creditors and stakeholders. Specifically, although the Agent delivered a notice of intent to conduct a public foreclosure sale of all of the equity interests of Midco and Ecoly and, subsequently, all of the assets of SHC, the Agent also extended the sale date from time to time.

Upon retention, Imperial worked to identify potential sources of refinancing for the Senior Secured Loans and the Subordinated Notes. Specifically, Imperial first worked closely with NML and Holdings' shareholders, most notably Thoma Bravo, providing it with the first right to propose a

restructuring or refinancing transaction to the Senior Secured Lenders. NML and Thoma Bravo proposed a cash pay-down of approximately $20 million of the Senior Secured Loans, but the Senior Secured Lenders rejected that offer. No other material offers were made by NML and Thoma Bravo. Subsequently, Imperial began contacting third party lenders and investors to either (i) partner with NML to make a new proposal to the Senior Secured Lenders, (ii) purchase all or a portion of NML's debt, or (iii) refinance the Senior Secured Loans. During this time, Imperial conducted regular phone calls with NML to keep it informed about indications of interest by third parties and to determine if NML wanted to propose any alternative offers. No further offers were made by NML. After this significant effort, Imperial informed the Debtors that it was unable to reach a suitable refinancing of the Debtors' debt obligations. Given that the Senior Secured Lenders still intended to foreclose if the Debtors were not working to resolve their financial problems, the Board then elected to pursue a voluntary sale of substantially all of SHC's assets to satisfy the Debtors' loan obligations. At the same time and along a parallel path, Imperial continued to seek alternatives for NML.

Upon this decision, Imperial worked with SHC to prepare marketing materials and to identify potential purchasers. Through this process, Imperial contacted over 180 potential purchasers and provided them with marketing materials regarding SHC's assets. As a result of these efforts, Imperial assisted the Debtors in having potential purchasers with further interest in the assets sign non-disclosure agreements under which they could perform due diligence on the Debtors. Over 100 potential purchasers signed such agreements and began to further investigate the Debtors' business and assets, including the review of a proposed asset purchase agreement jointly drafted by PWK and counsel for NML. This marketing process occurred with cooperation from NML and its professional advisors and with continued month to month extensions of a foreclosure sale deadline from the Agent.

After months of due diligence by interested parties, Imperial began an auction process in February, 2010, and invited any interested party to submit a bid for SHC's assets. Three (3) parties provided final letters of intent and Imperial and the Debtors evaluated the letters of intent to determine the highest and best offer for SHC's assets. Upon making this determination, SHC entered into a confidential letter of intent with a potential bidder (the "Initial Bidder") for the purchase of substantially all of SHC's assets. The Initial Bidder then conducted extensive due diligence on the

Debtors for the following one and half months and PWK and NML's counsel began negotiating an asset purchase agreement with the Initial Bidder's counsel. Unfortunately, by April, 2010, the Initial Bidder informed the Debtors that it did not believe there was sufficient value in SHC's assets, among other concerns, and that it was terminating its letter of intent.

Imperial then recommended that the Debtors turn to the next highest bidder, which it believed was likely to be able to close a transaction on terms favorable to the Debtors and their stakeholders in a reasonable time period. Upon learning that the next highest bidder was still interested in purchasing SHC's assets, the Debtors commenced negotiations and diligence with that bidder, who is an affiliate of the current plan sponsor (the "Plan Sponsor").

2. Initial Negotiations with the Plan Sponsor

Through the late spring and early summer of 2010, the Debtors and Plan Sponsor (collectively, the "Parties") anticipated consummating a sale to the Plan Sponsor outside of bankruptcy. Debtors' counsel and NML's counsel then began negotiating and drafting an asset purchase agreement with the Plan Sponsor's counsel. The Parties ultimately agreed on most of the material terms of a cash purchase transaction, including the purchase price. The Plan Sponsor had, in addition to its own cash, arranged for $35 million of committed outside financing in order to consummate the transaction. However, as the Plan Sponsor began its diligence process, it discovered structural, financial, regulatory and general industry risks affecting the Debtors. Due to these issues, the Plan Sponsor believed there were risks associated with a consensual out-of-court transaction.

As a result, the Plan Sponsor requested that the transaction be effectuated through a foreclosure sale. In an effort to ensure the completion of the transaction, the Debtors agreed to cooperate with a foreclosure sale process provided it returned the same value to its stakeholders. However, a foreclosure transaction on an operating business of SHC's size is not very common, and the financing source of the Plan Sponsor was concerned that it would not be able to syndicate the loan with a non-standard structure for the purchase. Accordingly, the Plan Sponsor then requested that the proposed sale transaction be structured as a sale in a chapter 11 case pursuant to Bankruptcy Code section 363. In their continued endeavor to maximize value for the benefit of all stakeholders, the Debtors agreed to file chapter 11 bankruptcies and consummate an asset sale with the Plan Sponsor. Notably, at about

this time, an industry-wide class-action lawsuit was filed, naming a number of defendants, including SHC, for alleged violations of certain advertising and competition laws, including the Lanham Act (the "Class Action Lawsuit").

After extended negotiations among the Debtors, NML and the Plan Sponsor, it became uncertain whether terms for the asset sale pursuant to Bankruptcy Code section 363 could be agreed upon. At a meeting of the Board, NML, as a Board observer, expressed that it was not in favor of the Debtors pursuing a transaction with the Plan Sponsor because of the provisions in the proposed asset purchase agreement providing for (i) a $4 million indemnity holdback for breaches of, among other things, SHC's representations and warranties and a $6 million indemnity holdback for losses related to the Class Action Lawsuit, (ii) a termination fee payable to the Plan Sponsor in the event SHC breached its obligations under the proposed asset purchase agreement, and (iii) the broadly worded representations and warranties of SHC. Based, in part, on this presentation made by NML, the Board determined that it would not go forward with a transaction with the Plan Sponsor on the current terms offered. The Board determined that it would be willing to consummate a transaction with the Plan Sponsor if the terms were modified to be more favorable to the Debtors.

After negotiations continued between the Debtors and the Plan Sponsor, a final asset purchase agreement was approved by the Board and the Debtors prepared to file chapter 11 bankruptcies and propose a sale of SHC's assets pursuant to Bankruptcy Code section 363. At this time, NML went further than merely indicating it would object to the sale when proposed in bankruptcy court. NML took the position, via electronic correspondence to SHC, that, even if the Debtors signed an agreement to sell SHC's assets through an open and fair bankruptcy process, such a sale would be a violation of the Subordinated Note Agreement. Moreover, NML specifically sent a the same e-mail to the Plan Sponsor, stating that NML wanted the Plan Sponsor to take notice of NML's position. The Plan Sponsor and its third-party financing source took this communication to be a direct threat that NML would sue them if a purchase agreement was signed, even if that purchase agreement specifically contemplated obtaining bankruptcy court approval for any sale. While the Plan Sponsor was prepared to proceed with the transaction in spite of this frivolous threat from NML, the Plan Sponsor's financing source was not.

At this point, the Plan Sponsor, the Agent, certain Senior Secured Lenders and the Debtors determined that they could proceed to support a plan of reorganization for SHC, on the terms now contained in the Plan. The reorganization would provide the Debtors with the prior benefits of the proposed sale transaction by having the Plan Sponsor infuse the same amount of new equity in exchange for the newly issued equity interests of the Reorganized Debtor, with the Senior Secured Lenders receiving a significant cash pay-down on their debt and agreeing to take $35 million of restructured debt from the Reorganized Debtor (the "Transaction"). The cash remaining after paying down the Senior Secured Lenders' debt would be available to distribute to unsecured creditors (including the Subordinated Lender and any claims in the Class Action Lawsuit). After taking into consideration the substantial efforts that took place over the past year to resolve the Debtors' financial problems, the Board, based upon information and belief that the Plan Sponsor continues to represent the best proposal for returning the most value to the Debtors' creditors and other stakeholders, agreed to act as the Plan Proponent and submit the Plan for approval. The Board specifically noted that, throughout the months of extended negotiations with the Plan Sponsor, Imperial continued to investigate and have discussions with NML and third parties regarding possible refinancing, restructuring or asset sale options, but that these options never provided anywhere near the value provided by the Plan Sponsor.

D. The Material Terms of the Investment Agreement

To effectuate the Plan and reorganization, SHC and the Plan Sponsor have executed an investment agreement (the "Investment Agreement"), attached hereto as Exhibit 2. The Investment Agreement commits the Plan Sponsor to pursue a transaction, but consummation of that transaction is conditioned on approval of this Court; in this case, specifically in a plan confirmation hearing. Thus, provisions relating to the terms of the Plan Sponsor's equity investment, the restructuring of SHC, and subsequent escrows of the purchase price, are all subject to a full Plan approval process to be conducted within SHC's exclusive period to file a plan of reorganization. That is, the Transaction will only be effectuated if the Plan is confirmed. Thus, while SHC is seeking to assume the Investment Agreement, such assumption will not prevent any impaired creditor from voting on or objecting to the Plan. The Investment Agreement also contains provisions related to the approval process, including a termination

fee to be paid to the Plan Sponsor (in certain specified circumstances) in exchange for the Plan Sponsor's $78 million financial commitment ($43 million of cash plus assumption of at least $35 million of debt) to restructure SHC. By assuming the Investment Agreement, the debtor SHC is effectuating these procedural provisions. The Plan Sponsor would not proceed unless it knows that the Investment Agreement cannot be rejected. Assumption of the Investment Agreement will provide the principle benefit to the Debtors and the Plan Sponsor of maintaining this firm financial commitment and keeping the necessary restructuring process on track. The principle terms of the Investment Agreement that are implicated by the assumption of the Investment Agreement are as follows:

1. Investment Commitment: As consideration for the Reorganized Debtor's equity interests, the Plan Sponsor is committing to provide $43,000,000 cash, less any indemnity escrow holdback amounts and plus or minus an additional amount based upon the final working capital delivered to the Plan Sponsor, and will restructure $35,000,000 of the Debtors' debt owed to the Senior Secured Lenders. This financial commitment allows the Debtors to pursue a restructuring of SHC that will provide (i) the Senior Secured Lenders with cash and new loans with a principal amount equal to the full allowed amount of the lender claims, (ii) full payment to ordinary course trade creditors, and (iii) a material cash dividend to other unsecured creditors.

2. Timelines: Pursuant to the Investment Agreement, the Transaction is conditioned upon entry of the Investment Agreement Assumption Order, including approval of the termination fee described therein, within twenty-three (23) days following the Petition Date, and upon the entry of an order approving the Disclosure Statement within thirty-eight (38) days following the Petition Date, in substantially the form set forth as Exhibit 3, attached hereto (the "Disclosure Statement Approval Order"), respectively. If either the Investment Agreement Assumption Order or Disclosure Statement Order has not been entered by such dates, the Plan Sponsor may elect to terminate the Investment Agreement. Additionally, if after entry of the Disclosure Statement Approval Order, it is reversed, vacated, amended, modified or stayed, the Plan Sponsor may terminate the Investment Agreement. The Investment Agreement also provides specific timelines for the administration of the bankruptcy case, as the Plan Sponsor and SHC believe it is necessary to consummate the proposed transaction as quickly as possible.

3. Termination Fee: The Investment Agreement includes a termination fee (the "Termination Fee"), equal to $2,340,000, payable by SHC to the Plan Sponsor in the event the Plan Sponsor is not in material breach of the Investment Agreement and (A) SHC withdraws its motion to approve the disclosure statement and voting procedures ("Disclosure Statement and Voting Procedures Motion") or files any motion with the Bankruptcy Court that seeks (i) termination of the Investment Agreement, (ii) withdrawal of the Disclosure Statement and Voting Procedures Motion, or (iii) approval of, or authorization to enter into, an alternative to the Transaction, (B) in the event the Plan Sponsor terminates the plan support agreement, entered into between the Plan Sponsor and the Senior Secured Lenders (the "PSA"), based, in whole or in part, on any breach thereof by the Agent or any lender that is a party thereto, or (C) in the event the Investment Agreement is terminated because the Bankruptcy Court denies entry of the Disclosure Statement Approval Order.

4. Exclusivity: The Investment Agreement includes an exclusivity provision requiring that SHC and its affiliates to not (i) solicit, initiate, or encourage the submission of any proposal or offer from any person or entity relating to, or enter into or consummate any transaction relating to, the acquisition of any equity interests in SHC, or any merger, recapitalization, share exchange, sale of substantial assets (other than sales of inventory in the ordinary course of business) or any similar transaction or alternative to the Transaction, or (ii) participate in any discussions or negotiations regarding, knowingly furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any person to do or seek any of the foregoing, except to send out notices as required under the Investment Agreement (the "Exclusivity Provision"). Further, SHC must notify the Plan Sponsor promptly if any person or entity makes any proposal, offer, inquiry or contact with respect to any of the foregoing.

III.

RELIEF REQUESTED

SHC requests that the Court approve SHC's assumption of the Investment Agreement, including the terms providing for the Termination Fee, filing timelines, and the Exclusivity Provision.

IV.

ARGUMENT

A. The Assumption of the Investment Agreement Should be Approved

Bankruptcy Code section 365(a) permits debtors in possession to "assume or reject any executory contract or unexpired lease of the debtor," subject to court approval. While the Bankruptcy Code does not provide specific guidelines to apply in evaluating the decision to assume or reject an executory contract, the United States Court of Appeals for the Ninth Circuit has held that such decisions should be reviewed under the business judgment rule standard. *See Durkin v. Benedor Corp. (In re G.I. Industries, Inc.)*, 204 F.3d 1276, 1282 (9th Cir. 2000); *Agarwal v. Pomona Valley Medical Group, Inc. (In re Pomona Valley Medical Group, Inc.)*, 476 F.3d 665, 670 (9th Cir. 2007). The business judgment rule standard is deferential to the decision of the debtor in possession and in its review, "the bankruptcy court should presume that the debtor-in-possession acted prudently, on an informed basis, in good faith, and in the honest belief that the action taken was in the best interests of the bankruptcy estate." *See Agarwal* at 670. Further, the Bankruptcy Court should approve the assumption or rejection of an executory contract unless it "is so manifestly unreasonabl[e] that it could not be based on sound business judgment, but only on bad faith, or whim or caprice." *Id.* (quoting *Lubrizol Enter. v. Richmond Metal Finishers*, 756 F.2d 1043, 1047 (4th Cir. 1985)). "More exacting scrutiny would slow the administration of the debtor's estate and increase its cost, interfere with the Bankruptcy Code's provision for private control of administration of the estate, and threaten the court's ability to control a case impartially." *Richmond Leasing Co. v. Capital Bank, N.A.*, 762 F.2d 1303, 1311 (5th Cir. 1985).

1. The Assumption of the Investment Agreement is a Reasonable Exercise of SHC's Business Judgment and in the Best Interests of Its Estate

SHC's decision to assume the Investment Agreement is a reasonable exercise of its business judgment and a sound business justification exists for the assumption thereof. The Investment Agreement provides for a transaction that will maximize value for all stakeholders. The assumption also allows the business to continue and thrive on a going-forward basis including the continued employment of substantially all of SHC's employees. SHC has conducted an extensive year-long investigation of its various options to refinance or restructure its debt obligations or to enter into an alternative transaction. From this investigation, SHC is certain that the Transaction with the Plan

Sponsor represents the highest and best offer.

The Investment Agreement was heavily negotiated at arms'-length over a period of months. SHC has explored every other option that has come to its attention and believes that there are no other feasible alternatives. Indeed, to date, no better alternative has been presented to SHC. Without the financial support of the Plan Sponsor, SHC would not be able to successfully restructure its debt and consummate a plan of reorganization that provides value to all creditors.

2. The Assumption of the Investment Agreement is Necessary

SHC's assumption of the Investment Agreement is necessary for the Plan's implementation. Without the assumption of the Investment Agreement, including the Termination Fee, the Exclusivity Provision, the proposed timelines and the indemnity escrow holdback provisions included therein, the Plan Sponsor would almost certainly terminate its role as plan sponsor and leave SHC without any realistic prospects of reorganization. Understandably, the Plan Sponsor requires assurance that SHC can consummate a plan, to which the Investment Agreement is fundamental, prior to committing any additional resources. Moreover, it would be unfair to expect the Plan Sponsor, who has diligently negotiated its role in a restructuring over the last 8 months (and previously a proposed asset purchase since the late spring of 2010), to move forward with an uncertain plan process.

Further, in light of previous threats by NML to sue, and otherwise oppose a restructuring or sale, even if SHC and Plan Sponsor pursued a transaction inside of bankruptcy and subject to bankruptcy court approval, the Plan Sponsor is unwilling to proceed without the Termination Fee. The Termination Fee represents a liquidated calculation of the risk of non-consummation of the Transaction. The Plan Sponsor justifiably refuses to continue to pursue the Transaction without some prospect of compensation for the time and money it has spent over the last year, and will continue to spend in a plan confirmation process in the event the Transaction is not consummated. By assuming the Investment Agreement, and providing the Termination Fee, SHC and the Plan Sponsor can move forward towards completing what SHC has determined to be its best restructuring alternative.

For some time, the Plan Sponsor has made clear to the Debtors and the Agent that it has not been willing to proceed absent at least partial compensation for its ongoing expenses. Accordingly, twice prior to the Petition Date, the Debtors provided an advance retainer (first of $200,000 and second

of $100,000) to the Plan Sponsor. Given the complexity and amount of effort required to first draft an asset purchase agreement (that was derailed by NML threats) and then documentation for a plan of reorganization, this expense retainer has only partially compensated the Plan Sponsor for its efforts. On the expectation that the NML may mount both litigation and challenges to confirmation of the Plan, as part of the Investment Agreement, the Plan Sponsor is entitled to further reimbursement of up to $250,000 of fees and expenses (the "Expense Reimbursement") in the event SHC does not receive approval to pay the Termination Fee. This amount would, of course, be a prepetition claim; however, the Agent is providing an irrevocable letter of credit (pursuant to the Credit Agreement), to provide credit support to the Plan Sponsor. This expense reimbursement is available in two limited circumstances: (i) if NML sues the Plan Sponsor or otherwise entangles the Plan Sponsor in outside-of-bankruptcy litigation; and (ii) in the event that the Termination Fee is not approved by this Court.

Accordingly, if the Investment Agreement is assumed (and thus the Termination Fee approved), there is a significant financial benefit to SHC. The Termination Fee is only paid in limited circumstances – if the Plan Sponsor does not ultimately make the investment in SHC. Thus, the $250,000 expense reimbursement will effectively be eliminated by assumption of the Investment Agreement, unless NML goes outside the bankruptcy court to sue the Plan Sponsor.

3. The Alternatives to Assumption of the Investment Agreement would be Detrimental to SHC

If SHC is unable to assume the Investment Agreement it would be left in bankruptcy with little or no cash liquidity and no feasible options for reorganization. The return to creditors and other stakeholders from any other possible outcome would be highly speculative. Indeed, there are currently no other parties that have indicated an interest in consummating a transaction with SHC at a value anywhere near the value offered by the Plan Sponsor. SHC, in its current financial position, is unable to service its existing debt obligations and, given SHC's unfavorable debt-to-equity ratio, SHC would be unable to refinance its existing debt on more favorable terms. Accordingly, SHC's assumption of the Investment Agreement provides SHC with the best opportunity to successfully exit bankruptcy.

B. The Material Terms of the Investment Agreement Should be Approved

1. The Time for the Plan Process Is Reasonable

As stated above, the terms of the Investment Agreement provide that the Plan Sponsor is entitled to terminate the Investment Agreement unless the Investment Agreement Assumption Order is entered within twenty-three (23) days after the Petition Date and the Disclosure Statement Approval Order is entered within thirty-eight (38) days after the Petition Date, respectively. This timeline is both reasonable and in the best interests of the estate.

This time period complies with the Bankruptcy Rules and the Local Rules. Bankruptcy Rule 3018(a) provides that a hearing on a disclosure statement should take place on 28 days' notice to parties in interest. Local Rule 3017-1(a) provides that a hearing on a disclosure statement should take place on 36 days' notice to parties in interest. SHC intends to seek, at the hearing on the first-day motions in this case, a tentative date for a disclosure statement hearing, so that notice can be given immediately. As described in more detail in SHC's Motion to Approve the Disclosure Statement, there are relatively few voting creditors with respect to the Plan, making this notice even more appropriate under the circumstances.

The current Plan Sponsor has been engaged in an attempt to complete a Transaction with the Debtors for over seven (7) months, has spent considerable sums of money and is concerned about the increasing risks to the business, including the Class Action Lawsuit. The Plan Sponsor is apprehensive that any further delay in completing the Transaction and taking over the business will limit its ability to realize the value of the business assets. Accordingly, the Plan Sponsor has agreed to fund the Plan and obtain the Reorganized Debtor's equity interests in a bankruptcy proceeding, but only if the reorganization can be accomplished in a quick and efficient manner. Having filed a chapter 11 bankruptcy to effectuate the Transaction to maximize value for all its stakeholders, SHC's primary risk is a delay in the Transaction, which would allow the Plan Sponsor to terminate its obligations under the Investment Agreement and leave SHC in a chapter 11 proceeding with little cash liquidity and no reasonable sale or diligenced restructuring prospects.

Moreover, SHC has been in close contact with its Senior Secured Lenders and Subordinated Lender over the past year and has kept them reasonably informed of SHC's process to either sell its assets or reorganize. In addition, SHC believes the Transaction will maximize recovery for its stakeholders. Indeed, this timeline will provide any interested party that might object to the

Transaction with sufficient time to do so. As such, entry of the Investment Agreement Assumption Order in the time requested will not unfairly prejudice any creditor.

2. The Termination Fee Payable to the Plan Sponsor Should be Approved

Under appropriate circumstances, courts have approved termination fees in bankruptcy transactions. *See, e.g., Official Committee of Subordinated Bondholders v. Integrated Resources, Inc. (In re Integrated Resources, Inc.),* 147 B.R. 650 (Bankr. S.D.N.Y. 1992). Similar to a breakup fee payable to a stalking horse bidder, a termination fee payable to a plan sponsor, in the event the plan process is abandoned by a debtor, should be approved by the court if it is necessary to induce the party to act as a plan sponsor and to reasonably compensate the plan sponsor for its commitment to consummate a transaction with a debtor. *See Id.; see also, In re Simmons Bedding Co.,* Bankr. D. Del. Case No. 09-14037 (MFW) [Docket No. 134] (court approved break-up fee payable to plan sponsor in the event debtors entered into a competing transaction, finding that break-up fee was a bargained-for and integral part of the plan sponsor agreement); *In re Fruit of the Loom, Inc.*, 274 B.R. 631, 632-3 (D. Del. 2002) (court approved termination fee to stalking horse bidder if (a) another bidder won court approved auction, or (b) a plan of reorganization incorporating the asset sale to the stalking horse bidder failed to achieve court confirmation.). For example, in *In re Integrated Resources, Inc*., the debtor entered into an agreement with a third party, whereby the third party agreed to fund a plan of reorganization, provided that the agreement included a termination fee provision if, among other things, the debtor abandoned the transaction. 147 B.R. at 655 (Bankr. S.D.N.Y. 1992). The Court deferred to the debtor's business judgment and approved the agreement with the termination fee and stated that bankruptcy courts should approve a "break-up fee which was not tainted by self-dealing and was the product of arm's-length negotiations." *Id*. at 658 (citing *In re 995 Fifth Ave. Assoc.*, 96 B.R. 24 (Bankr. S.D.N.Y. 1989)).

Termination fees of 3% are well within the percentages approved by other courts, including when such fees are payable to plan sponsors. *See, e.g., Simmons Bedding Co., supra* (court approved $21 million termination fee payable to plan sponsor, representing approximately 3% of the transaction value); *Consumer News and Business Channel Partnership v. Dow Jones/Group W Television Company (In re Financial News Network, Inc.),* 931 F.2d 217, 219 (2nd Cir. 1991) (termination fee of

2.8% approved); *Doehring v. Crown Corporation (In re Crown Corp.)*, 679 F.2d 774 (9th Cir. 1982) (overbid protection of 4.9% approved); *In re Canyon Partnership*, 55 B.R. 520 (Bankr. S.D. Cal. 1985) (overbid protection of 3% approved).

In addition, some courts have held that for a termination fee to be allowed as an administrative expense under Bankruptcy Code section 503(b) the requesting party must demonstrate that "the fees were actually necessary to preserve the value of the estate." *In re O'Brien Environmental Energy, Inc.*, 181 F.3d 527, 535 (3d Cir. 1999). In *In re Fortunoff Fine Jewelry and Silverware, LLC*, the court approved a termination fee as an administrative expense after finding that it was necessary to preserve the value of the estate because it induced the buyer to continue to pursue the sale transaction and be bound by the agreement and was reasonable in light of the size and nature of the transaction and the effort that had been expended by the buyer. 2008 WL 618983, 1 (Bankr. S.D.N.Y. 2008). The Court further held that the termination fee was a component of what induced the buyer to submit a bid to purchase the assets thereby "provide[ing] the Debtors with the opportunity to sell their businesses on a 'going concern' basis," and increasing "the likelihood that the best possible price for the Assets will be received." *Id*.

While this is not a sale, the proposed plan of reorganization is funded by the Plan Sponsor through which the Plan Sponsor will obtain the newly issued equity of the Reorganized Debtor in exchange for approximately $43 million in cash and over $35 million of liabilities that will be restructured and assumed. The Plan Sponsor is concerned that, because SHC has already conducted an exhaustive auction process, and the Plan Sponsor has expended unusually large efforts to remain involved in the transaction, the Plan Sponsor must have a meaningful remedy should SHC breach the Investment Agreement and the Plan Sponsor must be compensated if for some reason the overall transaction is not approved.

Indeed, the Termination Fee is reasonable and appropriate in light of the size and nature of the Transaction and the significant efforts that have been and will be expended by the Plan Sponsor. The Termination Fee percentage is in the same range as those approved by other courts. It was negotiated by the parties and their respective advisors at arms'-length and in good faith and is an integral part of the overall structure of the Transaction. The Termination Fee is also necessary to ensure that the Plan

Sponsor will continue to pursue the proposed Transaction. The Plan Sponsor has invested significant time and money into its due diligence investigation and negotiating its role as a plan sponsor. Additionally, the Plan Sponsor's offer represents the highest and best value for SHC's stakeholders and is allowing SHC's business to continue as a "going concern." Further, without the Termination Fee, the Plan Sponsor would not have agreed to act as the plan sponsor. For all of the above reasons, the Termination Fee is necessary to preserve the value of the estate and should be approved as an administrative expense pursuant to Bankruptcy Code section 503(b).

In the event another party comes forward with a sale offer or plan of reorganization that SHC elects to adopt, the Plan Sponsor should be compensated for the time and money it put forth to act as the plan sponsor. In fact, SHC believes that without the willingness of the Plan Sponsor to act as the plan sponsor, it is very unlikely that any other party would come forward with a sale offer or plan of reorganization that represents a higher and better offer. Therefore, SHC supports the payment of a Termination Fee as described above.

3. The Exclusivity Provision Should be Approved

In the first instance, the Exclusivity Provision, which forms an integral part of the Transaction to be effectuated through the Plan, is enforceable because, pursuant to section 1121(b) of the Bankruptcy Code, SHC currently has the exclusive right to formulate and file a plan without having to consult or worry about interference from other parties. *See, e.g., In re Nat'l Safe Center, Inc.*, 54 B.R. 239, 240 (Bankr. D. Haw. 1985); *see also In re Spansion, Inc.*, 426 B.R. 114, 140 (Bankr. D. Del. 2010) (Debtors did not have to reconceptualize their proposed plan to include an allegedly superior rights offering, given their exclusive right to propose a plan as they saw fit, subject to section 1129's confirmation requirements); *In re Adelphia Commc'ns Corp.*, 336 B.R. 610, 676 (Bankr.S.D.N.Y.2006) (citing *In re Geriatrics Nursing Home, Inc.*, 187 B.R. 128, 134 (D.N.J. 1995) (noting that a creditor constituency's unhappiness or dissatisfaction with a debtor's proposed plan, without more, did not constitute cause to end exclusivity and undermine the debtor's chance of obtaining confirmation of its plan during that period).

Moreover, even outside the plan context (where the Bankruptcy Code expressly promotes exclusivity), although exclusivity or similar provisions are often subject to stricter scrutiny by courts,

they are not per se illegal. *See In re Big Rivers Electric Corporation*, 233 B.R. 726, 738 (Bankr. W.D. Ky. 1998). Generally, the debtor must demonstrate that such provisions provide a significant benefit to the estate. *Id.* (citing *In re SNA Nut Company*, 186 B.R. 98 (Bankr. N.D. Ill. 1995)). A comparison between the *Integrated Resources* case, and the case of *In re Bidermann Industries, U.S.A., Inc.* is most instructive. In *Bidermann*, the Court highlighted this comparison, in criticizing debtors for failing to contact a significant number of other potential bidders before seeking approval of the limiting provision. 203 B.R. 547 at 553 (Bankr. S.D.N.Y 1997) ("The debtors here did not negotiate with third party prospective purchasers, pick the best of them and then proceed to seek approval" of the agreement provisions. "Significantly, discussions with the 30 potential bidders preceded the debtor's entry into the window shop clause in *Integrated Resources*. Not so here.").

In this respect, the present case is exactly like *Intergrated Resources*: very significant sale and auction efforts prior to the debtor agreeing to exclusivity to protect a buyer that has, and will be expect to, undertake very significant efforts to consummate a transaction. The Debtors have conducted an exhaustive investigation of all transaction possibilities. This investigation has continued for over one year, including substantial discussions with, and involvement of, the Senior Secured Lenders and the Subordinated Lender. The Debtors previously contacted over 180 potential interested parties, had diligence conducted by 100 of these parties and held an auction for interested parties to bid for the Debtors' assets.

Finally, throughout extended negotiations with the Plan Sponsor, the Debtors' investment banker, Imperial, has continued to investigate the market for other interested parties and has found none, to date, that would provide anywhere near the same value as the Plan Sponsor. Additionally, during these negotiations with the Plan Sponsor, the Debtors have allowed an interested party put forth by the Subordinated Lender to conduct diligence, and after reasonably extensive diligence, this party declined to move forward with a transaction. Following this, the Subordinated Lenders, with the encouragement of the Debtors, put forth additional names of private equity sponsors and hedge funds to restructure the existing capital structure, and following initial information and diligence, none of these groups were willing to pursue the Debtors on more favorable terms. Further, the Debtors have asked, throughout this process, for the Subordinated Lender to come forward with a proposal for an alternative

transaction that would provide a higher and better value, but the Subordinated Lender has been unwilling and unable to do so.

The Exclusivity Provision should be approved because it is reasonable and provides a significant benefit to SHC's estate. The provision provides a significant benefit because it is required by the Plan Sponsor and, as more fully provided above, the Plan Sponsor has invested significant time and money into the transaction process and this Transaction provides the highest and best value to the estate and without this provision, the Plan Sponsor would not agree to move forward with the Transaction. While the Exclusivity Provision does limit SHC's ability to solicit or investigate potential offers, SHC strongly believes that no other offer or transaction is available that would provide a higher and better value to SHC's estate. As such, the Exclusivity Provision should be approved to allow SHC to consummate this Transaction which does provide the highest and best value for the estate.

V.

CONCLUSION

WHEREFORE, SHC requests that the Bankruptcy Court:

A. Enter the Investment Agreement Assumption Order:

   i. Approving SHC's Assumption of the Investment Agreement, including the escrow holdback, timeline, Exclusivity and Termination Fee provisions contained therein, dated December 21, 2010, by and between SHC and the Plan Sponsor;

   ii. Authorizing SHC to execute all documents and instruments and to take all actions necessary to effectuate the Investment Agreement; and

B. Granting such other and further relief as may be appropriate under the circumstances.

Dated: December 21, 2010

PEITZMAN, WEG & KEMPINSKY LLP

By: /s/ Scott F. Gautier
Scott F. Gautier
Lorie A. Ball
Thor D. McLaughlin
Proposed Counsel for Debtor and Debtor-in-Possession

Exhibit 1

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Proposed Attorneys for Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SAN FERNANDO VALLEY DIVISION

In re: ECOLY INTERNATIONAL, INC., a California corporation, SEXY HAIR CONCEPTS, LLC, a California limited liability company, and LUXE BEAUTY MIDCO CORPORATION, a Delaware corporation, Debtors and Debtors-in-Possession. **Check One or More as Appropriate:** Affects All Debtors: ☐ Affects Ecoly International Inc. only: ☐ Affects Sexy Hair Concepts, LLC only: ☒ Affects Luxe Beauty Midco Corporation only: ☐	Case No.: Chapter 11 (Jointly Administered with Case Nos.: _____, _____, _____) **ORDER APPROVING ASSUMPTION OF INVESTMENT AGREEMENT** **Hearing:** Date: To Be Scheduled by the Court Time: To Be Scheduled by the Court Place: Courtroom 21041 Burbank Blvd. Woodland Hills, CA 91367

The Motion Of Debtor Sexy Hair Concepts, LLC For Order Approving Assumption Of Investment Agreement (the "Motion"), filed by Sexy Hair Concepts, LLC ("SHC" or "Debtor"), came on for hearing before the Honorable _____, United States Bankruptcy Judge, on January __, 2011, at ____ __.m. (the "Hearing"). Appearances were made as reflected in the Bankruptcy Court's record. Capitalized terms used herein shall have the meaning ascribed to them in the Motion, unless otherwise defined.

After consideration of the Motion and supporting papers, the arguments of counsel in papers and at the Hearing and the files and records in this chapter 11 case, finding that the notice of the

Motion and the Hearing was appropriate under the circumstances, and for good cause appearing, the Court

HEREBY ORDERS:

1. The Motion is GRANTED.

2. The Debtor is authorized to assume the Investment Agreement dated December [ ], 2010, by and between SHC and the Plan Sponsor, and perform all obligations thereunder.

3. SHC is authorized to pay the Termination Fee and all other amounts payable to the Plan Sponsor under the circumstances described in, and pursuant to, the Investment Agreement as administrative expense claims under 11 U.S.C. § 503(b), without further Order of this Court.

4. SHC is authorized to take all actions necessary to effectuate the Investment Agreement.

Dated:

_____

UNITED STATES BANKRUPTCY JUDGE

Exhibit 2

INVESTMENT AGREEMENT

THIS INVESTMENT AGREEMENT (this "***Agreement***"), is made and entered into as of this 21st day of December, 2010, by and between Sexy Hair, Inc., a Delaware corporation (the "***Investor***") and Sexy Hair Concepts, LLC, a California limited liability company (the "***Debtor***").

RECITALS

A. The Debtor owns and operates a hair care product design and distribution business (the "***Business***") with premises at 21551 Prairie Street, Chatsworth CA 91311 (the "***Premises***"); and

B. The Debtor and the Investor desire to pursue a transaction in which the Investor would invest, pursuant to a plan of reorganization under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. Section 101 et seq. (the "***Bankruptcy Code***" and the plan of reorganization contemplated hereby, the "***Plan of Reorganization***"), in a reorganized Debtor (such Debtor, as reorganized in accordance with the terms of the Plan of Reorganization and subsequent to the consummation of the transactions contemplated hereby, the "***Reorganized Debtor***") in exchange for all of the validly authorized and duly issued equity interests of such Reorganized Debtor (such investment, together with all other transactions contemplated by the terms hereby, the "***Transaction***").

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the parties hereto, intending to be bound, hereby agrees as follows:

Article 1.
INVESTMENT

Section 1.01 Certain Definitions. For purposes of this Agreement, capitalized terms used in this Agreement but not defined herein shall have the meanings given to them in **Exhibit 1.01**.

Section 1.02 Agreement for Investment. On the terms and subject to the conditions set forth in this Agreement and the Plan of Reorganization, at the Closing, the Reorganized Debtor shall issue, and the Investor shall purchase, one thousand (1,000) shares of common stock of the Company, which shares of common stock shall be, as of the time of such issuance, the only issued and outstanding equity interests of the Company (the "***Common Stock***").

Section 1.03 Excluded Assets. In connection with the Transaction, and as more fully described in, pursuant to, and except as otherwise set forth in, the Plan of Reorganization, (a) each of the Excluded Assets consisting of a Contractual Obligation that may be rejected pursuant to the Bankruptcy Code shall be rejected, and (b) each of the Excluded Assets that does not consist of a Contractual Obligation or that consists of a Contractual Obligation, but that may not be rejected pursuant to the Bankruptcy Code shall be assigned to a plan trust (the "***Plan Trust***"). For all avoidance of doubt, upon the consummation of the Transaction contemplated hereby, the Reorganized Debtor shall not have title to, or any interest in, any of the Excluded Assets.

Section 1.04 Excluded Liabilities. In connection with the Transaction, and as more fully described in, and pursuant to, the Plan of Reorganization (which Plan of Reorganization shall discharge all Excluded Liabilities), neither the Investor nor the Reorganized Debtor shall be liable for any Liabilities of the Debtor (other than the Assumed Liabilities), whether or not related to the Assets, including, without limitation, any employment, business, sales, use or other

Tax relating to the Debtor's operation of its Business at the Premises prior to the Closing and use and ownership of the Assets prior to the Closing.

Article 2.
PURCHASE PRICE

Section 2.01 Purchase Price. As full payment for the issuance of the Common Stock to the Investor, the Investor will, at the Closing, pay $43,000,000, subject to the Escrow Holdback pursuant to **Section 3.03** and to adjustment pursuant to **Article 5** (the "***Purchase Price***").

Article 3.
TERMS OF PAYMENT

Section 3.01 Deposit. Concurrently with the execution and delivery of this Agreement, the Investor shall place an amount equal to $2,340,000 into escrow, to be disbursed from time to time in accordance with the terms set forth in a Deposit Escrow Agreement executed and delivered by the Investor, the Debtor, and the Escrow Holder concurrently herewith.

Section 3.02 Payments at Closing. Subject to the terms and conditions of this Agreement, on the Closing Date, the Investor shall pay $43,000,000 (or $35,200,000, if the Confirmation Order entered by the Bankruptcy Court fails to include any element of the Confirmation Order Injunctive Relief), less $50,000, subject to adjustment pursuant to **Section 5.01**, to the Debtor by wire transfer of immediately available funds to an account specified in writing by the Debtor.

Section 3.03 Escrow Holdback. Subject to the terms and conditions of this Agreement, on the Closing Date, (a) the Investor and the Debtor shall jointly direct the Escrow Holder to transfer all funds then held pursuant to the Deposit Escrow Agreement to a separate account administered by the Escrow Holder and established to hold such funds, and, (b) the Investor shall deposit an amount equal to the difference of four million fifty thousand dollars ($4,050,000) less the aggregate amount of the funds then held pursuant to the Deposit Escrow Agreement (or, if the Confirmation Order entered by the Bankruptcy Court fails to include any element of the Confirmation Order Injunctive Relief, $7,800,000 less the funds then held pursuant to the Deposit Escrow Agreement) (the amounts to be deposited pursuant to clauses (a) and (b) of this **Section 3.03**, collectively, the "***Escrow Fund***"), such Escrow Fund to be disbursed from time to time in accordance with the terms set forth in an Escrow Agreement in the form set forth on **Exhibit 3.03**, and the remainder of such funds, if any, to or at the direction of the Investor. Except for the Investor, pursuant to the terms hereof, no Person (including, without limitation, the Debtor or any of its Affiliates) shall have any obligation to fund the Escrow Account. Any and all rights to, or interests in, the Escrow Agreement or the Escrow Fund shall, pursuant to and in accordance with the terms of the Plan of Reorganization, be assigned to the Plan Trust.

Section 3.04 Withholding. The Investor (including its paying agents) shall be entitled to deduct and withhold, or cause the Escrow Holder to deduct and withhold, from any amounts payable pursuant to this Agreement any withholding taxes or other amounts required under the Code or any applicable Legal Requirement to be deducted and withheld. To the extent that any such amounts are so deducted or withheld, such amounts shall be paid over by the Investor to the appropriate Taxing authority and shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

Article 4.
CLOSING

Section 4.01 Time and Place of Closing. The Investor and the Debtor shall effect the closing of the Transaction (the "***Closing***") at 9:00 a.m., on the second (2nd) Business Day following the satisfaction of the conditions set forth in **Article 9** that may be satisfied prior to Closing (which, for the avoidance of doubt, does not include conditions with respect to actions the respective parties will take at the Closing itself), or such other date as selected by the Investor and the Debtor on which all such conditions set forth in **Article 9** that may be satisfied prior to Closing have been satisfied (the "***Closing Date***"); provided, however, that if all conditions that may be satisfied prior to the Closing have been satisfied or waived (other than the condition set forth in **Section 9.01(j)**) by reason of the fact that the Confirmation Order has not become a Final Order), and the Investor elects to waive the condition set forth in such **Section 9.01(j)**, then the Investor, in its sole discretion, may require that the Closing occur within such two (2) Business Day period. The Closing shall take place at the Premises (or at such other place as may be mutually agreed on by the parties hereto).

Section 4.02 Deliveries by the Investor. At the Closing, the Investor shall deliver to the Debtor

(a) Payment in the amount set forth in **Section 3.02**, as adjusted pursuant to, and in accordance with, **Article V**.

(b) A duly executed direction letter to the Escrow Holder consistent with **Section 3.03**;

(c) The Escrow Agreement, duly executed;

(d) Written consents and authorization of the Investor's board of directors authorizing and approving the Investor's execution, delivery, and performance of its obligations under this Agreement.

Section 4.03 Deliveries by the Debtor to the Investor. At the Closing, the Debtor shall deliver to the Investor all of the following:

(a) Certified copies of the certificates of redomestication, conversion and/or incorporation of the Reorganized Debtor;

(b) A duly authorized and issued stock certificate in the name of the Investor, representing the shares of capital stock purchased pursuant to **Section 1.02** hereof;

(c) The Escrow Agreement, duly executed;

(d) A duly executed direction letter to the Escrow Holder consistent with **Section 3.03**;

(e) A duly executed FIRPTA certificate in the form set forth on **Exhibit 4.03(j)** hereto from the Reorganized Debtor certifying that the Reorganized Debtor is not a foreign Person in accordance with Section 1445 of the Code and Treasury Regulations thereto;

(f) A certified copy of the Confirmation Order (as such term is defined below) entered by the Bankruptcy Court; and

(g) A duly executed consent of the Member authorizing and approving the change of the Debtor's name after the Closing to one that does not include the words or phrases, "Sexy" or "Sexy Hair."

Article 5.
WORKING CAPITAL ADJUSTMENT

Section 5.01 Estimated Balance Sheet, Estimated Working Capital. No later than three (3) Business Days before the Closing Date, the Debtor will, in good faith, prepare or cause to be prepared, and will provide to the Investor, an estimated consolidated balance sheet of the Business as of the Closing Date (the "***Estimated Balance Sheet***"), together with a written statement setting forth in reasonable detail its estimate of the Working Capital on the Closing Date as reflected on the Estimated Balance Sheet (the "***Estimated Working Capital Statement***"). The Estimated Balance Sheet and the Estimated Working Capital Statement shall be prepared in accordance with GAAP consistently applied and the sample calculation set forth on **Exhibit 5.01** (collectively, the "***Accounting Principles***"). The Estimated Balance Sheet and Estimated Working Capital Statement will be subject to the review and approval of the Investor, such approval not to be unreasonably withheld. If the Working Capital set forth on the Estimated Working Capital Statement (the "***Estimated Working Capital***") exceeds the Working Capital Target, then the portion of the Purchase Price to be delivered by the Investor at the Closing pursuant to **Section 3.02** and **Section 4.02(a)** will be increased by such excess. If the Estimated Working Capital is less than the Working Capital Target, then the portion of the Purchase Price to be delivered by the Investor at the Closing pursuant to **Section 3.02** and **Section 4.02(a)** will be decreased by such shortfall.

Section 5.02 Closing Balance Sheet and Closing Working Capital. Within ninety (90) calendar days after the Closing Date, the Investor will prepare or cause to be prepared, and will provide to the Plan Trustee, a consolidated balance sheet of the Business as of the Closing Date (the "***Closing Balance Sheet***"), together with a written statement setting forth in reasonable detail its determination of the Working Capital on the Closing Date as reflected on the Closing Balance Sheet (the "***Closing Working Capital Statement***"). The Closing Balance Sheet and the Closing Working Capital Statement shall be prepared in accordance with the Accounting Principles. The Plan Trustee shall have reasonable access to the books and records and work papers used by the Investor in the preparation of the Closing Balance Sheet and the Closing Working Capital Statement.

Section 5.03 Dispute Notice. The Closing Balance Sheet and the Closing Working Capital Statement, and the determination of Working Capital thereon, will be final, conclusive and binding on the parties unless the Plan Trustee provides a written notice (a "***Dispute Notice***") to the Investor no later than the forty-fifth (45th) calendar day after delivery of the Closing Working Capital Statement setting forth in reasonable detail any item on the Closing Balance Sheet and/or the Closing Working Capital Statement that the Plan Trustee believes has not been prepared in accordance with the Accounting Principles and the correct amount of such item in accordance with the Accounting Principles. Any item or amount to which no dispute is raised in the Dispute Notice will be final, conclusive and binding on the parties.

Section 5.04 Resolution of Disputes.

(a) The Investor and the Plan Trustee will attempt to resolve the matters raised in a Dispute Notice in good faith. Fifteen (15) Business Days after delivery of the Dispute Notice, either the Investor or the Plan Trustee may provide written notice (an "***Arbitration***

Notice") to the other that it elects to submit the disputed items to an arbitrator, who must be a lawyer with at least fifteen (15) years of corporate transactional experience. The Investor and the Plan Trustee will in good faith jointly choose the arbitrator from a list of arbitrators who qualify under the preceding sentence supplied by the American Arbitration Association (the "***Referee***"). If the Investor and the Plan Trustee cannot agree on a Referee within fifteen (15) Business Days after an Arbitration Notice is provided, the Investor and the Plan Trustee will petition the American Arbitration Association to assign the Referee from among the candidates set forth on such list as soon as practicable (but in any event no later than the twentieth (20th) Business Day after such Arbitration Notice has been provided). On the third (3rd) Business Day following appointment of a Referee, the Investor will submit the Closing Balance Sheet and Working Capital Statement to the Referee (if applicable, as amended following discussions with the Plan Trustee) with a copy to the Plan Trustee, and the Plan Trustee will submit the Dispute Notice (if applicable, as amended following discussions with the Investor) to the Referee with a copy to the Investor.

(b) The Referee will promptly review only those items and amounts specifically set forth and objected to in the Dispute Notice submitted to it and resolve the dispute in accordance with the Accounting Principles; provided, however, that the Referee will be limited to selecting either the Working Capital amount reflected on the Closing Working Capital Statement, as submitted to it, or the Working Capital amount reflected on the Dispute Notice, as submitted to it (as finally and conclusively determined by the Referee, the "***Final Working Capital***"). The Referee will resolve the dispute pursuant to such procedures that it establishes and deems fair and equitable; provided, that the Investor and the Plan Trustee must each be afforded an opportunity to provide a written submission in support of its position and to advocate for its position personally before the Referee. Each of the Investor and the Plan Trustee agrees to use its commercially reasonable efforts to cooperate with the Referee and to cause the Referee to resolve any dispute as promptly as practicable and in any event no later than thirty (30) Business Days after selection of the Referee. The decision of the Referee with respect to any such dispute will be final, conclusive and binding on the parties.

(c) The fees and expenses of the Referee will be borne by (i) the Plan Trust, if the Referee selects the calculation of the Working Capital reflected on the Closing Working Capital Statement submitted to it, or (ii) the Investor, if the Referee selects the calculation of the Working Capital reflected on the Dispute Notice submitted to it.

Section 5.05 Purchase Price Adjustment. Promptly, and in any event no later than the fifth (5th) Business Day after final determination of the Working Capital in accordance with this **Article 5**:

(a) If Final Working Capital exceeds Estimated Working Capital, then the Investor shall pay an amount equal to such excess to the Plan Trustee by wire transfer of immediately available funds, to an account or accounts designated by the Plan Trustee in writing.

(b) If Final Working Capital is less than Estimated Working Capital, then the Investor may recover such shortfall from the Escrow Fund.

Article 6.

[RESERVED]

Article 7.
REPRESENTATIONS AND WARRANTIES OF THE DEBTOR

Section 7.01 The Debtor's Representations and Warranties. The Debtor makes the following representations and warranties to the Investor:

(a) **Organization**. The Debtor is a limited liability company, duly organized, validly existing, and in good standing under the laws of the State of California and is duly qualified to do business and in good standing in each jurisdiction where the nature of the activities conducted by it or the character of the property owned by it make such qualification necessary, except for those jurisdictions where the failure to be so qualified does not constitute a Material Adverse Effect.

(b) **Power and Authorization**. The Debtor has the limited liability company power and authority to enter into and perform this Agreement, and the execution and performance of this Agreement has been duly authorized by all necessary action on the part of the Debtor. This Agreement (i) has been duly executed and delivered by the Debtor and (ii) is a legal, valid and binding obligation of the Debtor, enforceable against the Debtor in accordance with its terms, except to the extent limited by bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws affecting the rights and remedies of creditors of the Debtor generally. The Debtor has the full power and authority necessary to own and use its assets and carry on the Business.

(c) **Authorization of Governmental Authorities**. Except as disclosed on **Schedule 7.01(c)**, no action by (including any authorization, consent or approval), or in respect of, or filing with, any Governmental Authority is required for, or in connection with, the valid and lawful (i) authorization, execution, delivery and performance by the Debtor of this Agreement, or (ii) the consummation of the Transaction by the Debtor.

(d) **Noncontravention**. Except as disclosed on **Schedule 7.01(d)** (disregarding **Section 1.06** for this purpose), or as excused by the Bankruptcy Code and the Confirmation Order (as such term is defined below), the execution, delivery and performance by the Debtor of this Agreement will not (i) violate, or constitute a default under the terms, conditions, or provisions of any Disclosed Contract, (ii) assuming the taking of any action by (including any authorization, consent or approval), or in respect of, or any filing with, any Governmental Authority, in each case, as disclosed on **Schedule 7.01(c)**, violate (A) any Legal Requirement applicable to the Debtor, or (B) any provision of the Organizational Documents of the Debtor, (iii) require any action by (including any authorization, consent or approval) or in respect of (including notice to), any Person under any Disclosed Contract, or (iv) result in the creation of any Encumbrance on any of the Assets.

(e) **Capitalization**. (i) As of the date hereof, the Member is the sole member and owner, beneficially and of record, of all the issued and outstanding membership interests of the Debtor, and (ii) as of the Closing (after giving effect to the Transaction contemplated hereby), the Investor will be the sole owner, beneficially and of record, of all the issued and outstanding equity interests of the Reorganized Debtor, in each instance, free and

clear of all options, warrants, rights of refusal, preemptive rights, claims, charges, and other Encumbrances, other than the Encumbrances listed on **Schedule 7.01(e)**. Except as set forth on **Schedule 7.01(e)**, the Debtor does not have any subsidiaries or own any direct or indirect equity interests in any other Person.

(f) **Financial Statements**. Attached as **Schedule 7.01(f)** are copies of each of the following:

(i) Audited consolidated balance sheets of the Member and the Debtor as of and for the fiscal year ended December 31, 2009 (respectively, the "***Most Recent Balance Sheet***", and the "***Most Recent Balance Sheet Date***") and for the fiscal period April 1, 2008 through December 31, 2008, together with the related audited consolidated statement of income, cash flow and stockholders' equity, accompanied by any notes and supplemental information with respect thereto and the report of Green Hasson & Janks LLP thereon (collectively, the "***Year End Financials***"); and

(ii) Unaudited balance sheets and the related unaudited consolidated statement of income of the Debtor for the ten (10) months ended on November 30, 2010 (the "***Interim Financials***", and together with the Year End Financials, the "***Financial Statements***").

(iii) The Financial Statements (a) were prepared in accordance with the books and records of the Debtor, (b) were prepared in accordance with GAAP, consistently applied, subject in the case of the Interim Financials to (i) normal year-end adjustments (the effect of which, to the Debtor's Knowledge, will not, individually or in the aggregate, be material) and (ii) the absence of notes, and (c) fairly present in all material respects the consolidated financial position of the Debtor as at the respective dates thereof and the consolidated results of the operations of the Debtor, cash flows and changes in financial position for the respective periods covered thereby.

(iv) None of the assets, liabilities, activities or operations reflected in the Financial Statements arise from assets owned by, or attributable to activities conducted by, the Member, except to the extent the consolidating balance sheet provided as supplemental information identifies assets, liabilities or operations as owned by, or attributable to, such Member.

(g) **Absence of Certain Developments**. Except for the matters disclosed in **Schedule 7.01(g)** and the filing and conduct of the Bankruptcy Case, since the Most Recent Balance Sheet Date, the Business has been conducted in the Ordinary Course of Business and:

(i) The Debtor has not entered into, amended, or otherwise changed or altered, or terminated, any Contractual Obligation disclosed on **Schedule 7.01(p)(i)** or terminated or permitted to expire any Contractual Obligation that would have been required to be disclosed on **Schedule 7.01(p)(i)** had it been in effect on the date hereof;

(ii) The Debtor has not hired or caused Administaff Companies II, L.P. ("***Administaff***") to hire any employee or consultant with a base annual salary in excess of $100,000;

(iii) The Debtor has not, nor has Administaff (at the Debtor's request on behalf of the

Debtor) (a) entered into, amended, or otherwise altered any Contractual Obligation, including any Company Plan, that would increase the compensation (including bonuses) or benefits payable, paid, or provided or alter the timing or methods of such payments, whether conditionally or otherwise, to any current or former employee, Administaff Employee (to the Debtor's Knowledge), executive officer, consultant or director of the Debtor or of any of its Affiliates, other than pursuant to the terms of any existing written agreement, policy, or plan of the Debtor that is disclosed on **Schedule 7.01(u)(ii)** and has otherwise not increased any such compensation or benefits or (b) granted any severance or termination pay to any current or former employee, Administaff Employee (to the Debtor's Knowledge), consultant, agent, executive officer, or director of the Debtor or of any of its Affiliates;

(iv) The Debtor has not (a) made any change in its methods of accounting or accounting practices (including with respect to reserves) except as required by GAAP, or (b) changed its policies or practices with respect to paying payables or billing and collecting receivables;

(v) The Debtor has not written up or written down any Asset that is material to the Business, or revalued a material amount of its inventory;

(vi) The Debtor has not settled any Action to the extent such settlement would or could impose any material obligations (whether financial or otherwise) on the Reorganized Debtor;

(vii) The Debtor has not sold or otherwise transferred any Asset (other than transfers of inventory in the Ordinary Course of Business);

(viii) The Debtor has not terminated or closed any facility, business or operation;

(ix) There has been no material loss, destruction, damage or eminent domain taking (in each case, whether or not insured) affecting the Business or any material Asset;

(x) The Debtor has not amended, or otherwise changed or altered, any Organizational Document of the Debtor in a manner that would have a material adverse impact on the Transaction contemplated hereby;

(xi) The Debtor has not entered into any Contractual Obligation to do any of the things referred to elsewhere in this **Section 7.01(g)**; and

(xii) No event has occurred that constitutes a Material Adverse Effect.

(h) **Debt; Guarantees**. The Debtor has no Liabilities in respect of Debt except as set forth on **Schedule 7.01(h)**. For each item of Debt, **Schedule 7.01(h)** correctly sets forth the debtor, the principal amount of the Debt as of the date hereof, the creditor, the maturity date and the collateral, if any, securing such Debt. The Debtor does not have any Liability in respect of a Guarantee of any Liability of any other Person.

(i) **Assets**. Subject to the Encumbrances in favor of the Senior Agent, the Permitted Encumbrances, and the Encumbrances set forth on **Schedule 7.01(i)**, the Debtor has sole and exclusive, valid title to, or, in the case of property held under a lease, license, or other Contractual Obligation, a sole and exclusive, enforceable leasehold interest in, or right to

use, all of the Assets. Except for (i) the absence of the Excluded Assets and the Excluded Liabilities and (ii) those Assets with respect to which consent of another Person is required to transfer such Assets to the Investor, and where such consent has not been obtained as of the Closing Date, and (iii) as set forth in **Schedule 7.01(i)**, the Assets comprise substantially all of the assets, properties and rights of every type and description, whether real or personal, tangible or intangible, currently used by the Debtor in the conduct of the Business. Except as disclosed on **Schedule 7.01(i)**, no Person, other than the Debtor, owns or licenses the formulas used to manufacture any of the Debtor's Products, and the Debtor possesses all formulas that are used to manufacture any of the Debtor's Products.

(j) **Real Property**. The Debtor does not own any real property. **Schedule 7.01(j)** describes each leasehold interest in real property leased, subleased by, licensed or with respect to which a right to use or occupy has been granted to or by the Debtor (the "***Real Property***"), and specifies the lessor(s) of such leased property, the party occupying such leased property, and identifies each lease or any other Contractual Obligation under which such property is leased (such leases, the "***Real Property Leases***"). Except as described on **Schedule 7.01(j)**, there are no written or oral subleases, licenses, concessions, occupancy agreements or other Contractual Obligations by which the Debtor is granting to any other Person the right of use or occupancy of the Real Property and there is no Person (other than the Debtor) in possession of the Real Property. There is no pending or, to the Debtor**'**s Knowledge, threatened, eminent domain taking affecting any of the Real Property.

(k) **Intellectual Property**. Except as set forth on **Schedule 7.01(k)(i)**, **(ii)**, **(iii)** and **(iv)** (as applicable):

(i) The Debtor is the exclusive owner of or has a license under an In-License Agreement (as defined below) to use all Intellectual Property Rights used in the Business ("***Intellectual Property Assets***"). All Intellectual Property Assets are Assets for the purposes of this Agreement. No Intellectual Property Assets are subject to any outstanding Government Order, and no Action is pending or, to the Debtor's Knowledge, threatened, that challenges the legality, validity, enforceability, use or ownership of any of the Intellectual Property Assets.

(ii) The Debtor (a) has not, to the Debtor's Knowledge, interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property Rights of any third party, or (b) since the Original Acquisition Date, has not received any written charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation (including any written claim that a Person must license or refrain from using any Intellectual Property Rights of any third party in connection with the conduct of the Business). To the Debtor's Knowledge, since the Original Acquisition Date, no third party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property Assets that the Debtor owns or licenses from a third party on an exclusive basis.

(iii) **Schedule 7.01(k)(iii)** identifies (a) all registered trademarks, registered copyrights, domain names, patents and other Intellectual Property Rights registered with or

issued by any Governmental Authority held by the Debtor, (b) each pending application for any of the foregoing ((a) and (b) collectively, "***Registered Intellectual Property Assets***") that the Debtor has made or otherwise holds, (c) each Contractual Obligation under which the Debtor has granted to any third party rights with respect to any Intellectual Property Rights used in the Business (each an "***Out-License Agreement***"), and (d) each Contractual Obligation under which a third party has granted the Debtor any rights with respect to any Intellectual Property used in the Business, other than off-the-shelf-software (each an "***In-License Agreement***"). True, accurate and complete copies of all such registrations, applications and Contractual Obligations, in each case, as amended, or otherwise modified and in effect, have been made available to the Investor. **Schedule 7.01(k)(iii)** also identifies each trade name, trade dress and unregistered trademark or service mark used by the Debtor or in connection with the Business. For each issued item of Registered Intellectual Property Asset the Debtor knows of no basis on which invalidity might be alleged and each application included in the Registered Intellectual Property is currently pending, and in good standing. All items identified or required to be identified on **Schedule 7.01(k)(iii)** are Assets for the purposes of this Agreement.

(iv) Except as provided in the In-License Agreements identified as such on **Schedule 7.01(k)(iii)**, there are no Contractual Obligations for royalties for the use of any Intellectual Property Assets. The Debtor does not maintain any personally-identifiable information regarding individual consumers or users of their Products. To the best of the Debtor's Knowledge, all Products are properly marked with patent notices (if applicable). To the best of the Debtor's Knowledge, all Products and other materials that use any registered trademark or registered service mark that is part of the Intellectual Property Assets bear proper trademark notices. All current and former employees and contractors of the Debtor who contributed to the development of Products or other Intellectual Property Rights that are material to the Business have executed enforceable Contractual Obligations that assign to the Debtor all such Intellectual Property Rights.

(l) **Legal Compliance**. The Debtor is not in breach or violation of, or default under, and has not since the Original Acquisition Date, been in material breach or violation of, or default under its Organizational Documents, or any material Legal Requirement. Except as set forth in **Schedule 7.01(l)**, the Debtor has not received any written notice during the previous two (2) years from any Governmental Authority that alleges that the Debtor is not in compliance with any material Legal Requirement. To the Debtor's Knowledge, all third parties that are manufacturers, contractors or suppliers to or for the Debtor are in compliance in all material respects with all applicable Legal Requirements that pertain to the manufacture, distribution, and sale, as applicable, of the Debtor's Products.

(m) **Permits**. **Schedule 7.01(m)** lists each Permit included in the Assets. The Debtor has obtained and is in compliance in all material respects with all material Permits (excluding Environmental Permits as to which solely the provisions of **Section 7.01(o)** shall be applicable) necessary for the Debtor to conduct the Business in all material respects as presently conducted. Except as disclosed on **Schedule 7.01(m)**, to the Debtor's Knowledge (i) such Permits are valid and in full force and effect, and (ii) the Debtor is

not in breach or violation of, or default under, any such Permit.

(n) **Tax Matters**. Except as set forth on **Schedule 7.01(n)**, the Debtor has duly and timely filed, or has caused to be duly and timely filed on its behalf, all Tax Returns required to be filed by it (or on its behalf or including its operations) in accordance with all Legal Requirements. All such Tax Returns were true, correct and complete in all material respects and were prepared in material compliance with all applicable Legal Requirements. Since January 1, 2007, all material Taxes owed by the Debtor (whether or not shown or required to be shown on any Tax Return) and owed by the Member have been paid in full. There are no Encumbrances with respect to Taxes upon any Asset other than for current Taxes not yet due and payable.

(o) **Environmental Matters**. Except as set forth in **Schedule 7.01(o)**, (i) the operations of the Debtor (including the Products and the distribution and sale of the Products by the Debtor) are, and to the Debtor's Knowledge since the Original Acquisition Date, have been in material compliance with all applicable Environmental Laws, including, without limitation, federal and state regulations related to the control of air pollution and the inclusion of volatile organic compounds in the Products, (ii) to the Debtor's Knowledge, the distribution and sale of the Debtor's Products by third parties are, and for the past two (2) years have been, in material compliance with all applicable Environmental Laws, including, without limitation, federal and state regulations related to the control of air pollution, (iii) to the Debtor's Knowledge, (A) there has been no release or threatened release of any Hazardous Substance on, upon, into, or from any site currently or previously owned, leased, or otherwise used by the Debtor, that has given or reasonably would be expected to give rise to a material liability of the Debtor pursuant to Environmental Laws, nor (B) has there been a release or threatened release by a third party of any Hazardous Substance on, upon, into, or from any site currently or previously owned, leased, or otherwise used by the Debtor, that has given or reasonably would be expected to give rise to a material liability of the Debtor pursuant to Environmental Laws, (iv) to the Debtor's Knowledge, there have been no Hazardous Substances generated by the Debtor that have been disposed of or come to rest at any site that has been included in any published U.S. federal, state, or local "superfund" site list or any other similar list of hazardous or toxic waste sites published by any Governmental Authority in the United States, (v) to the Debtor's Knowledge, there are no underground storage tanks located on, no PCBs (polychlorinated biphenyls) or PCB-containing equipment used or stored on, and no hazardous waste as defined by the Resource Conservation and Recovery Act stored on, any site owned or operated by the Debtor, except for the storage of hazardous waste in compliance with Environmental Laws, and (vi) the Debtor has made available to the Investor true, accurate, and complete copies of all material environmental records, reports, notifications (including, without limitation, all notifications seeking to determine the Debtor's compliance with, or asserting the Debtor's non-compliance with, applicable Environmental Laws), certificates of need, permits, pending permit applications, correspondence, engineering studies, and environmental studies or assessments in their possession or under their control, in each case as amended and as currently in effect.

(p) **Contracts**.

(i) Except as disclosed on **Schedule 7.01(p)(i)**, as of the date hereof, the Debtor is not party to any of the following Contractual Obligations that are still in effect:

1) any Contractual Obligation (or group of related Contractual Obligations), the performance of which involves annual payments to or by the Debtor in the aggregate in excess of $500,000 or aggregate payments to or by the Debtor in excess of $1,000,000 over the life of such Contractual Obligation, other than any Contractual Obligation that by its terms can be terminated upon no greater than sixty (60) days' notice without material penalty or any further material obligation or Liability to the Debtor;

2) any dealer, distributor, sales representative, or other similar agreement, other than any such Contractual Obligation that by its terms can be terminated upon no greater than sixty (60) days' notice without material penalty or any further material obligation or Liability to the Debtor;

3) any Contractual Obligation that contains most favored customer pricing provisions or grants any exclusive rights, rights of first refusal, rights of first negotiation or similar rights to any Person;

4) any Contractual Obligation, to which the Debtor is subject that (a) relates to confidentiality (other than confidentiality agreements entered into in connection with the Transaction in which the Debtor is currently engaged and confidentiality provisions contained in other agreements of the Debtor that do not relate primarily to confidentiality and are entered into in the Ordinary Course of Business) or (b) limits or purports to limit the ability of any Person to compete in any line of business, with any other Person or in any geographic area;

5) any Contractual Obligation (or group of related Contractual Obligations) under which the Debtor has permitted any Asset to become Encumbered (other than Permitted Encumbrances);

6) any Contractual Obligation relating to the acquisition or disposition of (a) any material business of the Debtor (whether by merger, consolidation, or other business combination, sale of securities, sale of assets or otherwise), or (b) any material asset other than in the Ordinary Course of Business;

7) any Contractual Obligation under which the Debtor is, or may become, obligated to pay any amount in respect of indemnification obligations, purchase price adjustment, or otherwise in connection with any (a) acquisition or disposition of assets or securities (other than the acquisition or sale of inventory in the Ordinary Course of Business), (b) merger, consolidation or other business combination, or (c) series or group of related transactions or events of the type specified in clauses (a) and (b) above.

8) any Contractual Obligation concerning or consisting of a partnership, limited liability company or joint venture agreement;

9) any Contractual Obligation under which any other Person has Guaranteed any

Debt or other obligation of the Debtor;

10) any Contractual Obligation with any labor union or association representing any employee of the Debtor;

11) any Contractual Obligation under which the Debtor or Administaff (at the request of and on behalf of the Debtor) is, or may become, obligated to incur any compensation obligations that would become payable by reason of, this Agreement or the consummation of the Transaction or any severance pay or benefits; or

12) any Contractual Obligation providing for the employment or consultancy with an individual, whether directly with the Debtor or through Administaff (at the request of and on behalf of the Debtor), on a full-time, part-time, consulting or other basis or otherwise providing compensation or other benefits to any officer, director, employee, or consultant or any Contractual Obligation with any professional employment organization, temporary staffing or leasing agency.

(ii) The Debtor has made available to the Investor true, accurate, and complete copies of each written Contractual Obligation required to be disclosed on **Schedules 7.01(h)**, **7.01(j)**, **7.01(k)**, **7.01(p)(i)**, **7.01(r)**, **7.01(u)**, or **7.01(w)** that is an Asset (each, a "***Disclosed Contract***"), in each case, as amended or otherwise modified and as currently in force and effect. The Debtor has made available to the Investor a written summary setting forth the terms and conditions of each oral Contractual Obligation required to be listed on **Schedule 7.01(p)(i)**.

(iii) As of the date hereof, to the Debtor's Knowledge, each Disclosed Contract is enforceable against each party to such Contractual Obligation, and is in full force and effect.

(iv) The Debtor is not, and, to the Debtor's Knowledge, no other party to any Disclosed Contract is, in material breach or violation of, or material default under, or has repudiated any provision of, any Disclosed Contract.

(q) **Affiliate Transactions**. Except for the matters disclosed on **Schedule 7.01(q)**, to the Debtor's Knowledge, no officer, director, employee, consultant, agent, or legal or beneficial owner of any of the issued and outstanding capital stock of any of the Debtor, or the Member, Luxe Beauty Midco Corporation, a Delaware corporation ("***Debtor Midco***"), or Luxe Beauty Holdings Corporation, a Delaware corporation ("***Debtor Holdco***"), nor any Affiliate of any of the foregoing Persons (i) is a party to any Contractual Obligation with the Debtor, or (ii) owns any asset used in, or necessary to, the Business.

(r) **Customers and Suppliers**. **Schedule 7.01(r)** sets forth a complete and accurate list of (i) the fifteen (15) largest customers (measured by aggregate billings) of the Business for the fiscal year ended on the Most Recent Balance Sheet Date and, even if not included within such group, Beauty Systems Group, indicating the existing Contractual Obligations (not to include purchase orders issued in the Ordinary Course of Business) with each such Customer, and (ii) the ten (10) largest suppliers of materials, products or services to the Business (measured by the aggregate amount purchased by the Business)

for the eleven (11) months ended November 30, 2010, indicating the Contractual Obligations (not to include purchase orders issued in the Ordinary Course of Business) for continued supply from each such supplier. None of such customers or suppliers has canceled, or terminated its relationship with the Business, or, over the last twelve (12) months, materially reduced the amount of sales to or purchases from the Business, or notified the Business in writing in the previous twelve (12) months of any intention to do any of the foregoing.

(s) **Employees**. **Schedule 7.01(s)** contains a complete and accurate list of all current employees of the Debtor and, to the Debtor's Knowledge, all Administaff Employees as of the dates set forth on **Schedule 7.01(s)**, and, as of the date hereof, their permanent classifications (if applicable) and their salary or hourly rates of compensation, as applicable, their current target annual bonus and commissions amounts, and their years of service. Other than as set forth on **Schedule 7.01(s)**, there are no employees who are used by the Debtor in the Business but who are employed by an Affiliate of the Debtor. Neither the Debtor nor, to the Debtor's Knowledge, Administaff (with respect to the Administaff Employees) has experienced any strike or material grievance, claim of unfair labor practices, or other collective bargaining dispute since the Original Acquisition Date. Since the Original Acquisition Date, to the Debtor's Knowledge, the Debtor has not committed any unfair labor practice. To the Debtor's Knowledge, no organizational effort is presently being made or threatened by or on behalf of any labor union with respect to employees of the Debtor or, to the Debtor's Knowledge, any Administaff Employees. Except as set forth on **Schedule 7.01(s)**, neither the Debtor nor, to the Debtor's Knowledge, Administaff has received since the Original Acquisition Date any written notification of any grievances, complaints or charges that have been filed against the Debtor or, to the Debtor's Knowledge, Administaff (with respect to the Administaff Employees) under any dispute resolution procedure (including, but not limited to, any proceedings under any dispute resolution procedure under any collective bargaining agreement). No collective bargaining agreements are in effect or are currently being negotiated by the Debtor or, to the Debtor's Knowledge, Administaff (with respect to the Administaff Employees). Neither the Debtor nor, to the Debtor's Knowledge, Administaff has received written notice of pending or threatened changes of employment status with respect to (including, without limitation, resignation of) the senior management or key supervisory personnel of the Debtor or, to the Debtor's Knowledge, Administaff (with respect to the Administaff Employees). The Debtor and, to the Debtor's Knowledge, Administaff (with respect to the Administaff Employees) are and, have since the Original Acquisition Date, been in compliance in all material respects with all applicable Legal Requirements relating to the employment of labor, including all applicable Legal Requirements relating to wages, hours, collective bargaining, employment discrimination, civil rights, safety and health, workers' compensation, pay equity, classification of employees and/or independent contractors, and the collection and payment of withholding and/or social security Taxes. No labor charge or complaint is pending or, to the Debtor's Knowledge, threatened with respect to the Debtor or, to the Debtor's Knowledge, Administaff (with respect to the Administaff Employees) before the Equal Employment Opportunity Commission or any other Governmental Authority.

(t) **Litigation; Governmental Orders.** Except as disclosed on **Schedule 7.01(t)**, there are

no Actions now pending or, to the Debtor's Knowledge, threatened against the Debtor or the Assets. Except as disclosed on **Schedule 7.01(t)**, there is no Action that the Debtor presently intends to initiate. Except as disclosed on **Schedule 7.01(t)**, no Governmental Order has been issued to or served on the Debtor since the Original Acquisition Date that is applicable to the Debtor, the Assets or the Business.

(u) **Employee Plans**.

(i) For purposes of this Agreement, "***Employee Plan***" means any plan, contract, program, policy or arrangement, whether or not reduced to writing, and whether covering a single individual or a group of individuals, that is (a) a welfare plan within the meaning of Section 3(1) of ERISA, (b) a pension benefit plan within the meaning of Section 3(2) of ERISA, (c) a stock bonus, stock purchase, stock option, restricted stock, stock appreciation right or similar equity-based plan, or (d) any other employment, compensation, severance, termination pay, deferred-compensation, retirement, welfare-benefit, profit-sharing, bonus, incentive or fringe-benefit plan, contract, program, arrangement, policy or other arrangement.

(ii) **Schedule 7.01(u)(ii)** lists all Employee Plans that the Debtor or, to the Debtor's Knowledge, Administaff sponsors, maintains, contributes to, or is obligated to contribute to, or under which the Debtor has or may have any Liability with respect to any current or former employee, director, officer, agent, consultant or independent contractor of the Debtor or, to the Debtor's Knowledge, of Administaff, who provides or has provided services to the Debtor or the beneficiaries or dependents of any such Person (each, a "***Debtor Plan***"). With respect to each Debtor Plan sponsored or maintained by the Debtor, or to which the Debtor contributes, the Debtor has delivered to the Investor true, accurate, and complete copies of each of the following: (a) if the plan has been reduced to writing, the plan document together with all amendments thereto, (b) if the plan has not been reduced to writing, a written summary of all material plan terms, (c) if applicable, copies of any trust agreements, custodial agreements, insurance policies, administrative agreements and similar agreements, and investment management or investment advisory agreements, (d) copies of the most recent summary plan descriptions, employee handbooks or similar employee communications, (e) in the case of any plan that is intended to be qualified under Code Section 401(a), a copy of the most recent determination letter or other opinion letter from the IRS and any related correspondence, and a copy of any pending request for such determination, and (f) in the case of any plan for which Forms 5500 are required to be filed, a copy of the most recently filed Form 5500, with schedules attached.

(iii) Neither the Debtor, nor any other Person that is or at the relevant time has been considered a single employer with the Debtor under the Code or ERISA has ever sponsored, maintained, contributed to, been required to contribute to, or had any Liability with respect to a plan subject to Title IV of ERISA or Code Section 412, including any "multiemployer plan" as defined in Section 4001(a)(3) of ERISA and no event has occurred that would subject the Debtor to any liability under Title IV of ERISA.

(iv) Each Debtor Plan that is intended to be qualified under Code Section 401(a) is so

qualified, and nothing has occurred that could reasonably be expected to affect adversely the qualified status of any such Debtor Plan. Each Debtor Plan, including any associated trust or fund, has been administered in all material respects in accordance with its terms and with applicable Legal Requirements, including satisfying the coverage tests under Section 410(b) of the Code, taking into account any independent contractors to the extent required by the Code. Nothing has occurred with respect to any Debtor Plan that has subjected or would reasonably be expected to subject the Debtor to a penalty under Section 502 of ERISA or to a material excise Tax under the Code, or that has subjected or would reasonably be expected to subject any participant in, or beneficiary of, a Debtor Plan to a Tax under Code Section 4973. Each Debtor Plan that is a qualified contribution plan is an "ERISA Section 404(c) Plan" within the meaning of the applicable Department of Labor regulations. No Debtor Plan is, or within the last six (6) years, has been, the subject of an examination, audit, inquiry, review, proceeding, claim or demand by a Governmental Authority, is the subject of an application or filing under, or is a participant in, a government-sponsored amnesty, voluntary compliance, self-correction or similar program. To the Debtor's Knowledge, there is no pending or threatened Action relating to a Debtor Plan, other than routine claims in the Ordinary Course of Business for benefits provided for by the Debtor Plans.

(v) No benefit under any Debtor Plan, including any severance or parachute payment plan or agreement, will be established or become accelerated, vested, or payable (including through a grantor trust or otherwise), or will be increased by reason of the Transaction, either alone or upon the occurrence of any other event.

(vi) Each of the Debtor, and to the Debtor's Knowledge, Administaff, and, to the Debtor's Knowledge, the relevant plan administrator if other than the Debtor or Administaff, have at all relevant times properly classified each provider of services to the Debtor as an employee or independent contractor, as the case may be, for all purposes relating to each Debtor Plan for which such classification could be relevant.

(v) **Product Warranties**. **Schedule 7.01(v)** sets forth a list of all Actions and claims against the Debtor involving pending litigation or that have otherwise been settled by the Debtor for an amount in excess of $10,000 at any time after the Original Acquisition Date (including a brief description of the disposition thereof with respect to those that have been concluded), in each instance relating to, or otherwise involving, alleged defects in a Product provided by the Debtor, or the failure of any such Product to meet specifications. Other than as set forth on **Schedule 7.01(v)**, to the Debtor's Knowledge, no Product has been seized, withdrawn, recalled, detained, or subject to a suspension of manufacturing because of the failure (or alleged failure) of such Product to comply with applicable Legal Requirements or as a result of a defect (or alleged defect) in such Product or the failure (or alleged failure) of any such Product to meet specifications, and no such events are pending or threatened.

(w) **Insurance**. **Schedule 7.01(w)** sets forth a list of insurance policies under which the Debtor, or any of its employees, officers or directors or the Assets or the Business is currently insured (the "***Liability Policies***") and their respective expiration dates. The list

includes for each Liability Policy the type of policy, form of coverage, policy number and name of insurer. The Debtor has made available to the Investor true, accurate and complete copies of all Liability Policies, in each case, as amended or otherwise modified and in effect. **Schedule 7.01(v)** describes any self-insurance arrangements affecting the Debtor.

(x) **Brokers**. Other than the Debtor's obligation to pay certain fees and expenses to Imperial Capital, LLC (collectively, "***Brokers' Commissions***") in connection with the Closing of the Transaction, neither the Debtor nor any of its officers, directors, shareholders or agents have employed or incurred any liability to any broker, finder or agent for any brokerage fees, finder's fees, commissions or other similar payments with respect to the Transaction.

(y) **Equipment**. All equipment, leasehold improvements and tangible assets that are material to the Business are in satisfactory operating condition, ordinary wear and tear excepted.

Section 7.02 The Investor's Representations and Warranties. The Investor makes the following representations and warranties to the Debtor as of the date hereof:

(a) **Organization**. The Investor is a Delaware corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) **Power and Authorization**. The Investor has the corporate power and authority to enter into and perform this Agreement and the Escrow Agreement, and the execution and performance of this Agreement and the Escrow Agreement has been duly authorized by all necessary action on the part of the Investor. This Agreement and the Escrow Agreement (i) has been (or, in the case of the Escrow Agreement, will be) duly executed and delivered by the Investor and (ii) is (or, in the case of the Escrow Agreement, will be) a legal, valid and binding obligation of the Investor, enforceable against the Investor in accordance with its terms, except to the extent limited by bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws affecting the rights and remedies of creditors of the Investor generally.

(c) **Authorization of Governmental Authorities**. Except as disclosed on **Schedule 7.02(c)**, no action by (including any authorization, consent or approval), or in respect of, or filing with, any Governmental Authority is required for, or in connection with, the valid and lawful (i) authorization, execution, delivery and performance by the Investor of this Agreement or the Escrow Agreement, or (ii) the consummation of the Transaction by the Investor.

(d) **Noncontravention**. Except as disclosed on **Schedule 7.02(d)**, the execution, delivery and performance by the Investor of this Agreement will not (i) conflict with, violate, or constitute a default under the terms, conditions, or provisions of any Contractual Obligation or other instrument to which the Investor is a party, (ii) assuming the taking of any action by (including any authorization, consent or approval), or in respect of, or any filing with, any Governmental Authority, in each case, as disclosed on **Schedule 7.02(c)**, violate any (A) Legal Requirement applicable to the Investor, or (B) any provision of the Organizational Documents of the Investor, or (iii) require any action by (including any authorization, consent or approval) or in respect of (including notice to), any Person

under any Contractual Obligation of the Investor.

(e) **[Reserved]**

(f) **Litigation**. There are no Actions pending, or to the Investor's knowledge, threatened against the Investor or its Affiliates that would reasonably be expected to have a material adverse effect on the Investor's ability to fulfill its obligations under this Agreement.

(g) **No Brokers**. The Investor has no Liability of any kind to any broker, finder or agent with respect to the Transaction other than those that will be borne by the Investor.

Article 8.
COVENANTS

Section 8.01 Closing. The Debtor will cooperate with the Investor, as reasonably requested by the Investor, to take all of the actions and deliver all the various certificates, documents and instruments described in **Article 9** as being performed or delivered by the Debtor. The Investor will cooperate with the Debtor, as reasonably requested by the Debtor, to take all of the actions and deliver all the various certificates, documents and instruments described in **Article 9** as being performed or delivered by the Investor.

Section 8.02 Conduct of Business. Until the Closing, the Debtor will use its best efforts to conduct the Business in the Ordinary Course of Business and generally consistent with its operating practices in effect on the date hereof, except for actions required by any Legal Requirement or pursuant to the terms of this Agreement. Without limiting the generality of the preceding sentence, the Debtor shall not, without the written consent of the Investor, or except as expressly required by this Agreement or to the extent needed to comply with any Legal Requirement, take or omit to take any action that, if taken or omitted to be taken between the Most Recent Balance Sheet Date and the date hereof, would have been required to be disclosed on **Schedule 7.01(g)**.

Section 8.03 Notices and Consents.

(a) **The Debtor**. The Debtor will give all notices to, make all filings with, and use its commercially reasonable efforts to obtain all authorizations, consents, or approvals from, any Governmental Authority or other Person that are set forth on **Schedule 7.01(c)** and **7.01(d)** or as otherwise reasonably requested by the Investor, and shall use commercially reasonable efforts to assist the Investor in obtaining all Permits required to operate the Business.

(b) **The Investor**. The Investor will give all notices to, make all filings with, and use its commercially reasonable efforts to obtain all authorizations, consents, or approvals from (including any Permits required to operate the Business that will not be transferred to the Investor hereunder), any Governmental Authority or other Person that are set forth on **Schedule 7.02(c)** and **7.02(d)** or as otherwise reasonably requested by the Debtor.

Section 8.04 Bankruptcy Matters and Process.

(a) The Debtor shall, no later than two (2) Business Days after the date hereof, commence a bankruptcy case (the "***Bankruptcy Case***") by filing a voluntary petition for relief under the Bankruptcy Code (the date on which such petition is filed, the "***Petition Date***") in the United States Bankruptcy Court for the Central District of California (the "***Bankruptcy***

Court"), and continue to operate the Business and maintain possession of its property as a debtor and debtor in possession.

(b) On or before the first (1st) calendar day following the Petition Date, and in any event contemporaneously with the "first-day motions" filed by the Debtor:

(i) the Debtor shall file the Disclosure Statement and Voting Procedures Motion and the Assumption Motion with the Bankruptcy Court together with related notices, each in the form reasonably satisfactory to the Investor, and including seeking (i) entry of an order assuming this Agreement and approving the Termination Fee (the "***Assumption Order***"), such order to be substantially in the form attached hereto as **Exhibit 8.04(b)(i)(i)** (ii) issuance of an order approving the Disclosure Statement and voting procedures, such order to be substantially in the form attached hereto as **Exhibit 8.04(b)(i)(ii)**, or in such form as may be required by the Court, provided that the Investor acknowledges in writing that such alternative form of order is acceptable to the Investor (the "***Disclosure Statement Approval Order***") and (iii) issuance of an order approving the Transaction contemplated hereby, provided that such order is acceptable to the Investor (the "***Confirmation Order***") and including for purposes of this **Section 8.04(b)(i)** each of the elements set forth on **Exhibit 8.04(b)(i)(iii)** attached hereto (collectively, the "***Confirmation Order Injunctive Relief***"); and

(ii) the Debtor shall request a hearing by the Bankruptcy Court seeking entry of the Assumption Order to occur within twenty-one (21) days of the Petition Date, a hearing seeking approval of the Disclosure Statement to occur thirty (30) days after the Petition Date, and a hearing on entry of the Confirmation Order to occur approximately thirty (30) days after the date on which the Disclosure Statement is approved by the Bankruptcy Court.

(c) The Debtor shall publish in USA Today notice of (i) the commencement of the Bankruptcy Case, in the form attached hereto as **Exhibit 8.04(c)(i)**, on each of the first possible Monday and Friday of the two (2) calendar weeks immediately following the Petition date, and (ii) the filing of the Disclosure Statement and Voting Procedures Motion, in the form attached hereto as **Exhibit 8.04(c)(ii)**, on the first possible Monday immediately following the filing thereof.

(d) The Debtor shall serve a copy of the Disclosure Statement and Voting Procedures Motion and all related pleadings and notices on (A): (i) all Persons that claim any interest or Encumbrance upon the Assets, (ii) all parties to the Assumed Contracts, (iii) all Persons that file requests for notices under Bankruptcy Rule 9010(b), (iv) the Office of the United States Trustee, (v) all Persons on the Master Mailing List filed by the Debtor with the Bankruptcy Court, (vi) all Persons that the Debtor is required to provide notice to pursuant to Bankruptcy Rule 2002 (except as to putative class members, subject to the following sentence), and (vii) the putative class representatives named in the putative class action lawsuit, *Salon Fad, et al., v. L'Oreal USA, Inc., et al.*, Case No. 10-CV-5063, pending in the United States District Court for the Southern District of New York (the "***Lanham Act Class Action***") or their counsel, and (B) solely to the extent listed on

Schedule 8.04(d) hereto: (i) Governmental Authorities with taxing power that have, or as a result of the Transaction may have, claims, contingent or otherwise, against the Debtor, (ii) interested Governmental Authorities, (iii) the attorneys general of all states and the Federal Trade Commission, and (iv) any other Person reasonably requested by the Investor. Forthwith after entry of the Disclosure Statement Approval Order, the Debtor shall provide some method of direct or indirect notice to salons regarding the Transaction in a manner to be reasonably satisfactory to the Investor, to enable the Reorganized Debtor to be free and clear of any potential Lanham Act and similar claims and to obtain the injunctive relief contained in **Exhibit 8.04(b)(i)(iii)**; if the Debtor and the Investor cannot agree on the method and content of such notice by the fourth (4th) Business Day prior to the hearing on entry of the Disclosure Statement Approval Order, then the Debtor shall immediately file a motion to determine appropriate notice, seeking an order shortening time so that such motion is heard contemporaneously with the hearing on the Disclosure Statement Approval Order, and the Investor shall file a response setting forth its proposed method to effectuate sufficient notice to salons within one (1) Business Day thereafter, and each party consents to the matter being heard and adjudicated by the Bankruptcy Court on such shortened notice.

(e) The Debtor shall use commercially reasonable efforts to provide the Investor with copies of all motions, applications, and supporting papers prepared by or on behalf of the Debtor (including forms of orders and notices to interested Persons) directly relating to the Assets or this Agreement at least two (2) Business Days prior to the filing thereof with the Bankruptcy Court so as to allow the Investor to provide reasonable comments for incorporation into same.

Section 8.05 The Investor's Access to Premises; Information.

(a) **Access.** From the date hereof until the Closing Date, to enable the Investor to complete its due diligence investigation of the Debtor, the Debtor will permit the Investor and its Representatives to have access (at reasonable times and upon reasonable notice) to all officers and key employees of the Debtor, and to all premises, properties, books, records (including, without limitation, Tax records), documentation evidencing Contractual Obligations, financial and operating data, and information and other documents pertaining to the Debtor, and to make copies of such books, records, documentation evidencing Contractual Obligations, data, information and documents as the Investor, or its Representatives may reasonably request, so long as each such recipient is under an obligation reasonably satisfactory to the Debtor to keep such information confidential and provided that such access and provisions of such information shall not unreasonably interfere with the conduct of Business.

(b) **Monthly Financials**. The Debtor will prepare and furnish to the Investor, promptly after becoming available and in any event within thirty (30) calendar days of the end of each calendar month, an unaudited consolidated balance sheet of the Debtor as at the end of such calendar month and the related unaudited consolidated statement of income for the calendar month then ended.[1]

Section 8.06 Notice of Developments. From the date hereof until the Closing Date, the Debtor

[1] Will you be providing quarterly and year-end financials during the period of the Chapter 11 case?

shall give the Investor prompt written notice upon becoming aware of any material development of which they become aware that materially adversely affects, or would reasonably be expected to materially adversely affect, the Assets, Assumed Liabilities, Business, financial condition, or operations of the Business, or any event or circumstance of which they become aware that has resulted or would reasonably be expected to result in a material breach of, or material inaccuracy in, any of the Debtor's representations and warranties; provided, however, that no such disclosure shall be deemed to prevent or cure any such material breach of, or material inaccuracy in, amend or supplement any Schedule to, or otherwise disclose any exception to, any of the representations and warranties set forth in this Agreement.

Section 8.07 Exclusivity. From the date hereof until the earlier of the Closing or the entry of the Confirmation Order, the Debtor will not, and will not permit Affiliates controlled by the Debtor and will cause its Representatives not to, directly or indirectly (i) solicit, initiate, or encourage the submission of any proposal or offer from any Person relating to, or enter into or consummate any transaction relating to, the acquisition of any equity interests in the Debtor, or any merger, recapitalization, share exchange, sale of substantial assets (other than sales of inventory in the Ordinary Course of Business) or any similar transaction or alternative to the Transaction contemplated by this Agreement, or (ii) participate in any discussions or negotiations regarding, knowingly furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any Person to do or seek any of the foregoing (except the sending of notice of the Disclosure Statement and Voting Procedures Motion and to inform such other Person of the Debtor's obligations pursuant to this **Section 8.07**). The Debtor will notify the Investor promptly if any Person makes any proposal, offer, inquiry or contact with respect to any of the foregoing (whether solicited or unsolicited).

Section 8.08 Confidentiality.

(a) The Debtor acknowledges that the success of the Business after the Closing depends upon the continued preservation of the confidentiality of certain information possessed by the Debtor and/or the Plan Trustee, as applicable, and that the preservation of the confidentiality of such information by the Debtor and/or the Plan Trustee, as applicable, is an essential premise of the Transaction, and that the Investor would be unwilling to enter into this Agreement in the absence of this **Section 8.08**. Accordingly, the Debtor hereby agrees (and the Plan Trust as successor shall agree) that the Debtor, the Plan Trust, and each of their respective Representatives will not, at any time on or after the Closing Date, directly or indirectly, without the prior written consent of the Reorganized Debtor, disclose or use, any confidential or proprietary information involving or relating to the Business, the Assets or the Assumed Liabilities; provided, however, that the information subject to the foregoing provisions of this sentence will not include any information generally available to, or known by, the public (other than as a result of disclosure in violation hereof); provided, further, that the provisions of this **Section 8.08(a)** will not prohibit any retention of copies of records, and will not prohibit disclosure (i) required by any applicable Legal Requirement so long as (to the extent not prohibited by any Legal Requirement) reasonable prior notice is given of such disclosure and a reasonable opportunity is afforded to contest the same or (ii) made in connection with the enforcement of any right or remedy relating to this Agreement or the Transaction. The Debtor (and the Plan Trustee as successor) will use commercially reasonable efforts to cause their respective Affiliates and Representatives who are in

possession of such information to maintain its confidentiality and will be responsible for any unauthorized disclosure or use of such information by such Affiliates and their Representatives to the extent disclosed to them after the date hereof.

(b) The Debtor (and the Plan Trustee as successor) hereby further agrees that, except to the extent required by the Bankruptcy Court, neither it nor any of its Representatives will prior to or after the Closing Date, directly or indirectly, disclose the involvement of any Person known to the Debtor to be an Affiliate of the Investor or Reorganized Debtor, as applicable, with the Transaction without the Investor's written consent (it being understood by the Investor that the Debtor has, prior to the date hereof and at the request of the Investor, disclosed certain confidential or proprietary information to certain of the Debtor's customers).

(c) The Investor hereby agrees that the Investor, the Reorganized Debtor, and their respective Representatives will not, and agrees that they will cause their respective Affiliates not to, at any time on or after the Closing Date, directly or indirectly, without the prior written consent of the Plan Trustee, as applicable, disclose or use, any confidential or proprietary information involving or relating to the Debtor or the Plan Trust (not related to the Business, the Assets or the Assumed Liabilities), the Excluded Assets or the Excluded Liabilities; provided, however, that the information subject to the foregoing provisions of this sentence will not include any information generally available to, or known by, the public (other than as a result of disclosure in violation hereof); provided, further, that the provisions of this **Section 8.08(c)** will not prohibit disclosure (i) required by any applicable Legal Requirement so long as (to the extent not prohibited by any Legal Requirement) reasonable prior notice is given of such disclosure and a reasonable opportunity is afforded to contest the same, or (ii) made in connection with the enforcement of any right or remedy relating to this Agreement or the Transaction, so long as the Investor or the Reorganized Debtor, as applicable, agrees that it will be responsible for any breach or violation of the provisions of this **Section 8.08(c)** by any of its Affiliates, or by any of the Representatives of the Investor or the Plan Trust, as applicable, or their Affiliates.

Section 8.09 [Reserved]

Section 8.10 [Reserved]

Section 8.11 Transfer of Certain Funds Received Post-Closing. With respect to any and all amounts received or collected by the Reorganized Debtor from and after the Closing that are attributable to, or in respect of, any Excluded Asset, the Reorganized Debtor shall promptly provide notice of such receipt or collection to the Plan Trustee and pay promptly to the Plan Trustee any and all such amounts so received or collected by wire transfer of immediately available funds to an account specified by the Seller or by other means acceptable to the Seller.

Section 8.12 Access to Records and Employees After Closing. For a period of six (6) years after the Closing Date, each of the Reorganized Debtor and the Plan Trustee on behalf of the Plan Trust shall afford one another and their respective Representatives reasonable access to all of the books and records related to the Business and their employees related to the Business to the extent that such access may reasonably be required by the other parties in connection with Tax or litigation matters (excluding litigation between the Reorganized Debtor or any Affiliate of the Reorganized Debtor, on the one hand, and the Plan Trust on the other hand) relating to the

Business prior to the Closing Date. Such access shall be afforded upon receipt of reasonable advance notice and during normal business hours, and the requesting party shall not be responsible for any costs or expenses incurred by them pursuant to this **Section 8.12**, except for reasonable out-of pocket expenses incurred by the party of whom the request was made. If any of the parties hereto shall desire to dispose of any of such books and records prior to the expiration of such six-year period, they shall, prior to such disposition, give the other parties a reasonable opportunity, at such party's expense, to segregate and remove such books and records as such party may select. Any information provided or disclosed by one party to one or more other parties under this **Section 8.12** shall be subject to **Section 8.08** to the extent applicable.

Section 8.13 Insurance. In the event of any casualty, damage, or loss of value to any Asset, or any other event where a claim for insurance coverage with respect to an Asset becomes available, in each case after the date hereof but prior to the Closing, the Debtor shall promptly and diligently pursue recovery under the Debtor's insurance policies and, concurrent with or following the Closing, the Plan Trustee shall pay to the Reorganized Debtor any insurance recovery received, whether received prior to or after the Closing.

Section 8.14 Tax Structure, etc. Disclosure. Notwithstanding anything to the contrary in this Agreement, the Investor, the Reorganized Debtor, the Debtor, and the Plan Trust (and each employee, representative, or other agent of any of the foregoing) may disclose to any Person the Tax treatment and Tax structure of the Transaction contemplated herein and all Tax strategies relating to the Transaction, as well as all materials of any kind (including opinions or other Tax analyses) that are provided to the Investor, the Reorganized Debtor, the Debtor, or the Plan Trust relating to such Tax treatment, Tax structure, or Tax strategies; provided, however, that this **Section 8.14** does not authorize the disclosure of the identity of the Investor, the Debtor, the Reorganized Debtor, or any Affiliate of any of the foregoing.

Section 8.15 [Reserved]

Section 8.16 Further Assurances. Each party hereto agrees to cooperate fully with the other party and to execute such further instruments, documents and agreements as may be reasonably requested by such other party, to better evidence and consummate the Transaction described herein and contemplated hereby, and to carry into effect the intents and purposes of this Agreement. This covenant of further assurances shall survive the Closing.

Section 8.17 Required Efforts. The Debtor and the Investor shall, and shall cause their respective Representatives to, use commercially reasonable efforts to take all of the actions necessary to consummate the Transaction including delivering all the various certificates, documents, and instruments required hereunder, as the case may be. Without limiting the foregoing, the Debtor shall not voluntarily dismiss the Bankruptcy Case once filed and shall:

(a) commence the Bankruptcy Case within two (2) Business Days after the date hereof;

(b) file the Disclosure Statement and Voting Procedures Motion and Assumption Motion within one (1) calendar day of the Petition Date and in no event later than the hearing on the first-day motions;

(c) seek, and use commercially reasonable efforts to obtain, entry of the Assumption Order within twenty-one (21) days of the Petition Date;

(d) seek, and use commercially reasonable efforts to obtain, entry of the Disclosure

Statement Approval Order within thirty (30) days of the Petition Date;

(e) seek, and use commercially reasonable efforts to obtain, entry of the Confirmation Order and the inclusion therein of each of the elements of the Confirmation Order Injunctive Relief on or before thirty (30) calendar days following the entry of the Disclosure Statement Approval Order; and

(f) oppose, and use commercially reasonable efforts to prevent the dismissal of the Bankruptcy Case, the lifting of exclusivity, the appointment of a Chapter 11 trustee or examiner with expanded powers, or the conversion of the Bankruptcy Case to a case under Chapter 7 of the Bankruptcy Code.

Section 8.18 Packaging. From the entry of the Disclosure Statement Approval Order by the Bankruptcy Court to Termination or Closing, the Debtor will work with the Investor to begin to implement reasonable modifications to packaging that will eliminate the phrase "available in Salons only" from future packaging. Notwithstanding the foregoing, in its sole discretion, the Debtor will continue to use its current packaging and product inventories.

Article 9.
CONDITIONS PRECEDENT

Section 9.01 Conditions Precedent to Obligations of the Investor. Closing of the Transaction contemplated hereby and the Investor's obligation to purchase the Common Stock are expressly conditioned on:

(a) The representations and warranties of the Debtor contained in this Agreement will be true and correct at and as of the Closing with the same force and effect as if made as of the Closing, except to the extent that any failure of such representations and warranties to be true and correct does not constitute, individually or in the aggregate, a Material Adverse Effect, in each case other than representations and warranties that expressly speak only as of a specific date or time, which will be true and correct to the extent described above as of such specified date or time.

(b) The Debtor shall have performed and complied with all agreements, obligations, and covenants contained in this Agreement that are required to be performed or complied with by the Debtor at or prior to the Closing, except to the extent that any failure to so perform or comply does not constitute, individually or in the aggregate, a Material Adverse Effect.

(c) The Debtor shall have performed and complied in all material respects with its obligations contained in **Section 8.08(b)** of this Agreement.

(d) The Debtor shall have performed and complied in all material respects with all agreements, obligations, and covenants contained in (i) **Section 4.01** (Time and Place of Closing), (ii) **Section 4.03** (Deliveries by the Debtor to the Investor) (other than delivery of a certified copy of the Confirmation Order entered by the Bankruptcy Court, as contemplated by **Section 4.03(d)**), (iii) **Section 8.07** (Exclusivity), (iv) **Section 8.04** (Bankruptcy Matters and Process), or **Section 8.17** (Required Efforts), provided that this clause (iv) shall be deemed to have been satisfied unless the Debtor's failure to perform precludes, or the Debtor's performance is otherwise required to satisfy the Investor's condition to closing set forth in **Section 9.01(j)**.

(e) Since the date hereof, there shall have occurred no events that singularly or in the aggregate constitute a Material Adverse Effect.

(f) The Debtor shall have delivered to the Investor a certificate as to the matters set forth in **Sections 9.01(a)**, **9.01(b)**, **9.01(c)**, **9.01(d)**, and **9.01(e)** having been satisfied in the form attached hereto as **Exhibit 9.01(f).**

(g) There shall be no provision of any material applicable Legal Requirement or Government Order prohibiting the consummation of the Transaction.

(h) No Action brought by a Governmental Authority shall be pending or threatened in writing that could result in a Governmental Order (nor shall there be any Governmental Order in effect) (i) that would prevent consummation of the Transaction, or (ii) that could result in the Transaction being rescinded following consummation, or (iii) could compel the Investor to dispose of all or any material portion of either the Business or the Assets or the business or assets of the Investor.

(i) The Debtor shall have delivered a list of its customers (consisting of names and addresses available to the Debtor), including under the Distribution Contracts, which may be in electronic format at the discretion of the Debtor.

(j) The Bankruptcy Court shall have entered the Confirmation Order, which Confirmation Order shall not have been vacated or reversed, be subject to any injunction or stay of effectiveness (including any stay pending appeal), have been amended, supplemented, or otherwise modified (except with the express written consent of the Investor), and the Confirmation Order shall be a Final Order.

Section 9.02 Conditions Precedent to Obligations of the Debtor. Closing of the Transaction contemplated hereby and the Debtor's obligation to issue the Common Stock are expressly conditioned on:

(a) The representations and warranties of the Investor contained in this Agreement (i) that are not qualified by materiality will be true and correct in all material respects at and as of the Closing with the same force and effect as if made as of the Closing and (ii) that are qualified by materiality will be true and correct in all respects at and as of the Closing with the same force and effect as if made as of the Closing, in each case other than representations and warranties that expressly speak only as of a specific date or time, which will be true and correct to the extent described above as of such specified date or time.

(b) The Investor shall have performed and complied with, in all material respects, all agreements, obligations and covenants contained in this Agreement that are required to be performed or complied with by the Investor at or prior to the Closing.

(c) The Investor shall have delivered to the Debtor a certificate as to the matters set forth in **Sections 9.02(a)** and **9.02(b)** in the form attached hereto as **Exhibit 9.02(c)**.

(d) There shall be no provision of any material applicable Legal Requirement or Government Order prohibiting the consummation of the Transaction.

(e) No Action brought by a Governmental Authority shall be pending or threatened in writing that could result in a Governmental Order (nor shall there be any Governmental Order in effect) (i) that would prevent consummation of the Transaction or (ii) that would result in any the Transaction being rescinded following consummation.

(f) The Bankruptcy Court shall have entered the Confirmation Order, which Confirmation Order shall not have been vacated or reversed, be subject to any injunction or stay of effectiveness (including any stay pending appeal), have been amended, supplemented, or otherwise modified (except with the express written consent of the Debtor).

(g) The amount of cash consideration paid by the Investor to the Debtor pursuant to Section 3.02 at closing, less any escrow holdback, shall equal or exceed the sum of (i) the difference between the amount of the Senior Agent's Claim as of the Closing Date and $35MM, and (ii) the amount of any other items required to be paid in cash at closing by the Bankruptcy Court.

Section 9.03 Waiver of Conditions. Any of the Investor's or the Debtor's conditions precedent may be waived in whole or in part by the Investor or the Debtor, respectively, in writing at any time on or before the Closing Date. No waiver by either party of any particular condition precedent, in any one or more instances, shall be deemed to be, or construed as, a waiver of any other condition precedent.

Section 9.04 Extension of the Closing Date. The Closing Date may be extended by either the Investor or the Debtor (subject to the written consent of the other party, which may be granted or withheld in the sole and absolute discretion of the other party), if an extension of time is reasonably necessary to satisfy the conditions precedent to either party's obligation to close the Transaction.

Article 10.
[RESERVED]

Article 11.
PAYMENTS OF COSTS AND EXPENSES

Section 11.01 Costs and Expenses. Except as expressly provided to the contrary in this Agreement or in an instrument referenced in this Agreement, each party shall pay all of its own costs, expenses and fees, including attorneys' fees and expenses, incurred with respect to the negotiation, execution and delivery of this Agreement and the exhibits hereto.

Section 11.02 Government Approvals. The Investor shall be responsible for any costs associated with filings required to comply with any governmental approvals, including filings that may be required under the Hart-Scott-Rodino Act.

Article 12.
TERMINATION

Section 12.01 Grounds for Termination. This Agreement may (or in the case of paragraph (l) shall) be terminated at any time prior to the Closing (such date upon which this Agreement is terminated, the "***Termination Date***"):

(a) by mutual written consent of the Investor and the Debtor;

(b) by the Investor, if the Debtor did not, (i) within two (2) Business Days following the date hereof, commence the Bankruptcy Case by filing a voluntary petition for relief under the Bankruptcy Code, and (ii) within one (1) calendar day of the Petition Date and in no event later than the hearing on the first day motions, file the Disclosure Statement and Voting Procedures Motion with the Bankruptcy Court;

(c) by the Investor, (i) on or after the twenty-third (23rd) day after the Petition Date, unless the Assumption Order shall have been entered by the Bankruptcy Court, (ii) on or after the thirty-eighth (38th) day after the Petition Date, unless the Disclosure Statement Approval Order plus additional provisions approving the notice to salons contemplated by the last sentence of **Section 8.04(d)** shall have been entered by the Bankruptcy Court, or (iii) after the entry of the Disclosure Statement Approval Order, in the event that the Disclosure Statement Approval Order shall be reversed, vacated, amended, modified or stayed at any time after entry;

(d) by the Investor, (i) on or after the thirty-eighth (38th) day after the entry of the Disclosure Statement Approval Order unless the Confirmation Order shall have been entered without any stay being in effect, or (ii) in the event that the Confirmation Order shall be reversed, vacated, amended, modified or stayed at any time after entry;

(e) by (i) the Investor by providing written notice to the Debtor at any time following the Outside Date (as defined below) if the Closing has not occurred and (ii) the Debtor by providing written notice to the Investor at any time after the Outside Date if the Closing has not occurred, where the term "***Outside Date***" means the one hundredth (100th) day after the Petition Date unless on such 100th day all conditions to the Closing have been satisfied or waived (or, in the case of conditions which may only be satisfied at the Closing, are then capable of satisfaction) except that the Confirmation Order has not become a Final Order, in which case the Outside Date shall be automatically extended until the second (2nd) Business Day following the date on which the Confirmation Order becomes a Final Order, but not to exceed the one hundred and twenty-fifth (125th) day after the Petition Date.

(f) by either the Investor or the Debtor, if a final nonappealable Governmental Order permanently enjoining, restraining, or otherwise prohibiting the Closing has been issued by a Governmental Authority of competent jurisdiction;

(g) by the Investor if there has been a breach of, or inaccuracy in, any obligation, representation, warranty, or covenant of the Debtor contained in this Agreement as of the date hereof or as of any subsequent date (other than representations and warranties that speak only as of a specific date or time, with respect to which the Investor's right to terminate will arise only in the event of a breach of, or inaccuracy in, such representation and warranty as of such specified date or time, which breach or violation would give rise, or could reasonably be expected to give rise, to a failure of a condition set forth in **Article 9** (it being agreed that the failure by the Debtor to deliver any of the items set forth in **Section 4.03**, at the time established for the Closing to occur in **Section 4.01**,

gives rise to a failure of the condition set forth in **Section 9.01(b)**) and which cannot be or has not been cured on or before thirty (30) days after the Investor notifies the Debtor of such breach or violation; provided, however, that the Investor may not terminate this Agreement pursuant to this **Section 12.01(g)** if the breach or violation of the Debtor allegedly giving rise to such termination has been caused by a breach of, or inaccuracy in, any obligation, representation, warranty, or covenant of the Investor contained in this Agreement;

(h) by the Debtor if there has been a breach of, or inaccuracy in, any obligation, representation, warranty, or covenant of the Investor contained in this Agreement as of the date hereof or as of any subsequent date (other than representations and warranties that speak only as of a specific date or time, with respect to which the Debtor's right to terminate will arise only in the event of a breach of, or inaccuracy in, such representation and warranty as of such specified date or time, which breach or violation would give rise, or could reasonably be expected to give rise, to a failure of a condition set forth in **Article 9** (it being agreed that the failure by the Investor to deliver any of the items set forth in **Section 4.02** (including failure to make the payment contemplated by **Section 4.02(a)**), at the time established for the Closing to occur in **Section 4.01**, gives rise to a failure of the condition set forth in **Section 9.02(b)**) and which cannot be or has not been cured on or before thirty (30) days after the Debtor notifies the Investor of such breach or violation; provided, however, that the Debtor may not terminate this Agreement pursuant to this **Section 12.01(h)** if the breach or violation of the Investor allegedly giving rise to such termination has been caused by a breach of, or inaccuracy in, any obligation, representation, warranty, or covenant of the Debtor contained in this Agreement;

(i) by the Investor if the Bankruptcy Court denies any request of the Debtor to use the cash collateral of the Debtor's lenders and the inability of the Debtor to use such cash collateral has a Material Adverse Effect on the Debtor's Business;

(j) by the Investor if the Debtor withdraws the Disclosure Statement and Voting Procedures Motion or files any motion with the Bankruptcy Court that seeks (a) termination of this Agreement, (b) withdrawal of the Disclosure Statement and Voting Procedures Motion or (c) approval of, or authorization to enter into, an alternative to the Transaction;

(k) by the Investor upon entry of any order of the Bankruptcy Court (i) converting the Bankruptcy Case to a chapter 7 case under the Bankruptcy Code, (ii) appointing a trustee or examiner with expanded powers in the Bankruptcy Case, or (iii) dismissing the Bankruptcy Case;

(l) automatically upon entry of any order of the Bankruptcy Court denying the approval of (i) the Assumption Order, (ii) the Disclosure Statement Approval Order or (iii) the Transaction contemplated hereby; and

(m) by the Investor in the event that the Investor validly terminates the Plan Support Agreement in accordance with the terms thereof, based, in whole or in part, on any breach thereof by the Senior Agent or any Lender party thereto.

Section 12.02 Effect of Termination.

(a) Notwithstanding anything in this Agreement to the contrary, if this Agreement is validly terminated by the Investor pursuant to **Sections 12.01(j)** or [**12.01(m)**,] or, following the entry of the Assumption Order, any order is entered by the Bankruptcy Court resulting in the termination of this Agreement pursuant to the terms set forth in **Section 12.01(l)(ii)**, then in any such event, and provided that the Investor is not then in material breach of any of its obligations hereunder, the Debtor shall (i) pay to or at the direction of the Investor, within two (2) Business Days of notice of termination, an amount equal to the Termination Fee, such payment to be made by wire transfer of immediately available funds (to an account designated by the Investor) and (ii) at the Investor's option, consent to any motion of the Investor or the Senior Agent to terminate exclusivity, including motions to shorten time for any hearing to approve such termination.

(b) Notwithstanding anything in this Agreement to the contrary, if this Agreement is validly terminated (i) by the Debtor pursuant to **Section 12.01(h)** or (ii) by either the Investor or the Debtor pursuant to **Section 12.01(e)** in a circumstance where the Debtor is entitled to terminate this agreement pursuant to **Section 12.01(h)** (ignoring for this purpose any cure periods available in **Section 12.01(h)**) then in any such event the Investor or an Affiliate shall pay to the Debtor the Reverse Termination Fee, such payment to be made as set forth in the Deposit Escrow Agreement or by wire transfer of immediately available funds (to an account designated by the Debtor) within two (2) Business Days of notice of termination. For the avoidance of doubt, in the event that the Investor fails to (I) make the payment contemplated by **Section 4.02(a)** at a time when the Debtor has satisfied each of the conditions set forth in **Section 9.01** and (II) cure such failure within the period of time referenced in **Section 12.01(h)**, the Investor shall pay the Debtor the Reverse Termination Fee as set forth herein above.

(c) Each of the Debtor and the Investor acknowledges and agrees that the agreements contained in this **Section 12.02** are an integral part of the Transaction and that neither the Termination Fee nor the Reverse Termination Fee is a penalty, but rather each constitutes a reasonable amount of liquidated damages sufficient to compensate the Investor or the Debtor, as applicable, in the termination circumstances described above, for, among other things, (i) its efforts and resources expended, (ii) opportunities foregone while negotiating this Agreement, and (iii) the expectation of the consummation of the Transaction, which amount of damages would otherwise be impossible to calculate with precision. Notwithstanding anything to the contrary set forth in this Agreement, each of the Debtor and the Investor hereby acknowledges and agrees that the Termination Fee or Reverse Termination Fee, as applicable, is the sole and exclusive remedy in connection with (x) any loss suffered as a result of the failure of the Transaction to be consummated or (y) any other losses, damages, obligations, or liabilities arising out of, or directly or indirectly relating to, this Agreement or the Transaction contemplated hereby, regardless of whether the aggrieved party was the recipient of the Termination Fee or Reverse Termination Fee, except for (I) the Investor's legal and equitable remedies arising from the Debtor's breach if this Agreement is validly terminated pursuant to **Section 12.01(g)**, or **Section 12.01(e)** in a circumstance where the Investor is entitled to terminate this Agreement pursuant to **Section 12.01(g)**; provided, that, in each of the foregoing

instances, the Investor is not at such time entitled to receive the Termination Fee, (II) specific performance pursuant to **Section 15.11**, and (III) indemnification pursuant to **Article XIII**. Other than as set forth in the preceding sentence, each party hereby irrevocably waives any and all remedies in connection with this Agreement, whether at law or in equity (and whether against the party or any Affiliate or Representative of the party). In the event that a party seeks any other remedy in violation of this **Section 12.02(c)**, then such party shall immediately forfeit the right to receive the Termination Fee or the Reverse Termination Fee, as applicable, or, with respect to the claim at issue, any right to indemnification pursuant to **Article XIII**.

Any valid termination of this Agreement pursuant to **Section 12.01** shall be effective immediately upon the delivery of notice of the terminating party to the other party hereto. Each of the Debtor and the Investor acknowledges and agrees that, upon a valid termination of this Agreement in accordance with **Section 12.01**, this Agreement shall be null and void and of no further force or effect, and neither the Investor nor the Debtor, nor any of their respective partners, members, stockholders, directors, officers, employees, agents, Affiliates, or Representatives, shall have any further liability or obligation arising out of, or otherwise in connection with, this Agreement or the Transaction contemplated hereby; provided, however, that each of the Debtor and the Investor hereby acknowledges and agrees that the terms of each of **Sections 11.01**, **12.02**, and the applicable sections of **Article 15** shall survive the termination of this Agreement.

Section 12.03 Expense Coverage.

(a) Upon the occurrence of any of (i) the failure of the Bankruptcy Court to enter the Assumption Order on or prior to twenty-three (23) days after the Petition Date; (ii) the failure of the Bankruptcy Court to enter an Assumption Order in a form acceptable to the Investor (it being understood that an assumption order shall be deemed acceptable to the Investor if, following the entry of an assumption order, the Investor does not terminate this Agreement); or (iii) denial of the Assumption Order by the Bankruptcy Court, the Company shall promptly reimburse the Investor (or, at the direction of the Investor, another Person) for the fees and expenses of the Investor incurred on or after the date hereof in connection with, or in any manner related to, a potential transaction with the Company, including, without limitation, the fees and expenses of attorneys, accountants, appraisers, consultants and other third parties that the Investor has retained or will retain and all fees and expenses incurred with respect to any and all claims or litigation related to or arising from the potential transaction contemplated by this Agreement (the "Termination Reimbursement").

(b) For one (1) year from the date hereof, the Company shall promptly reimburse the Investor (or, at the direction of the Investor, another Person) for the fees and expenses the Investor has incurred on or after November 24, 2010 in connection with any claims brought by NML or any of its Affiliates against the Investor or any Affiliate thereof relating to the Transaction or the Bankruptcy Case, including, without limitation, the fees and expenses of attorneys, accountants, appraisers, consultants and other third parties that the Investor has retained or will retain, and for fees and expenses related to any claims by or against the Investor, any of its Affiliates or financing sources, the Agent or any of the

Senior Secured Lenders, or the directors or officers of the Debtors, in which the Investor is subject to a claim or third party discovery (the "Continuing Expense Coverage"). The Company hereby acknowledges and agrees that the Continuing Expense Coverage is cumulative with (and under no circumstances in lieu of) the Termination Fee or the Termination Reimbursement set forth above. For avoidance of doubt, after the entry of the Assumption Order, the Investor shall not be entitled to the Continuing Expense Coverage in connection with contested matters litigated in the Bankruptcy Case, including approval of the Disclosure Statement and confirmation of the Plan.

(c) Notwithstanding anything herein to the contrary, in no event shall the aggregate obligations of the Company to reimburse the Investor in respect of the Termination Reimbursement and the Continuing Expense Coverage exceed $250,000.

(d) The Company may request, from time to time, summary invoices from the Investor evidencing amounts payable under the Termination Reimbursement and the Continuing Expense Coverage. The Company shall have the right to contend that any reimbursement asserted by the Investor (or paid to the Investor, pursuant to the Letter of Credit (as defined below)) is not within the terms of this Agreement and may seek reasonable additional time detail from the Investor, subject to Investor's rights to assert applicable privileges and seek appropriate protective orders. If the Investor and the Company are unable to consensually resolve any dispute with respect thereto, either the Investor or the Company may submit the dispute to the Bankruptcy Court. Upon consensual resolution or order of the Bankruptcy Court, the Investor shall pay any amounts received in excess of the amounts to which it was entitled under this Agreement to the Company.

Section 12.04 Letter of Credit

(a) To ensure payment of either the Termination Reimbursement or the Continuing Expense Coverage, as applicable, the Senior Agent will issue a $250,000 standby irrevocable letter of credit payable to the Investor (the "Letter of Credit").

(b) The Letter of Credit will permit, without limitation, presentation for payment by courier and shall not expire before December 15, 2011. The Company shall maintain such Letter of Credit until such time as all of its obligations in respect of the Termination Reimbursement and the Continuing Expense Coverage, as applicable, have been fully paid or discharged.

(c) Notwithstanding anything to the contrary, the Investor and the Company hereby agree that any dispute or controversy arising out of or relating to the Letter of Credit, as contemplated herein, shall be under the exclusive jurisdiction of the Bankruptcy Court and the United States District Court for the Central District of California.

Article 13.
INDEMNIFICATION

Section 13.01 Indemnification of the Investor. Subject to the limitations set forth in this **Article 13**, the Investor and each of its Affiliates, and the Representatives and Affiliates of each of the foregoing Persons (each, an "***Investor Indemnified Person***"), shall be indemnified,

defended, and held harmless solely from the Escrow Fund, except as otherwise set forth in **Section 13.09**, against, and in respect of, any and all Actions, Liabilities, Governmental Orders, Encumbrances, losses, damages, bonds, dues, assessments, fines, penalties, Taxes, fees, costs (including costs of investigation, defense and enforcement of this Agreement), expenses or amounts paid in settlement (in each case, including reasonable attorneys' and experts fees and expenses and defense costs incurred with respect to Actions in which facts or circumstances are alleged that if proven would result in an indemnifiable loss) (a "***Loss***" and, collectively, "***Losses***"), incurred or suffered by the Investor Indemnified Persons, or any one or more of them, as a result of, arising out of, or directly or indirectly relating to:

(a) Any fraud of the Debtor, or any breach of, or inaccuracy in, any representation or warranty made by the Debtor in this Agreement or in any certificate delivered pursuant to this Agreement;

(b) Any breach or violation of any covenant or agreement of the Debtor or the Plan Trustee, as applicable (including under this **Article 13**) made in this Agreement;

(c) Any Excluded Liability; or

(d) In the event the Confirmation Order that becomes a Final Order does not include each element of the Confirmation Order Injunctive Relief, the Lanham Act Class Action and the conduct of the Investor of the nature described in the Lanham Act Class Action to the extent occurring during the twelve (12) months following the Closing Date, as well as reasonable expenses incurred by the Investor to place stickers on Product packaging or other materials in an attempt to mitigate such Losses (should the Investor elect in its sole discretion to do so).

Section 13.02 Monetary Limitations. No Investor Indemnified Person shall have a right of indemnification pursuant to **Section 13.01(a)** in respect of Losses arising from the breach of, or inaccuracy in, any representation or warranty unless the aggregate amount of all such Losses incurred or suffered by such Investor Indemnified Person exceeds $500,000 (the "***Indemnity Basket***") (at which point such Investor Indemnified Persons shall be indemnified for all such Losses in excess of the Indemnity Basket); provided, however, that (i) only Losses in excess of $50,000 per Loss may be counted toward the Indemnity Basket or, if the Indemnity Basket has been exceeded at such time, subject to indemnification pursuant to **Section 13.01** (in which case the entire amount of such Loss may be counted toward the Indemnity Basket, or (if the Indemnity Basket has been exceeded at such time) so subject to indemnification pursuant to **Section 13.01**, including the initial $50,000), and (ii) the Indemnity Basket shall not apply to claims for indemnification pursuant to **Section 13.01(a)** in respect of breaches of, or inaccuracies in, representations and warranties set forth in **Sections 7.01(a)**, **7.01(b)**, **7.01(d)(ii)(B)**, **7.01(i), 7.01(n)**, or **7.01(x)**. The aggregate amount in respect of claims for indemnification arising under **Sections 13.01(a)**, **(b)**, and **(c)** shall not exceed $4,000,000, plus any interest earned on the corresponding portion of the Escrow Funds (the "***Indemnity Cap***"), and the aggregate amount in respect of claims for indemnification arising under all of **Section 13.01** shall not exceed the funds in the Escrow Account (it being understood and agreed by the parties hereto that the source of funds for indemnification of an Investor Indemnified Person pursuant to **Section 13.01(d)** shall initially (but not exclusively) be those additional

funds, if any, deposited by the Investor at Closing in the event that the Confirmation Order doesn't contain each element of the Confirmation Order Injunctive Relief). Notwithstanding the foregoing, neither the Indemnity Basket nor the Indemnity Cap shall apply to claims based upon fraud.

Section 13.03 Indemnification of the Debtor and the Plan Trust Indemnified Persons. Subject to the limitations set forth in this **Article 13**, the Investor will indemnify and hold harmless the Debtor and the Plan Trust, and each of their Affiliates and representatives, including the Plan Trustee (each, a "***Debtor and Plan Trust Indemnified Person***"), from, against, and in respect of, any and all Losses incurred or suffered by the Debtor and Plan Trust Indemnified Persons, or any one or more of them, as a result of, arising out of, or directly or indirectly relating to:

(a) Any fraud of the Investor, or any breach of, or inaccuracy in, any representation or warranty made by the Investor in this Agreement or in any certificate delivered pursuant to this Agreement;

(b) Any breach or violation of any covenant or agreement of the Investor (including under this **Article 13**) made in or pursuant to this Agreement; or

(c) Any Assumed Liability.

Section 13.04 Monetary Limitations. The Investor shall have no obligation to indemnify the Debtor and Plan Trust Indemnified Persons pursuant to **Section 13.03(a)** in respect of Losses arising from the breach of, or inaccuracy in, any representation or warranty unless and until the aggregate amount of all such Losses incurred or suffered by the Debtor and Plan Trust Indemnified Persons exceeds the Indemnity Basket (at which point the Investor shall indemnify the Debtor and Plan Trust Indemnified Persons for all such Losses in excess of the Indemnity Basket), and the Investor's aggregate liability in respect of claims for indemnification pursuant to **Section 13.03** in respect of Losses arising from the breach of, or inaccuracy in, any representation or warranty shall not exceed the Indemnity Cap; provided, however, that (i) only Losses in excess of $50,000 per Loss shall be counted toward the Indemnity Basket or, if the Indemnity Basket has been exceeded at such time, subject to an indemnification pursuant to **Section 13.03** (in which case the entire amount of such Loss may be counted toward the Indemnity Basket, or (if the Indemnity Basket has been exceeded at such time) so subject to indemnification pursuant to **Section 13.03** including the initial $50,000), (ii) the Indemnity Basket shall not apply to claims for indemnification pursuant to **Section 13.03(a)** in respect of breaches of, or inaccuracies in, representations and warranties set forth in **Sections 7.02(a), 7.02(b)**, **7.02(d)(ii)(B)**, or **7.02(f)**, and (iii) neither the Indemnity Basket nor the Indemnity Cap shall apply to claims based upon fraud.

Section 13.05 Other Limitations. Notwithstanding anything to the contrary contained herein:

(a) No indemnification will be available under this **Article 13** for (i) any Loss that represents the cost of repairs, replacements, or improvements insofar as they enhance the value of the repaired, replaced, or improved assets above its value on the Closing Date or (ii) punitive damages (other than to the extent indemnifiable in connection with a Third Party Claim);

(b) The Investor Indemnified Persons will have no right to indemnification hereunder with respect to any Loss to the extent such Loss is specifically reserved for in the calculation of the Final Working Capital;

(c) Each Indemnified Party will be obligated in connection with any claim for indemnification under **Article 13** to use commercially reasonable efforts to mitigate Losses upon and after becoming aware of any event that could reasonably be expected to give rise to such Losses;

(d) The parties agree to treat any indemnity payment made from the Plan Trust pursuant to this Agreement as an adjustment to the Purchase Price for federal, state, local or foreign income Tax purposes; and

(e) No Investor Indemnified Person may avoid the limitations on liability set forth in this **Article 13** by seeking damages for breach of contract, tort, or pursuant to any other theory of liability.

Section 13.06 Determination of Loss Amount. The amount of any Loss subject to indemnification under this **Article 13** shall be calculated net of (a) any Tax Benefit actually received within two (2) years of payment of such Loss by the Indemnified Party or any of its Affiliates on account of such Loss and (b) any insurance proceeds (net of direct collection expenses and reasonably anticipated increases in premiums resulting from the indemnifiable loss) or any indemnity, contribution or other similar payment received by the Indemnified Party from any third party with respect thereto. If the Indemnified Party actually receives such a Tax Benefit on account of any Loss after an indemnification payment is made to it with respect to such Loss, the Indemnified Party shall promptly pay to the Indemnifying Party the amount of such Tax Benefit. For purposes hereof, "***Tax Benefit***" shall mean any refund of Taxes paid or reduction in the amount of cash Taxes which otherwise would have been paid. The Indemnified Party shall seek full recovery under all insurance policies covering any Loss to the same extent as they would if such Loss were not subject to indemnification hereunder. In the event that an insurance or other recovery is made by any Indemnified Party with respect to any Loss for which any such Person has been indemnified hereunder, then a refund equal to the aggregate amount of the recovery shall be made promptly to the Indemnifying Party (net of direct collection expenses and reasonably anticipated increases in premiums resulting from the indemnifiable loss).

Section 13.07 Time for Claims. All representations and warranties set forth herein shall survive the Closing; provided, however, that no claim may be made or suit instituted seeking indemnification pursuant to **Section 13.01(a)** or **13.03(a)** for any breach of, or inaccuracy in, any representation or warranty unless a written notice describing such breach or inaccuracy in reasonable detail in light of the circumstances then known to the Indemnified Party, is provided to the Indemnifying Party prior to the conclusion of the day that is the later of (i) the thirtieth (30th) day following the receipt by the Reorganized Debtor of the 2010 audited financial statements, as certified by the Reorganized Debtor to the Escrow Agent in writing (which in any event will not be later than sixteen (16) months after the Closing Date), and (ii) twelve (12) months after the Closing Date (such later date, the "***Survival Period Termination Date***").

Section 13.08 Third Party Claims.

(a) If any third party notifies an Indemnified Party with respect to any matter (a "***Third Party Claim***") that may give rise to an Indemnity Claim against an Indemnifying Party under

this **Section 13.08(a)**, then the Indemnified Party will promptly give written notice to the Indemnifying Party; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party from any obligation under this **Section 13.08**, except to the extent such delay actually and materially prejudices the Indemnifying Party.

(b) The Indemnifying Party will be entitled to participate in the defense of any Third Party Claim that is the subject of a notice given by the Indemnified Party pursuant to **Section 13.08(a)**. In addition, the Indemnifying Party shall have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (i) the Indemnifying Party certifies to the Indemnified Party that (A) the Indemnifying Party believes that if the claims alleged in the Third Party Claim were true, it may be responsible for indemnification of the Indemnified Party in accordance with the terms hereof, and that, (B) if, subsequent to assuming control of the defense in accordance with the terms of this **Section 13.08(b)**, the facts and circumstances lead the Indemnifying Party to believe that it has, or will have, no such indemnification obligation, the Indemnifying Party will promptly notify the Indemnified Party and cede control of the defense of such Third Party Claim to the Indemnified Party, (ii) the amount of the Losses potentially indemnifiable hereunder (disregarding any monetary limits and assuming the Escrow Amount was unlimited) does not exceed twice the amount then remaining in the Escrow Account, (iii) the Indemnifying Party so notifies the Indemnified Party in writing of its intention to do so, (iv) the Third Party Claim involves only money damages and does not seek an injunction or other equitable relief against the Indemnified Party, (v) the Indemnified Party has not been advised by counsel that an actual or potential conflict exists between the Indemnified Party and the Indemnifying Party in connection with the defense of the Third Party Claim, (vi) the Third Party Claim does not relate to or otherwise arise in connection with any criminal or regulatory enforcement Action, and (vii) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently. The Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim; provided, however, that the Indemnifying Party will pay the reasonable fees and expenses of separate co-counsel retained by the Indemnified Party that are incurred prior to Indemnifying Party's assumption of control of the defense of the Third Party Claim.

(c) The Indemnifying Party will not consent to the entry of any judgment or enter into any compromise or settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party unless such judgment, compromise or settlement (i) provides for the payment by the Indemnifying Party of money as sole relief for the claimant, (ii) results in the full and general release of the Investor Indemnified Persons or the Debtor and Plan Trust Indemnified Persons, as applicable, from all Liabilities arising or relating to, or in connection with, the Third Party Claim, (iii) involves no finding or admission of any violation of Legal Requirements or the rights of any Person and no effect on any other claims that may be made against the Indemnified Party, and (iv) is not, in the good faith judgment of the Indemnified Party, likely to be materially adverse to the Indemnified Party's reputation or continuing business interests.

(d) If the Indemnifying Party does not deliver the notice contemplated by **Section 13.08(a)**, cedes the defense of the Third Party Claim to the Indemnified Party, or otherwise at any time fails to conduct the defense of the Third Party Claim actively and diligently, the Indemnified Party may defend, and may consent to the entry of any judgment or enter into any compromise or settlement with respect to, the Third Party Claim, subject to the consent of the Indemnifying Party, which consent may not be unreasonably withheld, conditioned, or delayed; provided, however, that no such consent will be required in the event that the proposed compromise or settlement amount exceeds twice the amount then remaining in the Escrow Account. In the event that the Indemnified Party conducts the defense of the Third Party Claim pursuant to this **Section 13.08(d)**, the Indemnifying Party will (i) reimburse the Indemnified Party promptly and periodically for the costs of defending against the Third Party Claim (including reasonable attorneys' fees and expenses) and (ii) remain responsible for any and all other Losses that the Indemnified Party may incur or suffer resulting from, arising out of, relating to, in the nature of or caused by the Third Party Claim to the extent provided in this **Article 13**.

(e) The Investor, the Debtor and the Plan Trustee, each in its capacity as an Indemnifying Party, hereby consents to the non-exclusive jurisdiction of any court in which any Third Party Claim may be brought against any Indemnified Party for purposes of any claim that such Indemnified Party may have against such Indemnifying Party pursuant to this Agreement in connection with such Third Party Claim.

Section 13.09 Escrow Account as Sole Post-Closing Monetary Remedy. Except for claims based upon fraud, from and after the Closing, indemnification from the Escrow Fund pursuant to this **Article 13** is the sole and exclusive remedy of an Investor Indemnified Person, and indemnification from the Investor pursuant to this **Article 13** is the sole and exclusive remedy of a Debtor and Plan Trust Indemnified Person, in each instance, for any Action relating (directly or indirectly) to this Agreement and the Transaction contemplated hereby. With respect to claims based on fraud, no party shall be liable for the fraud of any other party.

Section 13.10 Remedies Cumulative. The rights of each Investor Indemnified Person and Debtor and Plan Trust Indemnified Person under this **Article 13** are cumulative, and each Investor Indemnified Person and each Debtor and Plan Trust Indemnified Person, as the case may be, shall have the right, in any particular circumstance, in its sole discretion, to enforce any provision of this **Article 13** without regard to the availability of a remedy under any other provision of this **Article 13**.

Section 13.11 Acknowledgment of the Investor. The Investor acknowledges that it has conducted to its satisfaction, an independent investigation of the financial condition, results of operations, assets, liabilities, properties and projected operations of the Business and the Assets and Assumed Liabilities and, in making its determination to proceed with the transactions contemplated by this Agreement, the Investor has relied on the results of its own independent investigation and the representations and warranties of the Debtor expressly and specifically set forth in this Agreement. Such representations and warranties by the Debtor constitute the sole and exclusive representations and warranties of the Debtor to the Investor in connection with the transactions contemplated hereby, and the Investor understands, acknowledges and agrees that all other representations and warranties of any kind or nature expressed or implied (including, but not limited to, any relating to the future or historical financial condition, results of operations,

assets or liabilities of the Business, or the quality, quantity or condition of the Assets) are specifically disclaimed by the Debtor. Except for those representations and warranties specifically set forth in this Agreement, the Debtor does not make or provide, **AND THE INVESTOR HEREBY WAIVES, ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, AS TO THE QUALITY, MERCHANTABILITY, AS FOR A PARTICULAR PURPOSE, CONFORMITY TO SAMPLES, OR CONDITION OF THE ASSETS OR ANY PART THERETO**. In connection with the Investor's investigation of the Business and the Assets, the Investor may have received certain projections, including projected statements of operating revenues and income from operations of the Debtor or the Business and certain business plan information. The Investor acknowledges that there are uncertainties inherent in attempting to make such estimates, projections and other forecasts and plans, that the Investor is familiar with such uncertainties and that the Investor is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, projections and other forecasts and plans so furnished to it, including, without limitation, the reasonableness of the assumptions underlying such estimates, projections and forecasts. **NOTWITHSTANDING THE FOREGOING OR ANYTHING TO THE CONTRARY IN THIS AGREEMENT, THE INVESTOR DOES NOT WAIVE ANY CLAIM FOR FRAUD, AND NO DISCLAIMER OR OTHER PROVISION SET FORTH IN THIS AGREEMENT OR OTHERWISE SHALL BE READ AS A WAIVER OF ANY SUCH CLAIM BY THE INVESTOR OR ANY INVESTOR INDEMNIFIED PERSON OR AS AN ACKNOWLEDGEMENT BY THE INVESTOR OR ANY INVESTOR INDEMNIFIED PERSON WITH RESPECT TO THE ESTABLISHMENT OF ANY OF THE ELEMENTS OF A CLAIM FOR FRAUD.**

Article 14.
TAX MATTERS

Section 14.01 Tax Sharing Agreements. All Tax sharing Contractual Obligations or similar agreements and all powers of attorney that relate in any way to the Assets shall be terminated by the Debtor prior to the Closing Date and, after the Closing, no such Contractual Obligation or power of attorney shall have any effect on the Assets and the Investor shall not be bound thereby or have any Liability thereunder.

Section 14.02 Certain Taxes and Fees. All transfer, documentary, sales, use, stamp, registration, excise and other similar non-income Taxes, and any conveyance fees or recording charges incurred in connection with the Transaction, shall be paid by the Plan Trustee when due. The Plan Trustee will file all necessary Tax Returns and other documentation with respect to all such Taxes, fees and charges and, if required by applicable law, the Investor will (and will cause its Affiliates to) join in the execution of any such Tax Returns and other documentation. The Reorganized Debtor agrees to cooperate with the Plan Trustee in the filing of any Tax Returns with respect to all such Taxes, fees and charges, including promptly supplying any information in its possession reasonably requested by the Plan Trustee that is reasonably necessary to complete such Tax Returns.

Section 14.03 Rev. Proc. 2004-53. The Reorganized Debtor shall determine whether to implement either the standard or the alternate procedure set forth in Revenue Procedure 2004-53, and the Plan Trustee shall cooperate in such implementation.

Section 14.04 Cooperation on Tax Matters. The Reorganized Debtor and the Plan Trustee

shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with any Tax matters relating to the Business, Assets, and the Assumed Liabilities (including by the provision of reasonably relevant records or information). The party requesting such cooperation will pay the reasonable out-of-pocket expenses of the other party.

Section 14.05 Apportionment of Ad Valorem Taxes.

(a) All real property Taxes, personal property Taxes, and similar ad valorem obligations levied with respect to the Assets for a taxable period that includes (but does not end on) the Closing Date (collectively, the "***Apportioned Taxes***") shall be apportioned between the Reorganized Debtor and the Plan Trust based on the number of days of the taxable period prior to the Closing Date. The Plan Trust shall be liable for the proportionate amount of Apportioned Taxes attributable to days before or on the Closing Date and the Reorganized Debtor shall be liable for the proportionate amount attributable to days after the Closing Date.

(b) Apportioned Taxes will be timely and duly paid, and all applicable filings, reports and returns will be timely and duly filed as provided by applicable Legal Requirements. The paying party will be entitled to reimbursement from the non-paying party in accordance with **Section 14.05(a)**. Upon payment of the Apportioned Taxes, the paying party shall present a statement to the non-paying party setting forth the amount of the reimbursement to which the paying party is entitled under **Section 14.05(a)** together with such supporting evidence as is reasonably necessary to calculate the amount to be reimbursed. The non-paying party will reimburse the paying party no later than ten (10) Business Days after the presentation of the statement. Any payment not made within that time will bear interest from the payment due date until, but excluding, the date of the payment at an annual rate equal to the Prime Rate as published in the Wall Street Journal, Eastern Edition, in effect from time to time during the applicable period. Such interest shall be payable at the same time as the payment to which it relates and shall be calculated daily on the basis of a year of 365 days without compounding.

Article 15.
MISCELLANEOUS PROVISIONS

Section 15.01 Entire Agreement; Modifications. This Agreement, and any documents referred to herein or executed contemporaneously herewith pursuant hereto, including, without limitation, (a) the Escrow Agreement and (b) that certain Retainer Arrangement Letter, dated as of September 8, 2010, constitute the parties' entire agreement with respect to the subject matter hereof and supersede all prior agreements, representations, warranties, statements, promises and understandings, whether oral or written, with respect to the subject matter hereof.

Section 15.02 Notices. All notices under this Agreement must be in writing and must be delivered by personal service, by means of electronic transmission provided a copy thereof is mailed contemporaneously as provided herein, or by certified mail (postage prepaid and return receipt requested) to such address as may be designated from time to time by the relevant party, and which will initially be as set forth below. Any notice delivered by personal service will be deemed delivered when it is actually delivered and received by the relevant party. Any notice sent by electronic transmission shall be effective immediately upon transmission. Any notice sent by certified mail will be deemed to have been given three (3) days after the date on which it

is mailed. No objection may be made to the manner of delivery of any notice actually received in writing by an authorized agent of a party. Notices will be addressed as follows or to such other address as the party to whom the same is directed will have specified in conformity with the foregoing:

To the Debtor and Plan Trustee:

Scott F. Gautier
Peitzman, Weg & Kempinsky, LLP
10100 Santa Monica Blvd, Suite 1450
Los Angeles, CA 90067
Fax: (310) 552-3101
e-mail: sgautier@pwkllp.com

T. Scott Avila
CRG Partners
11835 West Olympic Boulevard
East Tower, Suite 705E
Los Angeles, CA 90064

Robert Warshauer / Christy Lowe
Imperial Capital, LLC
2000 Avenue of the Stars
9th Floor South
Los Angeles, CA 90067

To the Investor or the Reorganized Debtor:

Sexy Hair, Inc.
c/o Christopher D. Comeau
Ropes & Gray LLP
One International Place
Boston, MA 02110
Fax: (617) 951-7050

With additional courtesy copies to:

Paul F. Van Houten
Ropes & Gray LLP
One International Place
Boston, MA 02110
Fax: (617) 235-0566
e-mail: paul.vanhouten@ropesgray.com

Section 15.03 Effect on Heirs and Assigns; Assignment. This Agreement shall be binding on and shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of the Investor, the Reorganized Debtor, the Debtor, and the Plan Trust, except no party to this Agreement may assign any right or interest arising hereunder except upon consent of the other parties or as otherwise provided herein below; provided, however, that (a) the Investor may

(i) assign any or all of its rights and interests hereunder to one or more of its Affiliates and (ii) designate one or more of its Affiliates to perform its obligations hereunder, in each case, so long as the Investor is not relieved of any Liability hereunder, and (b) (i) the Debtor or the Plan Trustee, on account of the Plan Trust, may collaterally assign its rights and interest hereunder to NWM and (ii) the rights and interest of the Debtor, the Plan Trust and the Plan Trustee hereunder are subject to collateral assignment in favor of the Senior Agent.

Section 15.04 Third Party Benefits. None of the provisions of this Agreement will be for the benefit of, or enforceable by, any third-party beneficiary (other than (a) a Person who is entitled to indemnification pursuant to **Article 13**, (b) the Senior Agent, or (c) as otherwise expressly set forth herein).

Section 15.05 Relationship of Parties. Nothing herein contained shall be deemed to constitute a partnership between or joint venture by the parties, nor shall any party be deemed the agent of the other. No party shall hold itself or himself out contrary to the provisions hereof.

Section 15.06 Amendments and Waivers. No amendment or waiver of any provision of this Agreement will be valid and binding unless it is in writing and signed, in the case of an amendment, by the Investor and the Debtor, or Plan Trustee, as applicable, or in the case of a waiver, by the party against whom the waiver is to be effective. No waiver by any party of any breach or violation or, default under or inaccuracy in any representation, warranty, or covenant hereunder, whether intentional or not, will be deemed to extend to any prior or subsequent breach, violation, default of, or inaccuracy in, any such representation, warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence. No delay or omission on the part of any party in exercising any right, power or remedy under this Agreement will operate as a waiver thereof.

Section 15.07 Governing Law. Except to the extent at conflict with federal law as it relates to the adjudication of the Bankruptcy Case by the Bankruptcy Court, this Agreement and the rights of the parties and all Actions arising in whole or in part under or in connection herewith, will be governed by and construed in accordance with the domestic substantive laws of the State of New York and the applicable provision of the Bankruptcy Code, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

Section 15.08 Jurisdiction. Subject to the provisions of **Article 5**, each of the parties to this Agreement, by its execution hereof, (a) hereby irrevocably (except as otherwise provided herein) submits to the exclusive jurisdiction of the United States District Court located in the Southern District of New York, or if such Action may not be brought in federal court, the state courts of the State of New York Borough of Manhattan for the purpose of any Action among any of the parties relating to or arising in whole or in part under or in connection with this Agreement or the Transaction; provided, however, that, during the pendency of the Bankruptcy Case, on and after the Petition Date, each of the parties hereto hereby irrevocably submits, to the extent of its jurisdiction, to the exclusive jurisdiction of the Bankruptcy Court and the United States District Court for the Central District of California for the purpose of any Action among any of the parties relating to or arising in whole or in part under or in connection with this Agreement or the Transaction, (b) hereby waives to the extent not prohibited by applicable Legal Requirements, and agrees not to assert, by way of motion, as a defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its

property is exempt or immune from attachment or execution, that any such Action brought in one of the above-named courts should be dismissed on grounds of forum non conveniens, should be transferred or removed to any court other than one of the above-named courts, or should be stayed by reason of the pendency of some other Action in any other court other than one of the above-named courts or that this Agreement or the subject matter hereof or thereof may not be enforced in or by such court and (c) hereby agrees not to commence any such Action other than before one of the above-named courts. Notwithstanding anything set forth herein to the contrary, (x) a party may commence any Action in a court of appropriate jurisdiction, other than the above-named courts, solely for the purpose of enforcing an order or judgment issued by one of the above-named courts, (y) each of the Debtor and the Plan Trustee, on behalf of the Plan Trust (on behalf of itself and any of its stockholders, partners, members, Affiliates, directors, officers, employees, agents and Representatives, as applicable)c hereby waives any rights or claims against any source of financing in connection with this Agreement, whether at law or equity, in contract, in tort or otherwise, and each of the Debtor and the Plan Trust, on behalf of the Plan Trust (on behalf of itself and any of its stockholders, partners, members, Affiliates, directors, officers, employees, agents and Representatives, as applicable), agrees not to commence any Action or proceeding against any source of financing in connection with this Agreement or the Transaction contemplated hereby and agrees to cause any such Action or proceeding asserted by either the Debtor or the Plan Trust, on behalf of the Plan Trust (or any of their respective stockholders, partners, members, Affiliates, directors, officers, employees, agents or Representatives, as applicable), in connection with this Agreement or the Transaction contemplated hereby against any source of financing to be dismissed or otherwise terminated, and in furtherance of, and not in limitation of, the foregoing waiver, it is acknowledged and agreed by each of the Debtor and the Plan Trustee that no source of financing shall have any liability for any Losses incurred by the Debtor or the Plan Trust (or any of their respective stockholders, partners, members, Affiliates, directors, officers, employees, agents or Representatives, as applicable) in connection with this Agreement or the Transaction contemplated hereby, and (z) each party hereto agrees (on behalf of itself and its respective stockholders, partners, members, Affiliates, directors, officers, employees, agents and Representatives) that it will not bring or support any Action of any kind or description against any source of financing in any way relating to this Agreement or the Transaction, or with respect to the enforceability or efficacy of the foregoing clause (y), in any forum other than the Supreme Court of the State of New York, County of New York, or, if under applicable law exclusive jurisdiction is vested in the Federal courts, the United States District Court for the Southern District of New York (and appellate courts thereof).

Section 15.09 Venue. Each of the parties to this Agreement agrees that, except as otherwise provided herein, for any Action among any of the parties relating to or arising in whole or in part under or in connection with this Agreement or the Transaction, such party shall bring such Action only in the Borough of Manhattan; provided, however, that to the extent that any Action is within the jurisdiction of the Bankruptcy Court, each of the parties hereto acknowledges and agrees that any such Action shall be brought only in the Bankruptcy Court or in the United States District Court for the Central District of California. Notwithstanding the previous sentence a party may commence any Action in a court in an otherwise appropriate venue, other than the above-named courts, solely for the purpose of enforcing an order or judgment issued by one of the above-named courts. Each party hereto further waives any claim and will not assert that venue should properly lie in any other location within the selected jurisdiction.

Section 15.10 Service of Process. Each of the parties to this Agreement hereby (a) consents to service of process in any Action among any of the parties hereto relating to or arising in whole or in part under or in connection with this Agreement or the Transaction in any manner permitted by New York law, (b) agrees that service of process made in accordance with clause (a) or made by registered or certified mail, return receipt requested, at its address specified pursuant to **Section 15.02**, will constitute good and valid service of process in any such Action and (c) waives and agrees not to assert (by way of motion, as a defense, or otherwise) in any such Action any claim that service of process made in accordance with clause (a) or (b) does not constitute good and valid service of process.

Section 15.11 Specific Performance. The parties hereby acknowledge and agree that the parties and their respective Affiliates would be damaged irreparably in the event any of the provisions of this Agreement required to be performed by each party is not performed in accordance with its specific terms or otherwise are breached or violated. Accordingly, the parties acknowledge and agree that, without posting bond or other undertaking, the parties and their respective Affiliates are entitled to an injunction or injunctions to prevent breaches or violations of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any Action instituted in any court of the United States or any state thereof having jurisdiction over the parties and the matter in addition to any other remedy to which they may be entitled, at law or in equity. The parties further acknowledge and agree that in the event of any Action for specific performance in respect of such breach or violation, neither party will assert the defense that a remedy at law would be adequate.

Section 15.12 TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, THE PARTIES HEREBY WAIVE, AND COVENANT THAT THEY WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTION, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION WHATSOEVER BETWEEN OR AMONG THEM RELATING TO THIS AGREEMENT OR THE TRANSACTION AND THAT SUCH ACTIONS WILL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

Section 15.13 Counterparts. This Agreement may be executed in two (2) or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one counterpart has been signed by each party and delivered to the other parties hereto. Facsimile signatures to this Agreement shall have the same force and effect as original signatures.

Section 15.14 Headings. The Article and Section headings in this Agreement are inserted only as a matter of convenience, and in no way define, limit, or extend or interpret the scope of this Agreement or of any particular Article or Section.

Section 15.15 Tense and Case. Throughout this Agreement, as the context may require, references to any word used in one tense or case shall include all other appropriate tenses or cases.

Section 15.16 Construction. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. The parties intend that each representation, warranty, and covenant contained herein will have independent significance. If any party has breached or violated, or if there is an inaccuracy in, any representation, warranty or covenant contained herein in any respect, the fact that there exists another representation, warranty or covenant relating to the same subject matter (regardless of the relative levels of specificity) that the party has not breached or violated, or in respect of which there is not an inaccuracy, will not detract from or mitigate the fact that the party has breached or violated, or there is an inaccuracy in, the first representation, warranty or covenant.

Section 15.17 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. In the event that any provision hereof would, under applicable law, be invalid or unenforceable in any respect, each party hereto intends that such provision will be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law.

[Signatures appear on the following pages]

IN WITNESS WHEREOF, the parties hereto have duly caused the execution of this Agreement by their authorized representatives as of the date first above written.

"INVESTOR"

SEXY HAIR, INC.
A Delaware corporation

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have duly caused the execution of this Agreement by their authorized representatives as of the date first above written.

"DEBTOR"

SEXY HAIR CONCEPTS, LLC
a California limited liability corporation

By: ECOLY INTERNATIONAL, INC.
Its: Sole Member

By: _____
Name: T. Scott Avila
Title: Chief Restructuring Officer

EXHIBIT 1.01

(Defined Terms)

"***Accounting Principles***" has the meaning set forth in **Section 5.01**.

"***Action***" means any action, suit (whether in contract or tort or otherwise), litigation (whether at law or in equity, whether civil or criminal), arbitration, audit, investigation or proceeding, to, from, by or before any Governmental Authority.

"***Administaff***" has the meaning set forth in **Section 7.01(g)(ii)**.

"***Administaff Employee***" means any employee of, or service provider to, Administaff who provides services to the Debtor or any of its Affiliates.

"***Affiliate***" means, with respect to any specified Person at any time means each Person directly or indirectly controlling, controlled by or under direct or indirect common control with such specified Person at such time.

"***Agreement***" has the meaning set forth in the preamble hereto.

"***Apportioned Taxes***" has the meaning set forth in **Section 14.05(a)**.

"***Arbitration Notice***" has the meaning set forth in **Section 5.04(a)**.

"***Assets***" means all the business, properties, assets, goodwill and rights of whatever kind and nature, real or personal, tangible or intangible, owned, leased, licensed, used or held for use or license by or on behalf of the Debtor, or purported to be owned, leased, licensed, used or held for use or license by or on behalf of the Debtor, in each case, other than the Excluded Assets.

"***Assumed Contracts***" means Contractual Obligations to which the Debtor is, following the consummation of the Transaction contemplated hereby, a party.

"***Assumed Encumbrances***" means (i) any Encumbrance arising under equipment leases disclosed in the Disclosure Schedules to this Agreement, and, with respect to any equipment lease not disclosed in the Schedules to this Agreement, any Encumbrance not in excess of $5,000 (with all such Encumbrances not to exceed $50,000) arising under such equipment leases with third parties entered into in the Ordinary Course of Business, (ii) zoning or planning restrictions, Permits and other governmental or non-governmental restrictions or limitations on the use of real property that do not materially adversely affect the use of such property in the operation of the Business as currently conduct, (iii) covenants, conditions, and restrictions of record and (iv) private and public easements, rights of way and utility agreements, and roads or highways, if any.

"***Assumed Liabilities***" means the following Liabilities of the Debtor:

(i) all accounts payable and accrued liabilities included in the Working Capital at the Closing as finally determined pursuant to **Article 5**;

(ii) all accounts payable and accrued liabilities of the Debtor, but excluding any Liabilities of the Debtor or any Affiliate in respect of any of the following: (a) Debt, (b) Taxes, (c) this Agreement and the transactions contemplated

hereby (including all compensation or other payments paid to employees, consultants of the Debtor or others that are calculated by reference in any manner to this Agreement or the transactions contemplated hereby and all transaction and other expenses incurred in connection with the contemplation, evaluation, negotiation, execution or consummation of the transactions contemplated hereby);

(iii) all Liabilities in respect of Product Liability claims arising out of occurrences after the Closing Date; provided, that such occurrences relate to Products sold after the Closing Date;

(iv) all performance obligations arising after the Closing under Assumed Contracts other than (i) obligations arising out of or relating to breach of an Assumed Contract prior to Closing, (ii) indemnification obligations arising out of or relating to acts or omissions occurring prior to the Closing, and (iii) any Contract that is an Excluded Asset;

(v) all Liabilities in respect of any Apportioned Tax that, pursuant to **Section 14.05**, have been assigned to the Reorganized Debtor;

(vi) all Liabilities with respect to any Product warranty or Product return (including mark-downs and instances where a Product is not physically re-transferred and where a customer is entitled to a return as a matter of law) relating to Products of the Debtor that were designed, manufactured, marketed, distributed, or sold on or prior to the Closing Date, or that constitute inventory as of the Closing Date, in each instance solely to the extent such Liabilities have been reserved for in the Final Working Capital; and

(vii) all Liabilities of the Debtor arising under the Worker Adjustment and Retraining Notification Act (or any applicable state law equivalent) in respect of a termination by the Reorganized Debtor of any Employee or Administaff Employee (at the request of the Reorganized Debtor) occurring after the Closing Date.

"***Assumption Motion***" means that certain motion filed in connection with the Bankruptcy Case seeking the Bankruptcy Court's approval of the Assumption Order.

"***Assumption Order***" has the meaning set forth in **Section 8.04(b)(i)**.

"***Bankruptcy Case***" has the meaning set forth in **Section 8.04(a)**.

"***Bankruptcy Code***" has the meaning set forth in the Recitals hereto.

"***Bankruptcy Court***" has the meaning set forth in **Section 8.04(a)**.

"***Brokers' Commissions***" has the meaning set forth in **Section 7.01(x)**.

"***Business***" has the meaning set forth in the Recitals hereto.

"***Business Day***" means any weekday other than a weekday on which banks in Los Angeles, California are authorized or required to be closed.

"***Closing***" has the meaning set forth in **Section 4.01**.

"***Closing Balance Sheet***" has the meaning set forth in **Section 5.02**.

"***Closing Date***" has the meaning set forth in **Section 4.01**.

"***Closing Working Capital Statement***" has the meaning set forth in **Section 5.02**.

"***Code***" means the U.S. Internal Revenue Code of 1986, as amended.

"***Common Stock***" has the meaning set forth in **Section 1.02**.

"***Confirmation Order***" has the meaning set forth in **Section 8.04(b)(i)**.

"***Confirmation Order Injunctive Relief***" has the meaning set forth in **Section 8.04(b)(i)(iii)**.

"***Contractual Obligation***" means, with respect to any Person, any contract, agreement, deed, mortgage, lease, license, commitment or arrangement, whether written or oral and whether express or implied, or other document or instrument (including any document or instrument evidencing or otherwise relating to any Debt) to which or by which such Person is a party or otherwise subject or bound or to which or by which any property, business, operation or right of such Person is subject or bound.

"***Debt***" means, with respect to any Person, all obligations (including all obligations in respect of principal, accrued interest, penalties, fees and premiums) of such Person (i) for borrowed money (including overdraft facilities), (ii) evidenced by notes, bonds, debentures or similar Contractual Obligations, (iii) for the deferred purchase price of property, goods or services (other than trade payables or accruals incurred in the Ordinary Course of Business), (iv) under capital leases (in accordance with GAAP), (v) in respect of letters of credit and bankers' acceptances, (vi) for Contractual Obligations relating to interest rate protection, swap agreements and collar agreements and (vii) in the nature of Guarantees of the obligations described in clauses (i) through (vi) above of any other Person.

"***Debtor and Plan Trust Indemnified Person***" has the meaning set forth in **Section 13.03**.

"***Debtor Holdco***" has the meaning set forth in **Section 7.01(q)**.

"***Debtor Midco***" has the meaning set forth in **Section 7.01(q)**.

"***Debtor Plan***" has the meaning set forth in **Section 7.01(u)(ii)**.

"***Debtor's Knowledge***" means the actual knowledge of Karl Heinz Pitsch, Mark Milner, David Yaeger, or Jennifer Parks of the fact or other matter at issue after reasonable investigation of all employees of the Debtor reasonably expected to have actual knowledge of such fact or matter.

"***Disclosed Contract***" has the meaning set forth in **Section 7.01(p)(ii)**.

"***Disclosure Statement***" means the disclosure statement filed with respect to the Plan.

"*Disclosure Statement and Voting Procedures Motion*" means that certain motion filed in connection with the Bankruptcy Case seeking the Bankruptcy Court's approval of the Disclosure Statement and the voting procedures.

"***Disclosure Statement Approval Order***" has the meaning set forth in **Section 8.04(b)(i)**.

"***Dispute Notice***" has the meaning set forth in **Section 5.03**.

"***Distribution Contracts***" means those contracts that grant an Entity the exclusive or non-exclusive right to distribute the Debtor's Products in a defined geographic region.

"Employee Plan" has the meaning set forth in **Section 7.01(u)(i)**.

"***Encumbrance***" means any lien, pledge, hypothecation, charge, mortgage, deed of trust, security interest, claim, infringement, option, right of first refusal, preemptive right, community property interest, assessment, levy, or restriction of any nature on any asset. The term "Encumbrance" does not cover or encompass any actual or potential claims with respect to the validity or enforceability of any Intellectual Property Rights or with respect to the right to use or practice trademarks or inventions included in or claimed disclosed, or covered by any Intellectual Property Assets.

"***Entity***" means a Person other than an individual.

"***Environmental Laws***" means any Legal Requirement relating to (i) releases or threatened releases of Hazardous Substances, (ii) pollution or protection of public health or the environment, or (iii) the manufacture, handling, transport, use, treatment, storage, or disposal of Hazardous Substances.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended.

"***Escrow Account***" means that account established with the Escrow Holder subject to the terms hereof and the Escrow Agreement as set forth in **Section 3.03**.

"Escrow Agreement" means an agreement substantially in the form of **Exhibit 3.03** attached hereto.

"***Escrow Fund***" has the meaning set forth in **Section 3.03**.

"Escrow Holder" means U.S. Bank, N.A.

"***Estimated Balance Sheet***" has the meaning set forth in **Section 5.01**.

"***Estimated Working Capital***" has the meaning set forth in **Section 5.01**.

"***Estimated Working Capital Statement***" has the meaning set forth in **Section 5.01**.

"***Excluded Assets***" means the following assets, properties and rights:

(i) all cash of the Debtor;

(ii) any Contractual Obligation (a) in respect of Debt, (b) to which an officer, director, or Affiliate (or any officer or director of such Affiliate) of the Debtor is party, in each instance whether current or former, and including, without limitation, the Contractual Obligations set forth on **Schedule 7.01(q)**, (c) with any investment banker or finder, including without limitation Imperial Capital, LLC, (d) with any turnaround or other consultant, including without limitation CRG Partners Group, LLC or (e) any Tax sharing Contractual Obligations.

(iii) (a) all minute books, stock records and corporate seals, and all personnel and other records that the Debtor is required by applicable Legal Requirements to retain

in its possession (except that the Assets shall include copies of such personnel records with respect to current personnel), (b) all Tax Returns and related notes, worksheets, files and documents relating thereto, (c) copies of all other records retained for internal archival and reference purposes, and (d) all records and files relating to Excluded Assets or Excluded Liabilities;

(iv) all insurance policies and all rights of the Reorganized Debtor and its Affiliates of every nature and description under or arising out of such insurance policies;

(v) those Contractual Obligations, if any, listed on **Exhibit EA(v)**;

(vi) all claims for refund of Taxes and other governmental charges of whatever nature, and all deferred income and other Tax assets related to fiscal periods prior to the Closing;

(vii) all rights of the Debtor under this Agreement and the Escrow Agreement;

(viii) all accounts receivable or other amounts due to the Debtor from any officer, director or Affiliate of the Debtor or Member or any individual in such officer's or director's immediate family;

(ix) all rights and claims arising under the Excluded Assets or the Excluded Liabilities; and

(x) such other assets of the Reorganized Debtor, if any, listed on **Exhibit EA(x)**.

"***Excluded Liabilities***" means (i) other than as provided in clause (iii), any Liabilities for or on account of Taxes, (ii) any Liabilities of the Debtor not specifically included within the Assumed Liabilities, and (iii) any Liabilities in respect of any Apportioned Tax that, pursuant to **Section 14.05**, have been assigned to the Plan Trust.

"***Final Working Capital***" has the meaning set forth in **Section 5.04(b)**.

"***Financial Statements***" has the meaning set forth in **Section 7.01(f)(ii)**.

"***Final Order***" means an order entered by the Bankruptcy Court, the effectiveness of which is not stayed, for which no timely filed motion for reconsideration is pending, and for which either (i) the period for the filing of timely appeals has expired without the filing of any appeals or (ii) the final resolution of all timely filed appeals (including any timely filed subsequent appeals and discretionary reviews) with affirmation of the order in all respects.

"***GAAP***" means generally accepted accounting principles in the United States as in effect from time to time.

"***Government Order***" means any order, writ, judgment, injunction, decree, stipulation, ruling, determination or award entered by or with any Governmental Authority.

"***Governmental Authority***" means any United States federal, state or local or any foreign government, or political subdivision thereof, or any multinational organization or authority or any authority, agency or commission entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power, any court or tribunal (or any department, bureau or division thereof), or any arbitrator or arbitral

body.

"***Guarantee***" means, with respect to any Person, (i) any guarantee of the payment or performance of, or any contingent obligation in respect of, any Debt or other Liability of any other Person, (ii) any other arrangement whereby credit is extended to any obligor (other than such Person) on the basis of any promise or undertaking of such Person (w) to pay the Debt or other Liability of such obligor, (x) to purchase any obligation owed by such obligor, (y) to purchase or lease assets under circumstances that are designed to enable such obligor to discharge one or more of its obligations, or (z) to maintain the capital, working capital, solvency or general financial condition of such obligor and (iii) any liability as a general partner of a partnership or as a venturer in a joint venture in respect of Debt or other obligations of such partnership or venture.

"***Hazardous Substance***" means any substance that is regulated or referred to as a pollutant, petroleum, contaminant, or toxic or hazardous material, substance, or waste, or, in respect of each of the preceding items, any fraction thereof, in any applicable Environmental Law.

"***Indemnity Basket***" has the meaning set forth in **Section 13.02**.

"***Indemnity Cap***" has the meaning set forth in **Section 13.02**.

"***Indemnity Claim***" means a claim for indemnity under **Section 13.01** or **13.03**, as the case may be.

"***Indemnified Party***" means, with respect to any Indemnity Claim, the party asserting such claim under **Section 13.01** or **13.03**, as the case may be.

"***Indemnifying Party***" means, with respect to any Indemnity Claim, the Investor Indemnified Person or the Debtor and Plan Trust Indemnified Person under **Section 13.01** or **13.03**, as the case may be, against whom such claim is asserted.

"***In-License Agreement***" has the meaning set forth in **Section 7.01(k)(iii)**.

"***Intellectual Property Assets***" has the meaning set forth in **Section 7.01(k)(i)**.

"***Intellectual Property Rights***" means, collectively, all intellectual property rights of any kind or nature throughout the world, however denominated, acquired by ownership, license, or other legal operation, including without limitation rights with respect to the following: (i) all patents, patent applications, and patent rights, including all continuations, continuations-in-part, divisions, reissues, reexaminations, and extensions of them; (ii) all trademarks, trade names, logos, and service marks, registered or not; (iii) all rights associated with works of authorship, including copyrights (registered or not), copyright applications, copyright registrations, and moral rights; (iv) all inventions (patentable or not), know-how, show-how, formulas, processes, techniques, confidential business information, trade secrets, and other proprietary information, technology, and intellectual property rights; and (v) all rights to sue or make any claims for any past, present, or future misappropriation or unauthorized use of any of the foregoing rights and the right to receive income, royalties, damages, or payments that are now or will later become due with regard to the foregoing rights.

"***Interim Financials***" has the meaning set forth in **Section 7.01(f)(ii)**.

"***Investor***" has the meaning set forth in the preamble hereto.

"***Investor Indemnified Person***" has the meaning set forth in **Section 13.01**.

"***Landlord***" means the lessor of the Premises.

"***Lanham Act Class Action***" has the meaning set forth in **Section 8.04(d)**.

"***Legal Requirement***" means any United States federal, state or local or foreign law, statute, standard, ordinance, code, rule, regulation, resolution or promulgation, or any Governmental Order, or any license, franchise, permit or similar right granted under any of the foregoing, or any similar provision having the force or effect of law.

"***Lender***" has the meaning set forth in **Section 7.02(e)**.

"***Liability***" means, with respect to any Person, any liability or obligation of such Person whether known or unknown, whether asserted or unasserted, whether determined, determinable or otherwise, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, whether incurred or consequential, whether due or to become due and whether or not required under GAAP to be accrued on the financial statements of such Person.

"***Liability Policies***" has the meaning set forth in **Section 7.01(w)**.

"***Loss***" and "***Losses***" have the meaning set forth in **Section 13.01**.

"***Material Adverse Effect***" means any change or effect that is, or would reasonably be expected to be, materially adverse to the Business, Assets, financial condition or results of operations of the Debtor, taken as a whole, disregarding any changes or effects to the extent they arise out of (i) conditions affecting the economy in general in the United States or any state or locality in which the Debtor conducts business or changes affecting the industry in which the Debtor participates, so long as any such conditions or changes do not have a disproportionate impact on the Debtor, (ii) United States or global financial or securities markets or conditions or any act(s) of terrorism, similar calamity or war, so long as any of the foregoing does not have a disproportionate impact on the Debtor, (iii) changes in applicable Legal Requirements or GAAP, (iv) the identity of the Investor, (v) the public announcement of the Transaction, including any loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of the Business with any customers, employees, financing sources, vendors, distributors, partners or suppliers of the Business as a result thereof or in connection therewith, (vi) the failure of the Business in and of itself to meet any projections, forecasts or estimates of revenues or earnings (it being understood that the causes underlying such failure may be taken into account in determining whether a Material Adverse Effect has occurred), (vii) any actions taken (or omitted to be taken) at the request of the Investor, or any action taken by the Debtor or its Affiliates or with respect to the Business that is required pursuant to this Agreement (excluding any obligation to act in the ordinary course of business), (viii) the termination by a customer or supplier of the Company of its business relationship with the Company based solely upon the announcement or knowledge that the Company has filed the Bankruptcy Case, or (viii) a material reduction in, or termination of, Premier Salons Beauty Inc.'s (and/or any of its Affiliates') business relationship with the Debtor, or the failure by the Debtor to collect any amounts owed by either Premier Salons Beauty

Inc. (and/or any of its Affiliates) to the Debtor.

"***Member***" means Ecoly International, Inc., a California corporation who is the sole member of the Debtor.

"***Most Recent Balance Sheet***" has the meaning set forth in **Section 7.01(f)(i)**.

"***Most Recent Balance Sheet Date***" has the meaning set forth in **Section 7.01(f)(i)**.

"***NML***" means Northwestern Mutual Capital Mezzanine Fund I, LP. and its successors-in-interest as full or partial record or beneficial owners of any claims against interests in any of the Debtors that NML owned or beneficially owned at any time.

"***Ordinary Course of Business***" means an action taken by any Person in the ordinary course of such Person's business that is consistent with the past customs and practices of such Person (including past practice with respect to quantity, amount, magnitude and frequency and standard employment policies and past practices with respect to management of cash and working capital).

"***Organizational Documents***" means, with respect to any Person (other than an individual), (i) the certificate or articles of incorporation or organization and any joint venture, limited liability company, operating or partnership agreement and other similar documents adopted or filed in connection with the creation, formation or organization of such Person and (ii) all by-laws, voting agreements and similar documents, instruments or agreements relating to the organization or governance of such Person, in each case, as amended or supplemented and as currently in effect.

"***Original Acquisition Date***" means April 9, 2008.

"***Outside Date***" has the meaning set forth in **Section 12.01(e)**.

"***Out-License Agreement***" has the meaning set forth in **Section 7.01(k)(iii)**.

"***Permit***" means, with respect to any Person, any license, franchise, permit, consent, approval, right, privilege, certificate or other similar authorization issued by, or otherwise granted by, any Governmental Authority or any other Person to which or by which such Person is subject or bound or to which or by which any property, business, operation or right of such Person is subject or bound.

"***Permitted Encumbrances***" means (i) any Encumbrance for Taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with United States GAAP, (ii) any statutory or Tax Encumbrance arising in the Ordinary Course of Business by operation of law with respect to a Liability or obligation that is not yet due or delinquent and all of which is included in the Working Capital as finally determined pursuant to **Article 5**, (iii) to the extent the Liabilities underlying such Encumbrances are reserved for in the Final Working Capital, mechanics', carriers', workmen's, repairmen's, and other like Encumbrances arising out of, or incurred in the Ordinary Course of Business, (iv) any Encumbrance arising under equipment leases disclosed in the Disclosure Schedules to this Agreement, and, with respect to any equipment lease not disclosed in the Schedules to this Agreement, any Encumbrance not in excess of $5,000 (with all such Encumbrances not to exceed $50,000) arising under such equipment leases with third

parties entered into in the Ordinary Course of Business, (v) zoning or planning restrictions, Permits and other governmental or non-governmental restrictions or limitations on the use of real property that do not materially adversely affect the use of such property in the operation of the Business as currently conduct, (vi) covenants, conditions, and restrictions of record and (vii) private and public easements, rights of way and utility agreements, and roads or highways, if any.

"***Person***" means any individual, corporation, partnership, estate, trust, company (including any limited liability company), firm, or other enterprise, association, organization, or Governmental Authority.

"***Petition Date***" has the meaning set forth in **Section 8.04(a)**.

"***Plan***" means any material employee benefit plan, program or arrangement.

"***Plan of Reorganization***" has the meaning set forth in the Recitals hereto.

"***Plan Support Agreement***" means that certain Plan Support Agreement, by and among the Investor the Senior Agent and the Lenders party thereto, of even date herewith.

"***Plan Trust***" has the meaning set forth in **Section 1.03**.

"***Plan Trustee***" means the trustee for the Plan Trust.

"***Premises***" has the meaning set forth in the Recitals hereto.

"***Premises Lease***" means the leasehold interest of the Debtor under the lease between the Debtor and Landlord for the Premises.

"***Products***" means products manufactured by the Debtor since January 1, 2004.

"***Purchase Price***" has the meaning set forth in **Section 2.01**.

"***Real Property***" has the meaning set forth in **Section 7.01(j)**.

"***Real Property Leases***" has the meaning set forth in **Section 7.01(j)**.

"***Referee***" has the meaning set forth in **Section 5.04(a)**.

"***Registered Intellectual Property Assets***" has the meaning set forth in **Section 7.01(k)(iii)**.

"***Reorganized Debtor***" has the meaning set forth in the Recitals hereto.

"***Representative***" means, with respect to any Person, any director, officer, employee, agent, consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

"***Reverse Termination Fee***" means $2,340,000.

"***Senior Agent***" means Bank of Montreal, in its capacity as administrative agent and collateral agent under that certain Credit Agreement dated April 9, 2008, by and among itself, the parties thereto listed or from time to time added as lenders, the Reorganized Debtor and the parties thereto listed or from time to time added as guarantors.

"***Survival Period Termination Date***" has the meaning set forth in **Section 13.07**.

"***Tax*** **or** "***Taxes***" means (i) any and all federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar, including FICA), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind or any charge of any kind in the nature of (or similar to) taxes whatsoever, including any interest, penalty, or addition thereto, in each case whether disputed or not and (ii) any Liability for the payment of any amounts of the type described in clause (i) of this definition as a result of being a member of an affiliated, consolidated, combined or unitary group for any period, as a result of any tax sharing or tax allocation agreement, arrangement or understanding, or as a result of being liable for another Person's taxes as a transferee or successor, by contract or otherwise.

"***Tax Benefit***" has the meaning set forth in **Section 13.06**.

"***Tax Return***" means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"***Termination Date***" has the meaning set forth in **Section 12.01**.

"***Termination Fee***" means $2,340,000.

"***Third Party Claim***" has the meaning set forth in **Section 13.08(a)**.

"***Transaction***" has the meaning set forth in the Recitals hereto.

"***Working Capital***" means the current assets of the Business (excluding any Excluded Assets) minus current liabilities of the Business (excluding any Liabilities in respect of (i) Debt, (ii) Contractual Obligations constituting an Excluded Asset, (iii) Taxes, or (iv) this Agreement and the transactions contemplated hereby (including all compensation or other payments paid to employees, consultants of the Debtor or others that are calculated by reference in any manner to this Agreement or the transactions contemplated hereby and all transaction and other expenses incurred in connection with the contemplation, evaluation, negotiation, execution or consummation of the transactions contemplated hereby)), as determined in accordance with the Accounting Principles.

"***Working Capital Target***" means $10,500,000.

"***Year End Financials***" has the meaning set forth in **Section 7.01(f)(i)**.

Exhibit 3.03

INDEMNIFICATION ESCROW AGREEMENT

INDEMNIFICATION ESCROW AGREEMENT, dated as of **[•]**, 2010, (the "Agreement") by and among Sexy Hair, Inc., a Delaware corporation, or its nominee or permitted assignee ("Investor"), the Plan Trustee ("Plan Trustee") under that certain Plan Trust Agreement dated as of [●] establishing that certain Plan Trust (the "Plan Trust"), and U.S. Bank National Association, a national banking association, as escrow agent (the "Escrow Agent").

WHEREAS, Investor and Sexy Hair Concepts, LLC, a California limited liability company ("Debtor") have entered into that certain Investment Agreement, dated as **[•]**, 2010 (as amended, restated, or otherwise modified, and together with all schedules, exhibits, and other attachments thereto, the "Investment Agreement");

WHEREAS, capitalized terms used and not otherwise defined in this Agreement have the meanings set forth in the Investment Agreement;

WHEREAS, pursuant to and on the terms and conditions set forth in Section 3.01 of the Investment Agreement, Investor placed into escrow $2,340,000 to be disbursed from time to time in accordance with the terms of the Deposit Escrow Agreement executed and delivered by Investor, Debtor, and the Escrow Agent, dated as of **[•]**;

WHEREAS, pursuant to Section 3.03 of the Investment Agreement, Investor and Debtor have jointly directed the Escrow Agent to transfer the funds then held pursuant to the Deposit Escrow Agreement in accordance with the terms set forth in such Deposit Escrow Agreement[1] to an account to be held pursuant to this Agreement;

WHEREAS, pursuant to Section 3.03 of the Investment Agreement, the parties thereto have agreed that the Escrow Fund will be deposited into an escrow account pending resolution of issues that may arise in connection with certain matters pursuant to Article 5 (Working Capital Adjustment), Article 13 (Indemnification), and Article 14 (Tax Matters) of the Investment Agreement;

WHEREAS, pursuant to the Bankruptcy Court Order, dated as of **[•],** confirming the Debtor's Plan of Reorganization, the Plan Trustee, as the representative of the Plan Trust, is the successor to Debtor's interests in the funds held by the Escrow Agent pursuant to the Deposit Escrow Agreement;

WHEREAS, Investor and Plan Trustee desire to appoint the Escrow Agent to act as escrow agent in the manner hereinafter set forth and the Escrow Agent is willing to act in such capacity;

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by each of the parties hereto, the parties hereto, intending to be legally bound, do hereby agree and covenant as follows:

Section 1. Appointment of Escrow Agent. Investor and Plan Trustee hereby appoint U.S. Bank National Association to serve as escrow agent in accordance with the terms and subject to the conditions set forth herein, and the Escrow Agent hereby accepts such appointment.

[1] In accordance with Sections 3.02 and 3.03 of the Asset Purchase Agreement, this recital is subject to modification based on whether the Confirmation Order entered by the Bankruptcy Court fails to include any element of the Confirmation Order Injunctive Relief.

Section 2. Deposit into the Escrow Property. The Escrow Fund shall be held by the Escrow Agent together with all interest, dividends, and other distributions and payments thereon received by the Escrow Agent, less any property and/or funds distributed or paid in accordance with the terms, and subject to the conditions of this Agreement in a separate and distinct account in accordance with the terms of this Agreement (all such funds, less any amounts designated as the "Escrow Fee Reserves" as set forth in Section 6 hereof, are hereinafter referred to as the "Escrow Property"). The Escrow Agent hereby acknowledges receipt of $**[•]**[2] and agrees to hold such Escrow Property and the Escrow Fee Reserves in accordance with the terms of this Agreement. The Escrow Agent shall only make distributions in accordance with the terms and subject to the conditions set forth in this Agreement.

Section 3. Investment of the Escrow Property. The Escrow Agent is herein directed and instructed to initially invest and reinvest the Escrow Property and the Escrow Fee Reserves in the investment indicated on Schedule V hereto. Investor and Plan Trustee may provide instructions changing the investment of the Escrow Property or the Escrow Fee Reserves by the furnishing of a Joint Direction to the Escrow Agent; provided, however, that no investment or reinvestment may be made except in the following: (a) direct obligations of the United States of America or obligations the principal of and the interest on which are unconditionally guaranteed by the United State of America, (b) U.S. dollar denominated deposit accounts and certificates of deposits issued by any bank, bank and trust company, or national banking association (including Escrow Agent and its affiliates), which such deposits are either (i) insured by the Federal Deposit Insurance Corporation or a similar governmental agency, or (ii) with domestic commercial banks which have a rating on their short- term certificates of deposit on the date of purchase of "A-1" or "A-l+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank), (c) repurchase agreements with any bank, trust company, or national banking association (including Escrow Agent and its affiliates), or (d) institutional money market funds, including funds managed by Escrow Agent or any of its affiliates.

Each of the foregoing investments shall be made in the name of Escrow Agent. Notwithstanding anything to the contrary contained herein, Escrow Agent may, without notice to the Representatives, sell or liquidate any of the foregoing investments at any time if the proceeds thereof are required for any disbursement of the Escrow Property permitted or required hereunder. All investment earnings shall become part of the Escrow Property and investment losses shall be charged against the Escrow Property. Escrow Agent shall not be liable or responsible for loss in the value of any investment made pursuant to this Escrow Agreement, or for any loss, cost or penalty resulting from any sale or liquidation of the Escrow Property; provided, that such loss, cost, or penalty shall not have resulted from the bad faith, willful misconduct, or gross negligence of the Escrow Agent. With respect to any Escrow Property received by Escrow Agent after twelve o'clock, p.m., Central Standard Time, Escrow Agent shall not be required to invest such funds or to effect any investment instruction until the next day upon which banks in St. Paul, Minnesota are open for business.

Section 4. Distribution of Escrow Property. The Escrow Agent is directed to hold and distribute the Escrow Property as set forth in this Section 4.

(a) Except as provided in clauses (b), (c), (d) and (e) below, the Escrow Agent shall distribute the Escrow Property only in accordance with (i) a written instrument delivered to the Escrow Agent that is executed by an Authorized Person (as hereinafter defined) of each of the Investor and Plan Trustee, which written instrument instructs the Escrow Agent as to the disbursement of some or all of the Escrow Property (a "Joint Direction"), (ii) a written statement delivered to the Escrow Agent by, or on behalf of the Referee (as defined in the Investment Agreement), which written instrument sets forth the

[2] See FN 1.

final Working Capital calculation and, in the event of a Working Capital deficit **(**as contemplated by Section 5.05(b) of the Investment Agreement), instructs the Escrow Agent as to some or all of the Escrow Property, or (iii) a final non-appealable order of a court of competent jurisdiction, a copy of which is delivered to the Escrow Agent by an Authorized Person of either Investor or Plan Trustee, which order instructs the Escrow Agent as to the disbursement of some or all of the Escrow Property.

(b) In the event that Investor delivers a written notice (a "Claim Notice") to the Escrow Agent and Plan Trustee prior to 11:59 p.m. E.S.T. on the Final Escrow Release Date (as hereinafter defined) asserting that Investor in good faith believes it is entitled to receive all or any portion of the Escrow Property as a result of either (i) a Working Capital deficit, in respect of which Investor is entitled to indemnification pursuant to Section 5.05(b) of the Investment Agreement (it being understood that, in no event, shall Investor be entitled to indemnification in respect of any such deficit more than once), or (ii) any Losses in respect of which any Investor Indemnified Person is entitled to indemnification pursuant to Article 13 of the Investment Agreement, which such Claim Notice shall describe the basis for such claim for indemnification and the amount of Losses involved, in each case, in reasonable detail in light of the circumstances then known to Investor, and Plan Trustee does not, in a written notice delivered to Investor and the Escrow Agent within thirty (30) calendar days after the delivery of such Claim Notice, dispute such assertion (the "Objection Notice"), then the Escrow Agent shall on the thirty-first (31st) calendar day (or the next Business Day thereafter if such day is not a Business Day) following receipt of such Claim Notice distribute to the Investor, in accordance with Section 4(e) below, distribute an amount equal to the portion of the Escrow Property that Investor asserted it is entitled to receive in such Claim Notice. Notwithstanding the foregoing, on the day following delivery of an Objection Notice (or the next Business Day thereafter if such day is not a Business Day), the Escrow Agent shall distribute to Investor, in accordance with Section 4(e) below, any portion of the Escrow Property subject to such Claim Notice that is not disputed in such Objection Notice (as if no Objection Notice has been delivered with respect thereto). For purposes of this Agreement, the "Final Escrow Release Date" shall be **[•]**[3]

(c) On the Final Escrow Release Date (or the next Business Day thereafter if such day is not a Business Day), the Escrow Agent shall automatically distribute to Plan Trustee in accordance with Section 4(e) below, an amount equal to (i) the remaining Escrow Property plus any remaining Escrow Fee Reserves, minus (ii) the Outstanding Claims Amount, if any.

(d) "Outstanding Claims Amount" means, as of a particular date, the aggregate amount of (i) any Working Capital deficit to which Investor is, pursuant to Section 5.05(b) of the Investment Agreement, entitled and which amount has not yet been disbursed by the Escrow Agent to Investor, and (ii) Losses asserted in good faith by Investor to the Escrow Agent and Plan Trustee in notice(s) described in clause 4(b) above that have not, as of the date of determination of such amount, been resolved in accordance with the terms hereof.

(e) All disbursements, distributions, and payments in respect of Investor hereunder shall be wired in accordance with the wire transfer instructions set forth on Schedule I. All

[3] The escrow will release (after deduction for any claims by the Investor) on the earlier to occur of (a) the fifth (5th) anniversary of the Closing Date or (b) the time at which (i) a class is (or classes are) certified encompassing all claims of class members arising from conduct (including conduct of the Investor) during a class period that includes (or class periods that include) the entire twelve-month period following the closing and (ii) there is either (A) a final, non-appealable judgment (or judgments) or (B) a settlement (or settlements), which, in the case of either (A) or (B), finally determines the liability of the Investor to all Persons with respect to that period of time with respect to liability under or in connection with the Lanham Act.

disbursements, distributions and payments to Plan Trustee hereunder shall be wired in accordance with the wiring instructions set forth on Schedule II.

Section 5. Termination.

(a) The Escrow Agreement shall be terminated automatically on the earlier of (A) the date on which all Escrow Property has been distributed and (B) the date that is the later of (i) the Final Escrow Release Date and (ii) the date on which there is no Outstanding Claims Amount. The Escrow Agreement may also be terminated at any time by a written agreement executed by both Investor and Plan Trustee. Upon termination of this Escrow Agreement, the Escrow Property and any unapplied Escrow Fee Reserves then held hereunder, if any, shall be distributed to Plan Trustee in accordance with Section 4(e) above.

(b) The provisions of Sections 6, 8 and 9 shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent until extinguished by any applicable statute of limitations.

Section 6. Compensation of Escrow Agent. The Escrow Agent shall be entitled to payment for reasonable fees and expenses for all services rendered by it hereunder as set forth on the fee schedule attached hereto as Schedule III (the "Fees"). Obligations under this Section 6 shall survive any termination of this Escrow Agreement. Investor shall depost $50,000 of the Escrow Funds with the Escrow Agent for payment of the Fees ("Escrow Fee Reserves"). The Escrow Agent may commingle the Escrow Fee Reserves with the Escrow Property, but shall at all times maintain an accounting indicating that portion of the Escrow Property that constitute the Escrow Fee Reserves. The Escrow Agent may deduct from the Escrow Fee Reserves and pay any Fees then due and owing, seven (7) days after providing notice of such accrued Fees to Plan Trustee, provided that the Escrow Agent has received no objection to the payment of such Fees. At any time, if there are insufficient funds in the Escrow Fee Reserves to pay all Fees accrued and owing, the Escrow Agent may deduct from the Escrow Property and pay any Fees then due and owing, seven (7) days after providing notice of such accrued Fees to Plan Trustee and Investor, provided that Escrow Agent has received no objection to the payment of such Fees.

Section 7. Resignation or Removal of Escrow Agent. The Escrow Agent may resign and be discharged from its duties hereunder at any time by giving thirty (30) calendar days' prior written notice of such resignation to Investor and Plan Trustee, and Investor and Plan Trustee may remove the Escrow Agent at any time by giving thirty (30) calendar days' prior written notice to the Escrow Agent. Upon such notice, a successor escrow agent shall be appointed by Investor and Plan Trustee, who shall provide written notice of such to the resigning or removed Escrow Agent. Such successor escrow agent shall become the escrow agent hereunder upon the resignation or removal date specified in such notice. If Investor and Plan Trustee are unable to agree upon a successor escrow agent within thirty (30) days after such notice, the Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor escrow agent or for other appropriate relief. One-half (1/2) of the costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Escrow Agent in connection with such proceeding shall be paid by Investor, and the other half of such costs and expenses shall be paid by Plan Trustee. Upon receipt of the identity of the successor escrow agent, the Escrow Agent shall either deliver the Escrow Property then held hereunder to the successor Escrow Agent, less the Escrow Agent's fees, costs and expenses (if any) or any other obligations owed to the Escrow Agent that are to be paid from the Escrow Property in accordance with this Agreement, or hold the Escrow Property (or any portion thereof), pending distribution, until all such fees, costs and expenses or other obligations are paid. Upon its resignation and delivery of the Escrow Property as set forth in this Section 7, the Escrow Agent shall be discharged of and from any and all further obligations arising in connection with the Escrow Property or this Agreement.

Section 8. Indemnification of Escrow Agent. Investor and Plan Trustee shall, severally, indemnify, defend, and hold harmless the Escrow Agent and its officers, directors, employees, representatives, and agents, from and against, and shall, severally, reimburse the Escrow Agent for any and all claims, expenses, obligations, liabilities, losses, damages, injuries (to person, property, or natural resources), penalties, stamp or other similar taxes, actions, suits, judgments, reasonable costs and expenses (including reasonable attorney's fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby, including, without limitation, all reasonable costs required to be associated with claims for damages to persons or property, and reasonable attorneys' and consultants' fees and expenses and court costs, except to the extent caused by the Escrow Agent's bad faith, gross negligence or willful misconduct. Such indemnification will be borne in equal proportions by Investor and Plan Trustee.

Section 9. The Escrow Agent.

(a) The duties, responsibilities and obligations of the Escrow Agent shall be limited to those expressly set forth herein and no duties, responsibilities, or obligations shall be inferred or implied against the Escrow Agent. The Escrow Agent shall not be subject to, nor required to comply with, any other agreement to which Investor or Plan Trustee is a party, even though reference thereto may be made herein, or to comply with any direction or instruction (other than those contained herein or delivered in accordance with this Agreement) from Investor, Plan Trustee, or an entity acting on behalf of either of the preceding parties. The Escrow Agent shall not be required to expend or risk any of its own funds or otherwise incur any liability, financial or otherwise, in the performance of any of its duties hereunder.

(b) If at any time the Escrow Agent is served with any judicial or administrative order, judgment, decree, writ, or other form of judicial or administrative process that in any way affects the Escrow Property (including, but not limited to, orders of attachment or garnishment or other forms of levies or injunctions or stays relating to the transfer of the Escrow Property), the Escrow Agent is authorized to comply therewith in any manner it, or legal counsel of its own choosing, deems appropriate, and if the Escrow Agent complies with any such judicial or administrative order, judgment, decree, writ, or other form of judicial or administrative process, Escrow Agent shall not be liable to any of the parties hereto or to any other person or entity even though such order, judgment, decree, writ, or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

(c) The Escrow Agent shall not be liable for any action lawfully taken or omitted or for any loss or injury resulting from its actions or its performance or lack of performance of its duties hereunder in the absence of bad faith, gross negligence, or willful misconduct on its part. In no event shall the Escrow Agent be liable (i) for acting in accordance with, or conclusively relying upon, any written instruction, notice, demand, certificate, or document from Investor and Plan Trustee or any entity acting on behalf of Investor or Plan Trustee delivered in accordance with this Agreement, (ii) for any consequential, punitive or special damages, regardless of the form of action and whether or not any such damages were foreseeable or contemplated, (iii) for the acts or omissions of its nominees, correspondents, designees, agents, subagents or subcustodians in the absence of bad faith, gross negligence, or willful misconduct, (iv) for the investment or reinvestment of any cash held by it hereunder, in each case in good faith, in accordance with the terms hereof, including, without limitation, any liability for any delays (not resulting from its bad faith, gross negligence, or willful misconduct) in the investment or reinvestment of the Escrow Property, or any loss of interest or income incident to any such delays, or (v) for an amount in excess of the value of the Escrow Property, valued as of the date of deposit, but only to the extent of direct money damages.

(d) The Escrow Agent shall not incur any liability for not performing any act or fulfilling any duty, obligation, or responsibility hereunder by reason of any occurrence beyond the control of the Escrow Agent (including, but not limited to, any act or provision of any present or future law or regulation or governmental authority, any act of God or war, civil unrest, local or national disturbance or disaster, any act of terrorism, or the unavailability of the Federal Reserve Bank wire or facsimile or other wire or communication facility).

(e) The Escrow Agent shall be entitled to conclusively rely upon any order, judgment, certification, demand, notice, instrument, or other writing delivered to it hereunder without being required to determine the authenticity or the correctness of any fact stated therein or the propriety or validity or the service thereof. The Escrow Agent may act in conclusive reliance upon any instrument or signature believed by it to be genuine and may assume that any person purporting to give receipt or advice to make any statement or execute any document in connection with the provisions hereof has been duly authorized to do so.

(f) The Escrow Agent shall not be responsible in any respect for the form, execution, validity, value, or genuineness of documents or securities deposited hereunder, or for any description therein, or for the identity, authority, or rights of persons executing or delivering or purporting to execute or deliver any such document, security, or endorsement. The Escrow Agent shall not be called upon to advise any party as to the wisdom in selling or retaining or taking or refraining from any action with respect to any securities or other property deposited hereunder.

(g) The Escrow Agent may consult legal counsel of its own choosing in the event of any dispute or question as to the construction of this Agreement or the Escrow Agent's duties hereunder and the Escrow Agent shall not incur any liability in acting in good faith in accordance with any advice from such counsel.

(h) In the event of any ambiguity or uncertainty hereunder or in any notice, instruction, or other communication received by the Escrow Agent hereunder, the Escrow Agent may, in its sole discretion, refrain from taking any action other than to retain possession of the Escrow Property, unless the Escrow Agent receives a Joint Direction that eliminates such ambiguity or uncertainty.

(i) In the event of any dispute between, or conflicting claims among, Investor and Plan Trustee and any other person or entity with respect to any Escrow Property, the Escrow Agent shall be entitled, in its sole discretion, to refuse to comply with any and all claims, demands, or instructions with respect to such Escrow Property so long as such dispute or conflict shall continue, and the Escrow Agent shall not be or become liable in any way to Investor and Plan Trustee for failure or refusal to comply with such conflicting claims, demands, or instructions; provided, that the Escrow Agent shall comply with any Joint Direction that notifies the Escrow Agent that such dispute has been resolved.

(j) The Escrow Agent shall have no responsibility for the contents of any writing of any third party contemplated herein as a means to resolve disputes and may conclusively rely without any liability upon the contents thereof.

(k) The Escrow Agent does not have any interest in the Escrow Property or Escrow Fee Reserves deposited hereunder but is serving as escrow holder only and having only possession thereof. Any payments of income from this Escrow Account shall be subject to withholding regulations then in force with respect to United States taxes, and any withheld amounts shall be treated for all purposes of this Agreement as having been distributed to the person with respect to which such withholding was made. Investor and the Plan Trustee agree that, for purposes of U.S. federal and other taxes based on income, the Plan Trustee will be treated as the owner of 100% of the Escrow Property

and Escrow Fee Reserves and of 100% of the income derived from the Escrow Property and the Escrow Fee Reserves. The Plan Trustee will provide the Escrow Agent with appropriate W-9 forms for tax identification number certifications, or W-8 forms for non-resident alien certifications. It is understood that the Escrow Agent shall only be responsible for income reporting with respect to income earned on the Escrow Property and the Escrow Fee Reserves and will not be responsible for any other reporting.

(l) The Escrow Agent shall provide to Investor and Plan Trustee monthly statements identifying transactions, transfers or holdings of Escrow Property and the Escrow Fee Reserves and each such statement shall be deemed to be correct and final upon receipt thereof by Investor and Plan Trustee unless the Escrow Agent is notified in writing, by Investor and Plan Trustee, to the contrary within thirty (30) Business Days of the date of such statement. Investor and Plan Trustee acknowledge that regulations of the Comptroller of the Currency grant parties the right to receive brokerage confirmations of the security transactions as they occur. Investor and Plan Trustee specifically wiave such notification to the extent permitted by law and acknowledge that they will receive monthly cash transaction statements as indicated above.

(m) The Escrow Agent shall not be under any duty to give the Escrow Property or Escrow Fee Reserves held by it hereunder any greater degree of care than is own similar property and shall not be required to invest any funds held hereunder except as directed in this Agreement. Uninvested funds held hereunder shall not earn or accrue interest. Parties acknowledge that regulations of the Comptroller of the Currency grant parties the right to receive brokerage confirmations of security transactions as they occur. Parties specifically waive such notification to the extent permitted by law.

Section 10. Miscellaneous.

(a) This Agreement embodies the entire agreement and understanding among the parties relating to the subject matter hereof.

(b) This Agreement shall be governed by and construed in accordance with the laws of the State of New York and the applicable provisions of the Bankruptcy Code, without reference to the principles of conflict of laws.

(c) Each of the parties hereto hereby irrevocably consents to the jurisdiction of the courts of the State of New York and of any Federal Court located in the Borough of Manhattan in such State in connection with any action, suit or other proceeding arising out of or relating to this Agreement or any action taken or omitted hereunder, and waives any claim of forum non conveniens and any objections as to laying of venue; provided however, that during the pendency of the Bankruptcy Case, on and after the Petition Date, each of the parties hereto hereby irrevocably submits, to the extent of its jurisdication, to the exclusive jurisdiction of the Bankruptcy Court and the United States District Court for the Central District of California for the purpose of any Action among any of the parties relating to or arising in whole or in part under or in connection with this Agreement. Each party further waives personal service of any summons, complaint or other process and agrees that service thereof may be made by certified or registered mail directed to such person at such person's address for purposes of notices hereunder.

(d) All notices and other communications under this Agreement shall be in writing in English and shall be deemed given when delivered personally, on the next Business Day after delivery to a recognized overnight courier or mailed first class (postage prepaid) or when sent by facsimile or PDF attachment to email to the parties (which facsimile copy or PDF attachment to email shall be followed, in the case of notices or other communications sent to the Escrow Agent, by delivery of

the original) at the following addresses (or to such other address as a party may have specified by notice given to the other parties pursuant to this provision):

If to Investor:

Sexy Hair, Inc.
712 Fifth Avenue, 31st Floor
New York, NY 10019
Attention: Brian Krumrei
Facsimile number: (212)265-4845
Telephone number: (212)265-4843

with a copy (which shall not constitute notice) to:

Ropes & Gray LLP
One International Place
Boston, MA 02110
Attention: Christopher D. Comeau
Facsimile: 617.951.7809
Telephone: 617.235.0566

If to Plan Trustee:

[●]

with a copy (which shall not constitute notice) to:

[Peitzman, Weg & Kempinsky, LLP
10100 Santa Monica Blvd, Suite 1450
Attention: Scott F. Gautier
Facsimile number: (310) 552-3101
Telephone number: (310) 552-3100]

and

Bank of Montreal, N.A
c/o Goldberg Kohn LTD
55 East Monroe
Chicago, IL 60603
Suite 3300
Attn: Dimitri Karcazes
Facsimile number: (312) 863-7476

If to the Escrow Agent:

U.S. Bank National Association, as Escrow Agent
Mail Code: EP-MN-WS3C
60 Livingston Avenue
St. Paul, MN 55107
Attention: Georgette Kleinbaum
Facsimile: (651) 495-8096

Telephone: (651) 495-3922

(e) The headings of the Sections of this Agreement have been inserted for convenience and shall not modify, define, limit, or expand the express provisions of this Agreement.

(f) This Agreement and the rights and obligations hereunder of parties hereto may not be assigned except with the prior written consent of the other parties hereto; provided, however, that the Investor may (i) assign any or all of its rights and interests hereunder to one or more of its Affiliates and (ii) designate one or more of its Affiliates to perform its obligations hereunder, in each case, so long as the Investor is not relieved of any Liability hereunder. This Agreement shall be binding upon and inure to the benefit of each party's respective successors and permitted assigns. Except as expressly provided herein, no other person shall acquire or have any rights under or by virtue of this Agreement. This Agreement is intended to be for the sole benefit of the parties hereto, and (subject to the provisions of this Section 10(f)) their respective successors and assigns, and none of the provisions of this Agreement are intended to be, nor shall they be construed to be, for the benefit of any third person (other than the Senior Agent, or as expressly set forth herein or in the Investment Agreement).

(g) This Agreement may not be amended, supplemented or otherwise modified without the prior written consent of the parties hereto.

(h) The Escrow Agent makes no representation as to the validity, value, genuineness or the collectability of any security or other document or instrument held by or delivered to it.

(i) The parties hereto acknowledge that in accordance with Section 326 of the USA Patriot Act the Escrow Agent, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Escrow Agent. The parties to this Agreement agree that they will provide the Escrow Agent with such information as it may request in order for the Escrow Agent to satisfy the requirements of the USA Patriot Act.

(j) This Agreement may be executed in two (2) or more counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

(k) The rights and remedies conferred upon the parties hereto shall be cumulative, and the exercise or waiver of any such right or remedy shall not preclude or inhibit the exercise of any additional rights or remedies. The waiver of any right or remedy hereunder shall not preclude the subsequent exercise of such right or remedy.

(l) Each of Investor and Plan Trustee hereby represents and warrants (i) that this Agreement has been duly authorized, executed and delivered on its behalf and constitutes its legal, valid and binding obligation and (ii) that the execution, delivery and performance of this Agreement by Investor and Plan Trustee does not and will not violate any applicable law or regulation.

(m) The invalidity, illegality or unenforceability of any provision of this Agreement shall in no way affect the validity, legality or enforceability of any other provision; and if any provision is held to be unenforceable as a matter of law, the other provisions shall not be affected thereby and shall remain in full force and effect.

(n) No printed or other material in any language, including prospectuses, notices, reports, and promotional material which mentions the Escrow Agent or any of its respective affiliates by

name or the rights, powers, or duties of the Escrow Agent under this Agreement shall be issued by any other parties hereto, or on such party's behalf, without the prior written consent of the Escrow Agent.

(o) For purposes of this Agreement, "Business Day" shall mean any day that is not a Saturday or Sunday or a day on which banks are required or permitted by law or executive order to be closed in the State of Minnesota.

(p) For purposes of sending and receiving instructions or directions hereunder, all such instructions or directions shall be, and the Escrow Agent may conclusively rely upon such instructions or directions, delivered, and executed by representatives of Investor or Plan Trustee designated on Schedule IV attached hereto and made a part hereof (each such representative, an "Authorized Person") which such designation shall include specimen signatures of such representatives, as such Schedule IV may be updated from time to time.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

INVESTOR:

SEXY HAIR, INC.

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

PLAN TRUSTEE:

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

ESCROW AGENT:

U.S. Bank National Association,
a national banking association

By: _____
Name:
Title:

Schedule I

Investor's Wiring Instructions

Bank: Wells Fargo
ABA #: 1210002478
Account #: 2424-807200

Schedule II

Plan Trustee's Wiring Instructions

Bank:
ABA #:
Account #:

Schedule III

Fee Schedule

Schedule of Fees for Services as Escrow Agent
Due Upon Closing

I. Acceptance Fee: $500.00

The acceptance fee includes the administrative review of documents, initial set-up of the account, and other reasonably required services up to and including the closing. This is a flat one-time fee, payable at closing.

II. Annual Administration Fee: $ Waived

Annual administration fee for performance of the routine duties of the escrow agent associated with the management of the account. Administration fees are payable in advance.

III. Out-of-Pocket Expenses: At Cost

Reimbursement of expenses associated with the performance of our duties, including but not limited to fees and expenses of legal counsel, accountants and other agents, tax preparation, reporting and filing, publications, and filing fees.

IV. Extraordinary Expenses:

Extraordinary services are duties or responsibilities of an unusual nature, including termination, but not provided for in the governing documents or otherwise set forth in this schedule. A reasonable charge will be assessed based on the nature of the service and the responsibility involved. At our option, these charges will be billed at a flat fee or our hourly rate then in effect.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

For a non-individual person such as a business entity, a charity, a Trust or other legal entity we will ask for documentation to verify its formation and existence as a legal entity. We may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

Schedule IV

Authorized Representatives of Investor

Name	Title	Specimen Signature
James L. O'Hara	Managing Director	
M. Hadley Mullin	Managing Director	
Brian Krumrei	Principal	

Authorized Representatives of Plan Trustee

Name	Title	Specimen Signature

Schedule V

U.S. BANK NATIONAL ASSOCIATION
MONEY MARKET ACCOUNT AUTHORIZATION FORM
DESCRIPTION AND TERMS

The U.S. Bank Money Market account is a U.S. Bank National Association ("U.S. Bank") interest-bearing money market deposit account designed to meet the needs of U.S. Bank's Corporate Trust Services Escrow Group and other Corporate Trust customers of U.S. Bank. Selection of this investment includes authorization to place funds on deposit and invest with U.S. Bank.

U.S. Bank uses the daily balance method to calculate interest on this account (actual/365 or 366). This method applies a daily periodic rate to the principal balance in the account each day. Interest is accrued daily and credited monthly to the account. Interest rates are determined at U.S. Bank's discretion, and may be tiered by customer deposit amount.

The owner of the account is U.S. Bank as Agent for its trust customers. U.S. Bank's trust department performs all account deposits and withdrawals. Deposit accounts are FDIC Insured per depositor, as determined under FDIC Regulations, up to applicable FDIC limits.

Automatic Authorization

In the absence of specific written direction to the contrary, U.S. Bank is hereby directed to invest and reinvest proceeds and other available moneys in the U.S. Bank Money Market Account. The U.S. Bank Money Market Account is a permitted investment under the operative documents and this authorization is the permanent direction for investment of the moneys until notified in writing of alternate instructions.

Exhibit 4.03(c)

STATEMENT THAT TRANSFEROR IS A U.S. ENTITY

December 21, 2010

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. For U.S. tax purposes (including section 1445), the owner of a disregarded entity (which has legal title to a U.S. real property interest under local law) will be the transferor of the property and not the disregarded entity. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by Sexy Hair Concepts, LLC, a California limited liability company (the "Transferor"), the undersigned hereby certifies the following on behalf of the Transferor:

1. The Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);

2. The Transferor is not a disregarded entity as defined in §1.1445-2(b)(2)(iii);

3. The Transferor's U.S. employer identification number is 52-2355406; and

4. The Transferor's office address is 21551 Prairie Street, Chatsworth CA 91311.

The Transferor, by its execution hereof, acknowledges and agrees that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

[The remainder of this page has been intentionally left blank.]

Under penalties of perjury I declare that I have examined this certification and to the best of my knowledge and belief, it is true, correct, and complete as of the date first written above, and I further declare that I have authority to sign this document on behalf of the Transferor.

SEXY HAIR CONCEPTS, LLC,
a California limited liability company

By: ECOLY INTERNATIONAL, INC.
its sole member

By: _____
Name: T. Scott Avila
Title: Chief Restructuring Officer

[Statement that Transferor is a U.S. Entity]

Exhibit 5.01

EXHIBIT 5.01 – ACCOUNTING PRINCIPLES

CALCULATION OF WORKING CAPITAL

Current Assets minus Current Liabilities (as defined below)

ITEMS INCLUDING IN WORKING CAPITAL

Current Assets:

Accounts Receivable Trade

Allowance for Doubtful Accounts

Provision for Credit Memos

Accounts Receivable –Other

Prepaid Expenses

Prepaid Inventory

Prepaid Education Expenses

Prepaid Insurance Premiums

Deposit Refundable

Prepaid Inventory

Prepaid Show Expenses

Inventory Merchandise

Inventory Reserve

Current Liabilities:

Accounts Payable - Trade

Accrued Purchases

Work in Process

Accrued Payables (Includes other accruals and liabilities)

401K Liability

Deposits Received

Sales Tax Payable

RESERVES

Doubtful Accounts:

- Includes specific items that are deemed to be uncollectible
- Includes a general reserve

Provision for Credit Memos

- Includes customer specific allowances for deductions related to defective merchandise, trade discounts, freight allowances, cooperative advertising.
- Includes a general reserve for other customer allowances

Inventory Reserve

- Method changed in 2010 to calculate reserve on a quarterly basis using a ABCD methodology (modified quarterly as needed to address changing business issues)
- Additional general reserve as required
- Additional specific reserve as required

CATEGORIES

A (NO RESERVE)

- Open Stock – All current retail sized products
- Promotion – All current month and future promotions

- Components – All related packaging, accessories, materials for open Stock and promotions in "A".

B (NO RESERVE)

- Open Stock – All current specially sized products (Minis, Special, Bonus, Liters, Gallons)
- Promotion – All promotions less than 3 months old (excluding current and future months promotions)
- Components – All related packaging, accessories, materials for open Stock and promotions in "B".

C (UP TO 50% BASED ON DISPOSITION FROM MARKETING)

- Open Stock – All one-time special sized products that are older than 6 months.
  Promotion – All promotions older than 3 months.
- Components – All related packaging, accessories, materials for open Stock and promotions in "C".

D (100 %)

- Open Stock – All products that have been discontinued for current year
- Promotion – All promotions that contain current year discontinued items or are part of a discontinued brands
- Components – All related packaging, accessories, materials for open Stock and promotions in "D".

F (100%)

All items that have been discontinued prior to current year

Exhibit 8.04(b)(i)(i)

Scott F. Gautier (State Bar No. 211742)
sgautier@pwkllp.com
Lorie A. Ball (State Bar No. 210703)
lball@pwkllp.com
Thor D. McLaughlin (State Bar No. 257864)
tmclaughlin@pwkllp.com
PEITZMAN, WEG & KEMPINSKY LLP
10100 Santa Monica Boulevard, Suite 1450
Los Angeles, CA 90067
Telephone: (310) 552-3100
Facsimile: (310) 552-3101

Proposed Attorneys for Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SAN FERNANDO VALLEY DIVISION

In re: ECOLY INTERNATIONAL, INC., a California corporation, SEXY HAIR CONCEPTS, LLC, a California limited liability company, and LUXE BEAUTY MIDCO CORPORATION, a Delaware corporation, Debtors and Debtors-in-Possession. **Check One or More as Appropriate:** Affects All Debtors: ☐ Affects Ecoly International Inc. only: ☐ Affects Sexy Hair Concepts, LLC only: ☒ Affects Luxe Beauty Midco Corporation only: ☐	Case No.: Chapter 11 (Jointly Administered with Case Nos.: _____, _____, _____) **ORDER APPROVING ASSUMPTION OF INVESTMENT AGREEMENT** **Hearing:** Date: To Be Scheduled by the Court Time: To Be Scheduled by the Court Place: Courtroom 21041 Burbank Blvd. Woodland Hills, CA 91367

The Motion Of Debtor Sexy Hair Concepts, LLC For Order Approving Assumption Of Investment Agreement (the "Motion"), filed by Sexy Hair Concepts, LLC ("SHC" or "Debtor"), came on for hearing before the Honorable _____, United States Bankruptcy Judge, on January __, 2011, at ____ __.m. (the "Hearing"). Appearances were made as reflected in the Bankruptcy Court's record. Capitalized terms used herein shall have the meaning ascribed to them in the Motion, unless otherwise defined.

After consideration of the Motion and supporting papers, the arguments of counsel in papers and at the Hearing and the files and records in this chapter 11 case, finding that the notice of the

Motion and the Hearing was appropriate under the circumstances, and for good cause appearing, the Court

HEREBY ORDERS:

1. The Motion is GRANTED.

2. The Debtor is authorized to assume the Investment Agreement dated December [ ], 2010, by and between SHC and the Plan Sponsor, and perform all obligations thereunder.

3. SHC is authorized to pay the Termination Fee and all other amounts payable to the Plan Sponsor under the circumstances described in, and pursuant to, the Investment Agreement as administrative expense claims under 11 U.S.C. § 503(b), without further Order of this Court.

4. SHC is authorized to take all actions necessary to effectuate the Investment Agreement.

Dated:

_____
UNITED STATES BANKRUPTCY JUDGE

Exhibit 8.04(b)(i)(ii)

Scott F. Gautier (State Bar No. 211742)
sgautier@pwkllp.com
Lorie A. Ball (State Bar No. 210703)
lball@pwkllp.com
Thor D. McLaughlin (State Bar No. 257864)
tmclaughlin@pwkllp.com
PEITZMAN, WEG & KEMPINSKY LLP
10100 Santa Monica Blvd., Suite 1450
Los Angeles, CA 90067
Telephone: (310) 552-3100
Facsimile: (310) 552-3101

Proposed Attorneys for Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

SAN FERNANDO VALLEY DIVISION

In re: ECOLY INTERNATIONAL, INC., a California corporation, SEXY HAIR CONCEPTS, LLC, a California limited liability company, and LUXE BEAUTY MIDCO CORPORATION, a Delaware corporation, Debtors and Debtors-in-Possession.	Case No. _____ Chapter 11 (Jointly Administered with Case Nos.: _____, _____, _____) **ORDER APPROVING DISCLOSURE STATEMENT AND SOLICITATION, VOTING, AND CONFIRMATION PROCEDURES**
Check One or More as Appropriate: Affects All Debtors: ☐ Affects Ecoly International Inc. only: ☐ Affects Sexy Hair Concepts, LLC only: ☒ Affects Luxe Beauty Midco Corporation only: ☐	Disclosure Statement Hearing: Date: [] Time: [] [].m. Place: Courtroom [] 21041 Burbank Blvd. Woodland Hills, CA 91367

The Motion Of The Debtor For Order Approving Disclosure Statement And Solicitation, Voting, And Confirmation Procedures (the "Motion"), filed by Sexy Hair Concepts, LLC (the "Debtor"), came on for hearing before the Honorable _____, United States Bankruptcy Judge, on _____, 20__, at _____ __.m. (the "Hearing"). Appearances were made as reflected in the Bankruptcy Court's record. Capitalized terms used herein shall have the meaning ascribed to them in the Motion, unless otherwise defined.

Pursuant to the Motion, the Debtor is moving for an order approving the Disclosure Statement For Plan Of Reorganization Pursuant To Chapter 11 Of The Bankruptcy Code For Sexy Hair Concepts,

LLC (the "Disclosure Statement") and certain specified solicitation, voting, and confirmation procedures concerning the Disclosure Statement and the Debtor's Plan Of Reorganization Pursuant To Chapter 11 Of The Bankruptcy Code For Sexy Hair Concepts, LLC (the "Plan").

After consideration of the Motion and accompanying supporting papers, the Disclosure Statement and the Plan, the arguments of counsel, the files and records in this chapter 11 case, it is hereby

FOUND THAT:

1. The Disclosure Statement contains adequate information within the meaning of section 1125 of the Bankruptcy Code.

2. Actual notice of the Hearing and the deadline to file objections to the Disclosure Statement (the "Disclosure Statement Notice") was provided to the Notice Parties, and such notice constitutes good and sufficient notice to all interested parties.

3. The form and manner of notice of the time set for filing objections to, and the time, date, and place of, the Hearing was adequate and comports to due process.

4. The form of ballot, substantially in the form attached to the Motion as Exhibit 3 (the "Ballot"), adequately addresses the particular needs of this chapter 11 case and is appropriate for each class of claims entitled to vote to accept or reject the Plan.

5. Holders of claims in Class A-2 (Other Secured Claims), Class B (Priority Non-Tax Claims) and Class C (Trade Claims) under the Plan (collectively, "Unimpaired Classes") are unimpaired and, thus, are conclusively presumed to accept the Plan. Accordingly, holders of claims in the Unimpaired Classes shall not be provided with a Ballot.

6. Holders of claims in Class E (Old Equity Interests) will not receive or retain any property under the Plan and, thus, is deemed to reject the Plan. Accordingly, holders of claims in Class E (Old Equity Interests) shall not be provided a Ballot.

7. The period, set forth in the motion, during which the Debtor may solicit acceptances to the Plan is a reasonable period of time for entities entitled to vote on the Plan to make an informed decision whether to accept or reject the Plan.

8. The procedures for the solicitation and tabulating of votes to accept or reject the Plan (as set forth in the Motion) provide a fair and equitable voting process and are consistent with section 1126 of the Bankruptcy Code.

9. The procedures set forth in the Motion regarding notice to all parties in interest of the time, date, and place of the Confirmation Hearing and the distribution and contents of the Solicitation Package comply with Bankruptcy Rules 2002 and 3017 and constitute sufficient notice to all interested parties.

ORDERED THAT:

A. The Motion is **GRANTED.**

B. Notice of the Motion, setting forth the objection deadline and the Disclosure Statement Hearing date, was proper, adequate, and sufficient notice of thereof and of all proceedings in connection therewith.

C. The Disclosure Statement is approved.

D. All objections to the Disclosure Statement that have not been otherwise resolved are hereby overruled.

E. For purposes of determining which creditors will be entitled to vote on the Plan, January [ ], 2010 is hereby established as the record date (the "Record Date").

F. The Record Date will also be used to determine which creditors and equity interest holders in non-voting classes are entitled to receive an appropriate notice of non-voting status.

G. The Debtor is authorized to immediately distribute the Plan and Disclosure Statement and to solicit acceptance of the Plan.

H. The procedures set forth in the Motion for the solicitation and tabulation of votes on the Plan are approved. Kurtzman Carson Consultants LLC ("KCC") is designated as the entity that will tabulate the ballots and prepare and file the ballot summary.

I. The form of ballot and the related instructions attached to the Motion as Exhibit 3 is approved and shall be used for voting to accept or reject the Plan.

J. The Form of Confirmation Hearing Notice to be mailed to all creditors, equity security holders and other parties in interest in the form attached to the Motion as Exhibit 4 is

approved.

K. The Confirmation Hearing shall take place before the Bankruptcy Court on _____ , 2011, at _____ __.m.

L. The last day and time to deliver ballots to KCC is _____, 2011, at 5:00 p.m., Los Angeles time. The ballots must be delivered so as to be received by KCC no later than _____, 2011, at 5:00 p.m., Los Angeles time.

M. The last day and time to file with the Bankruptcy Court and deliver to the Debtor's counsel, counsel for the Plan Sponsor, counsel for the Agent, counsel for any official committee appointed by this Court and the United States Trustee any objections to confirmation of the Plan is _____, 2011.

N. The Debtor shall file any reply memorandum of points and authorities or other papers in support of confirmation of the Plan, including any response to any timely filed and served objection to confirmation of the Plan, on or before _____, 20__, and shall serve a copy on each objecting party. The Debtor shall file with the Bankruptcy Court and serve on the United States Trustee, counsel for the Plan Sponsor, counsel for the Agent, counsel for any official committee appointed by this Court and any objecting party a ballot summary on or before _____, 20__.

O. In accordance with section 1125(e) of the Bankruptcy Code, any person that solicits acceptance of the Plan in accordance with the procedures set forth in the Motion, or that participates in the offer, issuance, sale or purchase of any securities offered or sold under the Plan of the Debtor, shall not be liable, on account of such solicitation or participation, for violation of any applicable law, rule or regulation governing solicitation of acceptance of a plan or the offer, issuance, sale or purchase of securities.

Dated:

_____

United States Bankruptcy Judge

Exhibit 8.04(b)(i)(iii)

Elements of Confirmation Order Injunctive Relief

The Confirmation Order shall expressly authorize the following conduct of the Investor and permanently enjoin any and all Persons from commencing or continuing any claim or Action against the Investor based on an allegation that the following conduct of the Investor violates the Lanham Act (or similar Legal Requirement):

(i) the Reorganized Debtor's marketing, distribution, or sale of any Product packaged in the same manner as it is packaged at the time of the Closing within the twelve (12) months following the Closing Date; and

(ii) the Reorganized Debtor's marketing, advertising, or making of any public statement with respect to the Products (whether explicitly or impliedly), in accordance with, or pursuant to, the terms of any Assumed Contract for marketing, advertising, or any other similar service, that the Products are sold only in professional salons or through licensed cosmetologists, without diversion into non-professional retail channels.

Exhibit 8.04(c)(i)

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SAN FERNANDO VALLEY DIVISION

In re: **ECOLY INTERNATIONAL, INC., *et al.*,** **Debtors.**	**Case No: 10-[ ] (•)** **Chapter 11** **(Jointly Administered)**

NOTICE OF CHAPTER 11 BANKRUPTCY CASES, MEETING OF CREDITORS, AND DEADLINES

On December 21, 2010, the debtors and debtors-in-possession in the above-captioned cases (collectively, the "Debtors") filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Central District of California, San Fernando Valley Division (the "Bankruptcy Court"). The Debtors and their respective addresses, case numbers, and last four digits of their federal tax identification numbers are as follows:

Name of Debtor	Address	Case Number	Tax Identification Number
Sexy Hair Concepts, LLC	21551 Prairie Street Chatsworth, CA 91311	10-[ ] (•)	52-2355406
Ecoly International, Inc.		10-[ ] (•)	95-4512202
Luxe Beauty Midco Corporation		10-[ ] (•)	26-2223819

OTHER NAMES USED BY THE DEBTORS IN THE PAST 8 YEARS: Sexy Hair

Attorneys for Debtors	Address of the Clerk of the Bankruptcy Court
PEITZMAN, WEG & KEMPINSKY LLP 10100 Santa Monica Blvd., Suite 1450 Los Angeles, CA 90067 Telephone: (310) 552-3100 Fax: (310) 552-3101 Scott F. Gautier (State Bar No. 211742) Lorie A. Ball (State Bar No. 210703) Thor D. McLaughlin (State Bar No. 257864)	Clerk of the Bankruptcy Court United States Bankruptcy Court - Central District of California 21041 Burbank Boulevard Woodland Hills, California 91367 Hours Open: 9:00 a.m. – 4:00 p.m.

DEADLINE TO FILE A PROOF OF CLAIM
The general bar date for the filing of proofs of claim in the above-referenced bankruptcy case is
January 17, 2011 at 5:00 p.m. (Pacific Time)

Filing of Chapter 11 Bankruptcy Cases	Bankruptcy cases under chapter 11 of the Bankruptcy Code have been filed in this Bankruptcy Court by each of the debtors named above, and an order for relief has been entered. Chapter 11 allows a debtor to reorganize or liquidate pursuant to a plan. A plan is not effective unless confirmed by the court. Known creditors and other interested parties will be sent a copy of the plan and disclosure statement describing the plan, and they might have an opportunity to vote on the plan or, in the event the chapter 11 cases are converted to cases under chapter 7 of the Bankruptcy Code, given notice of such conversion. Known creditors will be sent a notice of the date of the confirmation hearing, and may object to confirmation of the plan and attend the confirmation hearing. Unless a trustee is serving, the debtors will remain in possession of their property and may continue to operate their business.
Legal Advice	The staff of the bankruptcy clerk's office cannot give legal advice. Consult a lawyer to determine what rights, if any, you have in these cases.
Creditors Generally May Not Take Certain Actions	Prohibited collections are listed in Bankruptcy Code section 362. Common examples of prohibited actions include: (a) contacting the debtors by telephone, mail, or otherwise to demand payment; (b) taking actions to collect money, obtain from, or interfere with property of, the debtors; (c) repossessing the debtors' property; and (d) starting or continuing lawsuits or foreclosures.
Meeting of Creditors	A meeting of creditors is scheduled for the date, time, and location listed above. The debtors' representative, as specified by Rule 9001(5) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), must be present at the meeting to be questioned under oath by the trustee and by creditors. Creditors are welcome to attend, but are not required to do so. The meeting may be continued and concluded at a later date without further notice.
Claims	Schedules of liabilities will be filed pursuant to Bankruptcy Rule 1007. Any creditor holding a scheduled claim not identified as disputed, contingent, or unliquidated as to amount may, but is not required to, file a proof of claim in these cases. Creditors whose claims are not scheduled or whose claims are scheduled as disputed, contingent, or unliquidated as to amount and who desire to participate in these cases or share in any distribution must file a proof of claim. A creditor who relies on the schedule of liabilities has the responsibility for determining that the claim is listed accurately. A form of proof of claim and notice of the deadline for filing such proof of claim will be sent to known creditors at a later date. A deadline for the last day for filing proofs of claim has not yet been established. Proof of claim forms are also available in the clerk's office of any bankruptcy court or from the Bankruptcy Court's website at http://www.cacb.uscourts.gov/.
Discharge of Debts	Confirmation of a chapter 11 plan may result in a discharge of debts, which may include all or part of a creditor's debt. See Bankruptcy Code section 1141(d). A discharge means that creditors may never try to collect the debt from a debtor, except as provided in the plan. If you believe that a debt owed to you by any of the Debtors is not dischargeable under Bankruptcy Code section 1141(d)(6)(A), you may start a lawsuit by filing a complaint in the bankruptcy clerk's office by the "Deadline to File a Complaint to Determine Dischargeability of Certain Debts" listed above.
Bankruptcy Clerk's Office	Any paper that you wish file in these bankruptcy cases may be filed at the bankruptcy clerk's office at the address listed above. You may inspect all papers filed, including the list of the debtors' property and debts and the lost of property claimed as exempt (if any), at the bankruptcy clerk's office.
Foreign Creditors	Consult a lawyer familiar with United States bankruptcy law if you have any questions regarding your rights in these cases.

Exhibit 8.04(c)(ii)

Exhibit not included – requirement waived.

Exhibit 9.01(f)

SEXY HAIR CONCEPTS, LLC

Closing Certificate

[•], 2011

This Closing Certificate is being executed and delivered by T. Scott Avila, in his capacity as Chief Restructuring Officer of the Debtor, pursuant to **Section 9.01(f)** of the Investment Agreement, dated as of even date herewith (as amended, restated, supplemented, or otherwise modified from time to time, and together with all exhibits, schedules, annexes, and other attachments thereto, the "Investment Agreement"), by and between Sexy Hair, Inc., a Delaware corporation (the "Investor") and Sexy Hair Concepts, LLC, a California limited liability company (the "Debtor"). Capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed to them in the Investment Agreement.

The undersigned hereby certifies that:

1. The representations and warranties of the Debtor contained in the Investment Agreement are true and correct at and as of the Closing with the same force and effect as if made as of the Closing, except to the extent that any failure of such representations and warranties to be true and correct does not constitute, individually or in the aggregate, a Material Adverse Effect, in each case other than representations and warranties that expressly speak only as of a specific date or time, which were true and correct to the extent described above as of such specified date or time.

2. The Debtor has performed and complied with all agreements, obligations, and covenants contained in the Investment Agreement that are required to be performed or complied with by the Debtor at or prior to the Closing, except to the extent that any failure to so perform or comply does not constitute, individually or in the aggregate, a Material Adverse Effect.

3. The Debtor has performed and complied in all material respects with its obligations contained in **Section 8.08(b)** of the Investment Agreement.

4. The Debtor has performed and complied in all material respects with all agreements, obligations, and covenants contained in (a) **Section 4.01** (Time and Place of Closing), (b) **Section 4.03** (Deliveries by the Seller to the Buyer) (other than delivery of a certified copy of the Confirmation Order entered by the Bankruptcy Court, as contemplated by **Section 4.03(f)**), (c) **Section 8.07** (Exclusivity), (d) **Section 8.04** (Bankruptcy Matters; Sale Process), or **Section 8.17** (Required Efforts).

5. Since the date of the Investment Agreement, no events have occurred that singularly or in the aggregate constitute a Material Adverse Effect.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate to be effective as of the date first set forth above.

_____

T. Scott Avila

Exhibit 9.02(c)

SEXY HAIR, INC.

Closing Certificate

[•], 2011

This Closing Certificate is being executed and delivered by **[•]**, in his capacity as **[•]** of the Investor, pursuant to **Section 9.02(c)** of the Investment Agreement, dated as of even date herewith (as amended, restated, supplemented, or otherwise modified from time to time, and together with all exhibits, schedules, annexes, and other attachments thereto, the "Investment Agreement"), by and between Sexy Hair, Inc., a Delaware corporation (the "Investor"), and Sexy Hair Concepts, LLC, a California limited liability company (the "Debtor"). Capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed to them in the Investment Agreement.

The undersigned hereby certifies for and on behalf of the Investor that:

1. The representations and warranties of the Investor contained in the Investment Agreement (i) that are not qualified by materiality are true and correct in all material respects at and as of the Closing with the same force and effect as if made as of the Closing and (ii) that are qualified by materiality are true and correct in all respects at and as of the Closing with the same force and effect as if made as of the Closing in each case, other than representations and warranties that expressly speak only as of a specific date or time, which were true and correct to the extent described above as of such specified date or time.

2. The Investor has performed and complied with, in all material respects, all agreements, obligations and covenants contained in the Investment Agreement that are required to be performed or complied with by the Investor prior to the Closing.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate to be effective as of the date first set forth above.

By: _____
Name:

Exhibit EA(v)

SCHEDULE EA(v) – EXCLUDED ASSETS – CONTRACTUAL OBLIGATIONS

1. Agreement, by and among Imperial Capital, Peitzman, Weg & Kempinsky, LLP, and the Debtor, dated as of October 12, 2009.

2. Engagement Agreement, by and between Chanin Capital Partners, LLC, and the Debtor, dated as of February 4, 2010.

3. Engagement Agreement, by and among Crowe Horwath, LLP, Peitzman, Weg & Kempinsky, LLP, and the Debtor, dated as of February 16, 2010.

4. Engagement Agreement, by and among CRG Partners Group, LLC, the Debtor, Ecoly International, Inc., and Luxe Beauty Midco Corporation, dated as of July 22, 2009.

5. Amendments, each dated July 13, 2010, to Engagement Agreement, by and among CRG Partners Group, LLC, the Debtor, Ecoly International, Inc., and Luxe Beauty Midco Corporation, dated July 22, 2009.

6. Credit Agreement, dated as of April 9, 2008, by and among the Debtor, as Borrower, Luxe Beauty Holdings Corporation and certain Affiliates of Borrower as Guarantors, the Lenders party thereto, and Bank of America, N.A. as Administrative Agent and Collateral Agent.

7. Securities and Guaranty Agreement, dated as of April 9, 2008, by and among Luxe Beauty Holdings Corporation, Luxe Beauty Midco Corporation, Ecoly International, Inc., the Debtor, and the Northwestern Mutual Life Insurance Company.

8. Employment Agreement by and between Karl-Heinz Pitsch and Luxe Beauty Holdings Corporation, dated November 7, 2008, as amended by resolution of the Board of Directors of Ecoly International, Inc., dated October 9, 2009, as assumed by the Company in that certain Assumption Agreement, dated February 2, 2010, by and between Karl-Heinz Pitsch and the Company, as amended by that certain letter agreement by and between the Debtor and Karl-Heinz Pitsch, dated July 13, 2010, as further amended by that certain letter agreement by and between the Debtor and Karl-Heinz Pitsch, dated September 14, 2010 and as further amended by that certain letter agreement by and between the Debtor and Karl-Heinz Pitsch, dated December 20, 2010.

9. Employment Agreement by and between Mark Milner and Luxe Beauty Holdings Corporation, dated January 12, 2009, as assumed by the Company in that certain Assumption Agreement, dated February 2, 2010, by and between Mark Milner and the Company, as amended by that certain letter agreement by and between the Debtor and Mark Milner, dated July 13, 2010, as further amended by that certain letter agreement by and between the Debtor and Mark Milner, dated September 14, 2010, and as further amended by that certain letter agreement by and between the Debtor and Mark Milner, dated December 20, 2010.

10. Sale Bonus (pursuant to Stay and Sale Bonus letters, dated January 14, 2010 and any amendments or subsequent revisions thereto). For both Pitsch and Milner. Milner and Pitsch sale bonuses are calculated based on a percentage of the transaction consideration.

11. Stay Bonus (pursuant to Stay and Sale Bonus letters, dated January 14, 2010 and any amendments or subsequent revisions thereto). For both Pitsch and Milner. Pitsch Stay Bonus is $200,000. Milner Stay Bonus is $100,000.

12. David Yaeger's annual bonus in an aggregate amount equal to $15,450, pursuant to a May 20, 2010 letter from Mark Milner to David Yaeger.

13. Amendments, dated July 13, 2010, September 14, 2010 and December 20, 2010, to Employment Agreement by and between Karl-Heinz Pitsch and Luxe Beauty Holdings Corporation, dated November 7, 2008, as amended by resolution of the Board of Directors of Ecoly International, Inc., dated October 9, 2009, and as assumed by the Company in that certain Assumption Agreement, dated February 2, 2010, by and between Karl-Heinz Pitsch and the Company.

14. Amendments, dated July 13, 2010, September 14, 2010 and December 20, 2010, to Employment Agreement by and between Mark Milner and Luxe Beauty Holdings Corporation, dated January 12, 2009, as assumed by the Company in that certain Assumption Agreement, dated February 2, 2010, by and between Mark Milner and the Company.

15. Rafe Hardy's bonus program providing for a bonus of up to ten percent of base salary ($120,000) with a guaranteed minimum bonus of $7,500 for 2010.

16. Marlene Amezcua's bonus providing for a payment of ten percent of base salary ($115,000), pursuant to a March 10, 2010 email from Karl Heinz Pitsch to Marlene Amezcua.

17. Stephen Jarvi's offer letter, dated June 28, 2010 at a salary of $168,000, a signing bonus of $28,000 and an annual bonus of 10% of his annual salary.

18. Karl-Heinz Severance

    a. Severance Payment (pursuant to employment agreement, dated November 7, 2008, as amended by resolution of the Board of Directors of Ecoly International, Inc., dated October 9, 2009, and as further amended by the Stay and Sale Bonuses letter, dated January 14, 2010 and any amendments or subsequent revisions thereto).

    b. Severance Letter of Credit Amendment (amendment of Irrevocable Standby Letter of Credit No. BMCH284867OS:, dated February 16, 2010 and any amendments or subsequent revisions thereto)

19. Mark Milner Severance

a. Severance Payment (pursuant to employment agreement, dated January 12, 2009, as amended by the Stay and Sale Bonuses letter, dated January 14, 2010 and any amendments or subsequent revisions thereto).

b. Severance Letter of Credit Amendment (amendment of Irrevocable Standby Letter of Credit No.: BMCH270361OS, dated February 16, 2010 and any amendments or subsequent revisions thereto).

20. Compensation to Transferring Employees.

21. Debtor agreement to provide $12,307.68 in severance payments to Donna Gysin in an Employee Separation and Release, dated May 11, 2010.

22. Debtor agreement to provide $12,307.68 in a lump sum severance payment to Donna Gysin in an Employee Separation and Release agreement, dated May 11, 2010.

23. Debtor agreement to provide $4,800.00 in a lump sum severance payment to Vicky Radovsky in an Employee Separation and Release agreement, dated August 11, 2010.

24. Lease between Debtor and Galpin Jaguar Lincoln Mercury of Van Nuys, California, for 2008 Jaguar XJ8, dated November 23, 2007.

25. Domestic Distribution Agreement by and between Ecoly and Armstrong McCall, L.P., as assigned by Arnold's, Inc., with consent to such assignment by the Ecoly, dated as of September 24, 2002.

26. International Distribution Agreement, by and between the Debtor and Kaluga Pro Beauty S.A., dated as of January 1, 2010.

27. Insurance Policy between Sexy Hair Concepts, LLC, and Chartis Specialty Insurance Company, numbered 01-423-78-37, effective December 17, 2009 to December 17, 2010.

28. Insurance Policy between Sexy Hair Concepts, LLC, and OneBeacon America Insurance Company, numbered 719-01-20-68-0000, effective March 11, 2010 to March 11, 2011.

29. Insurance Policy between Sexy Hair Concepts, LLC, and The St. Paul Travelers Companies, Inc., numbered GB09400794, effective March 11, 2010 to March 11, 2011.

30. Insurance Policy between Sexy Hair Concepts, LLC, and Mt. Hawley Insurance Company, numbered MQE0201593, effective March 11, 2010 to March 11, 2011.

31. Insurance Policy between Sexy Hair Concepts, LLC, and Illinois Union Insurance Company, numbered PPL G24878600 001, effective March 11, 2010 to March 11, 2011.

32. Insurance Policy between Sexy Hair Concepts, LLC, and United Financial Casualty Company, numbered 07734621-0, effective November 24, 2010 to November 24, 2011.

33. Letter between Sexy Hair Concepts, LLC and SalonCentric, dated as of December 15, 2010 (from Kark-Heinz Pitsch to Paul Sharnsky) regarding sale goals, marketing plans, and distribution rights and agreement.

34. Any and all Contractual Obligations to which the Debtor is not a party.

Exhibit EA(x)

SCHEDULE EA(x) – EXCLUDED ASSETS – OTHER ASSETS

1. Estimated 56 Pallets weighing 66,134 pounds of Waste Flammable Liquids (Liquid Art and Color Me Clear) to be removed for disposal at $0.65 per pound, estimated, according to Western Environmental Services, Inc. price quote, dated June 14, 2010.

Schedule 7.01(c)

Authorization of Governmental Authorities

1. Approval by the United States Bankruptcy Court for the Central District of California.

Schedule 7.01(d)

Noncontravention

(i)

1. Securities Purchase and Guaranty Agreement, by and between the Debtor, the Member, Luxe Beauty Midco Corporation, Luxe Beauty Holdings Corporation and NWM, dated April 9, 2008.

2. Credit Agreement, by and among the Debtor, as Borrower, Luxe Beauty Holdings Corporation, and certain Affiliates of Borrower as Guarantors, the Lenders party thereto, and Bank of America, N.A. as Administrative Agent and Collateral Agent, dated April 9, 2008.

(ii)

None.

(iii)

None.

(iv)

None.

Schedule 7.01(e)

Capitalization

1. UCC Financing Statement, filed April 9, 2008, with the Secretary of State of California, number 08-7153606965, naming Bank of America, N.A., as Administrative Agent as the secured party, and, as reflected in the UCC Financing Statement Amendment, number 21762560002, filed July 22, 2009, assigned to Bank of Montreal, Collateral Agent as the secured party.

Schedule 7.01(f)

Financial Statements

(see attached)

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

CONTENTS

GREEN HASSON & JANKS LLP
BUSINESS ADVISORS AND CPAs

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ecoly International, Inc.
dba Sexy Hair Concepts and Subsidiary

We have audited the accompanying consolidated balance sheet of Ecoly International, Inc. dba Sexy Hair Concepts and Subsidiary as of December 31, 2009, and the related consolidated statements of operations and changes in accumulated deficit, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ecoly International, Inc. dba Sexy Hair Concepts and Subsidiary as of December 31, 2009 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the company will continue as a going concern. As discussed in Note 12 to the consolidated financial statements, the company has a stockholders' deficit, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 12. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Green Hasson & Janks LLP

September 15, 2010
Los Angeles, California

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A world-wide organization of accounting firms and business advisers
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ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET
December 31, 2009

ASSETS		
CURRENT ASSETS:		
Cash	$ 5,549,229	
Accounts Receivable - Trade (Net of Allowance for Doubtful Accounts and Sales Returns of $1,292,430)	5,079,920	
Inventories	4,855,848	
Prepaid Expenses and Other Current Assets	2,267,819	
Income Taxes Receivable	409,000	
TOTAL CURRENT ASSETS		$ 18,161,816
PROPERTY AND EQUIPMENT (Net)		715,602
OTHER ASSETS:		
Trademarks (Net)	227,320	
Deposits and Other Assets	231,618	
TOTAL OTHER ASSETS		458,938
TOTAL ASSETS		$ 19,336,356
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts Payable	$ 2,640,350	
Accrued Expenses	8,505,317	
Line of Credit	6,993,750	
Current Portion of Long-Term Debt	72,107,500	
Due to Affiliates	544,264	
TOTAL CURRENT LIABILITIES		$ 90,791,181
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT:		
Common Stock - No Par Value, 1,000,000 Shares Authorized; 56,774 Shares Issued and Outstanding	10,330,090	
Accumulated Deficit	(81,784,915)	
TOTAL STOCKHOLDERS' DEFICIT		(71,454,825)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT		$ 19,336,356

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS AND
CHANGES IN ACCUMULATED DEFICIT
Year Ended December 31, 2009

	Amount	% of Net Sales
NET SALES	$ 58,843,042	100.0
COST OF SALES	30,354,090	51.6
GROSS PROFIT	28,488,952	48.4
OPERATING EXPENSES:		
General and Administrative	7,914,166	13.4
Selling and Marketing	15,519,377	26.4
TOTAL OPERATING EXPENSES	23,433,543	39.8
INCOME FROM OPERATIONS	5,055,409	8.6
OTHER EXPENSES:		
Impairment Loss on Due from Affiliate	(579,628)	(0.9)
Interest Expense	(8,758,923)	(14.9)
Amortization Expense	(2,977,370)	(5.1)
Provision for Doubtful Note Receivable - Related Party (Net of Accrued Interest of $48,635)	(2,250,483)	(3.9)
Other Expenses	(6,579)	-
TOTAL OTHER EXPENSES	(14,572,983)	(24.8)
LOSS BEFORE PROVISION FOR INCOME TAXES	(9,517,574)	(16.2)
Provision for Income Taxes	1,032,000	1.8
NET LOSS	(10,549,574)	(18.0)
Accumulated Deficit - Beginning of Year	(71,235,341)	
ACCUMULATED DEFICIT - END OF YEAR	$ (81,784,915)	

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (10,549,574)	
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Impairment Loss on Due from Affiliate	579,628	
Amortization	2,977,370	
Provision for Doubtful Note Receivable - Related Party	2,250,483	
Bad Debt Provision	48,034	
Depreciation	253,801	
Deferred Income Tax Expense	1,309,000	
(Increase) Decrease in:		
Accounts Receivable - Trade	6,928,110	
Inventories	4,521,178	
Prepaid Expenses and Other Current Assets	415,247	
Income Taxes Receivable	(409,000)	
Due from Affiliates	(35,364)	
Deposits and Other Assets	(41,876)	
Increase (Decrease) in:		
Book Overdraft	(401,808)	
Accounts Payable	(4,754,035)	
Accrued Expenses	4,993,436	
Income Taxes Payable	(445,000)	
NET CASH PROVIDED BY OPERATING ACTIVITIES		$ 7,639,630
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Payments for Debt Issuance Costs	(390,408)	
Purchases of Property and Equipment	(187,788)	
Purchase of Trademarks	(28,975)	
NET CASH USED IN INVESTING ACTIVITIES		(607,171)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Long-Term Debt	(2,527,500)	
Net Borrowings on Line of Credit	1,043,750	
NET CASH USED IN FINANCING ACTIVITIES		(1,483,750)
NET INCREASE IN CASH		5,548,709
Cash - Beginning of Year		520
CASH - END OF YEAR		$ 5,549,229
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest		$ 6,893,519
Income Taxes		552,000

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) NATURE OF BUSINESS

Ecoly International, Inc. dba Sexy Hair Concepts (Ecoly) and Subsidiary (collectively, the company) develops and distributes hair care products, which are created for the professional hair care market. The manufacturing of the products is performed by third party processors. These products are primarily sold through distributors who sell to professional hair salons. The company sells to distributors located primarily in the United States and also to distributors located internationally.

On April 9, 2008, pursuant to a securities purchase agreement, the outstanding stock of Ecoly International, Inc. was acquired by Luxe Beauty Holdings Corporation and Luxe Beauty Midco Corporation.

Luxe Beauty Holdings Corporation owns 100% of Luxe Beauty Midco Corporation (Holdings) and 29.46% of Ecoly International, Inc.

Luxe Beauty Midco Corporation (Midco) owns 70.54% of Ecoly International, Inc. and is a wholly-owned subsidiary of Luxe Beauty Holdings Corporation.

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Ecoly and its wholly-owned subsidiary, Sexy Hair Concepts, LLC (Sexy Hair). All significant intercompany balances and transactions have been eliminated on consolidation.

(c) MANAGEMENT'S USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes its estimates are appropriate, changes in assumptions utilized in preparing such estimates could cause these estimates to change some time in the future.

(d) CASH

The company maintains its cash in bank checking and deposit accounts which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) TRADE, NOTES AND OTHER RECEIVABLES

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. Interest income on long-term interest-bearing notes receivable is recognized as the interest accrues under the terms of the notes.

(f) INVENTORIES

Inventories consist primarily of purchased hair care products and are stated at the lower of cost or market, using standard costs.

(g) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation of property and equipment has been determined principally by using straight-line and accelerated methods over their useful lives as follows:

Equipment	5 - 7 Years
Furniture and Fixtures	3 - 5 Years
Molds	5 Years
Transportation Equipment	5 Years
Leasehold Improvements	Remaining Life of Lease

The company follows the policy of capitalizing expenditures that materially increase asset lives and charging ordinary repairs and maintenance to operations as incurred.

(h) LONG-LIVED ASSETS

The company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated realizable value. No such impairment losses have been recognized for the year ended December 31, 2009.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) TRADEMARKS

Trademarks consist of costs incurred in connection with the procurement of trademarks for certain of the company's products.

The company reviews trademarks for impairment whenever events or changes in business circumstances indicate the carrying value of the assets may not be recoverable. There was no impairment of trademarks for the year ended December 31, 2009.

(j) REVENUE RECOGNITION

Revenue is recognized at the time of product shipment, net of allowance for returns.

(k) SHIPPING AND HANDLING FEES AND COSTS

The company includes shipping and handling fees billed to customers in net sales. Shipping and handling costs associated with inbound freight are included in cost of sales. Shipping and handling costs associated with outbound freight of $1,821,275 for the year ended December 31, 2009 are included in selling and marketing expenses.

(l) ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs incurred for the year ended December 31, 2009 was $1,626,857.

(m) DEFERRED FINANCING COSTS

Fees and costs incurred in obtaining long-term financing are capitalized as deferred financing costs and amortized over the term of the related loan agreement. The capitalized costs are included in debt issuance costs. The amortization of these costs is included in other expenses. Due to debt defaults discussed in Notes 5, 7, and 8, deferred financing costs of $2,977,370 were written off as of December 31, 2009.

(n) FAIR VALUE MEASUREMENTS

The company reports that the carrying amounts of cash, accounts receivable - trade, inventories, prepaid expenses and other current assets, income taxes receivable, accounts payable, accrued expenses, and other current liabilities approximate fair value due to the short-term maturity of these instruments. In addition, management believes that the carrying amounts of notes payable approximate their fair value due to the relative similarity of their effective interest rates as compared to current market rates.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) INCOME TAXES

Income taxes are provided based on income reported in the consolidated financial statements adjusted for transactions that do not enter into the computation of income taxes payable.

Deferred income taxes are recognized for the tax consequences of "temporary differences" by applying currently enacted statutory tax rates applicable to future years differences between the consolidated financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred income taxes of a change in tax rates is recognized in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more likely than not to be realized.

In accordance with the newly adopted accounting pronouncement, Accounting for Uncertainty in Income Taxes, the company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The company is no longer subject to U.S. federal income tax examinations by tax authorities for the years before 2006 and state examinations for the years before 2005.

(p) RECENT ACCOUNTING PRONOUNCEMENT

In June 2009, FASB issued the FASB Accounting Standards Codification (the ASC). The ASC has become the single source of non-governmental accounting principles generally accepted in the United States (GAAP) recognized by the FASB in the preparation of consolidated financial statements. The company adopted the ASC as of December 31, 2009. The ASC does not change GAAP and did not have an effect on the company's consolidated financial position, results of operations or cash flows.

(q) SUBSEQUENT EVENTS

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2009, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through September 15, 2010, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred other than as disclosed in Note 11(c) and 13.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2009

NOTE 2 - RELATED PARTY TRANSACTIONS

(a) IMPAIRMENT LOSS ON DUE FROM AFFILIATE

An impairment loss of $579,628 was recorded during the year ended December 31, 2009 because, in the opinion of management, the outstanding advances due from the parent company may not be collectible due to the underlying financial condition of the parent company.

(b) NOTE RECEIVABLE - RELATED PARTY

Note receivable - related party (net) consists if the following:

Note Receivable (Including Accrued Interest)	$ 2,299,118
Provision for Doubtful Note Receivable	(2,299,118)
NOTE RECEIVABLE - RELATED PARTY (NET)	$ -

On March 9, 2006, a stockholder of the parent company purchased 8,516 shares of common stock for a note receivable, including accrued interest, of $2,299,118 at December 31, 2009. The note receivable is secured by a 50% interest in a New York LLC. As management doubts the collectability of such note receivable, an allowance for doubtful note receivable was recorded for $2,299,118 as of December 31, 2009.

Interest is accrued annually at the bank's prime rate less 1% (2.25% at December 31, 2009) and is added to principal. Interest accrued on this note receivable for the year ended December 31, 2009 was $48,635.

(c) DUE TO AFFILIATES

The company received various funds from its affiliates. These advances are non-interest bearing.

NOTE 3 - INVENTORIES

Inventories consist of the following at December 31, 2009:

Raw Materials	$ 1,141,157
Finished Goods	3,714,691
TOTAL INVENTORIES	$ 4,855,848

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2009

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2009:

Equipment	$ 1,188,964
Furniture and Fixtures	590,282
Molds	260,023
Transportation Equipment	27,949
Leasehold Improvements	104,966
TOTAL	2,172,184
Less: Accumulated Depreciation	(1,456,582)
NET PROPERTY AND EQUIPMENT	$ 715,602

Depreciation expense was $253,801 for the year ended December 31, 2009.

NOTE 5 - DEBT ISSUANCE COSTS

Debt issuance costs consist of the following:

Costs Relating to Notes Payable Issued in Connection with Business Acquisition	$ 3,339,140
Less: Accumulated Amortization	(3,339,140)
NET DEBT ISSUANCE COSTS	$ -

Amortization expense relating to debt issuance costs charged to operations was $2,977,370 for the year ended December 31, 2009, which represents the remaining balance of debt issuance costs. Such deferred issuance costs were written off, as the associated debts were in default as of December 31, 2009, as discussed in Note 7 and 8.

NOTE 6 - INCOME TAXES

The provision for income taxes consists of the following for year ended December 31, 2009:

Current - Federal	$ -
Current - State	13,000
Federal Net Operating Loss Carryback	(376,000)
Prior Year Under Provision	86,000
Deferred Income Tax Expense	1,309,000
PROVISION FOR INCOME TAXES	$ 1,032,000

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2009

NOTE 6 - INCOME TAXES (continued)

Deferred tax assets (liabilities) are comprised of the following:

DEFERRED TAX ASSETS:	
Allowance for Doubtful Accounts	$ 95,000
Allowance for Sales Returns	459,000
Allowance for Doubtful Note Receivable - Related Party	985,000
Inventory Reserve	321,000
Inventory Capitalization	120,000
Accrued Expenses	71,000
Loan Fees	1,183,000
Net Operating Losses	1,673,000
GROSS DEFERRED TAX ASSETS	4,907,000
DEFERRED TAX LIABILITIES:	
Prepaid Expenses	(289,000)
Depreciation	(272,000)
State Taxes	(302,000)
GROSS DEFERRED TAX LIABILITIES	(863,000)
NET DEFERRED INCOME TAX ASSETS BEFORE VALUATION ALLOWANCE	4,044,000
Less: Valuation Allowance	(4,044,000)
NET DEFERRED INCOME TAXES	$ -

The difference between income tax expense as a percentage of loss before taxes and the federal statutory rate of 34% is due primarily to the effect of the valuation allowance.

As of December 31, 2009, the company has net operating loss carryforwards available to be utilized for federal and state income tax purposes of approximately $4,000,000 and $5,000,000, respectively which will begin to expire in the year 2030 for federal tax purposes and 2019 for state tax purposes.

A valuation allowance has been established against net deferred income tax assets, which may not be realized. During the year ended December 31, 2009, the valuation allowance increased by $4,044,000.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2009

NOTE 7 - LINE OF CREDIT

On April 9, 2008, the company entered into a loan agreement with the bank. In terms of the loan agreement, the company has a revolving credit loan and letter of credit facility up to $10,000,000 and a term loan facility in the aggregate original principal amount of $61,600,000 (See Note 8). The revolving credit facility expires in April 2013 and the term loan facility expires in April 2014.

As of December 31, 2009, the outstanding balance under the line of credit was $6,993,750. At December 31, 2009, the maximum borrowing available under the line of credit subject to the terms of the related agreement was $3,006,250. Borrowings under the line of credit facility bear interest at the higher of the prime rate or the Federal Funds Rate plus 6% (default rate). As of December 31, 2009, the bank's prime rate was 3.25% and the Federal Funds Rate was approximately 0.25%. The unused portion of the line of credit bear commitment fees equal to 0.50%. The credit facilities are secured by certain assets of the company and a stock pledge agreement.

The credit facilities contain various covenants and restrictions which include, among others, (i) the maintenance of a maximum total leverage ratio; (ii) the maintenance of a maximum senior leverage ratio and; (iii) the maintenance of a minimum fixed charge coverage ratio. The line of credit agreement was in default as of December 31, 2009 (See Note 8).

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2009:

Note Payable - Bank, Secured by Certain Assets of the Company, Payable in Quarterly Installments of $842,500 (2010) and $1,155,000 (2011-2013), In Default and Interest at the Prime Rate Plus 6%, Outstanding Balance Due in April 2014	$53,107,500
Note Payable - Stockholder, Secured by Certain Assets of the Company, In Default and Interest Accruing at 16%, Payable Semi-Annually at 12% and the Remaining Accrued Interest Added Semi-Annually to the Outstanding Principal Amount of the Subordinated Note, Outstanding Balance Due in April 2015	19,000,000
TOTAL	72,107,500
Less: Current Maturities	(72,107,500)
LONG-TERM DEBT	$ -

The bank prime rate was 3.25% at December 31, 2009.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2009

NOTE 8 - LONG-TERM DEBT (continued)

The note payable - bank and note payable - stockholder were in default as of December 31, 2009. In connection with the default of notes payable - bank, the bank asserted its exclusive right to exercise all voting and consensual rights relating to the pledged shares as provided for in the pledge agreement. Furthermore, any rights to receive dividends and interest in respect of the pledged shares shall be attributed to the bank.

At December 31, 2009, unpaid interest of $5,028,395 on the above notes is included in accrued expenses.

NOTE 9 - CONCENTRATIONS

The company had net sales of approximately $13,100,000 to two major customers representing approximately 22% of net product sales. Included in accounts receivable – trade at December 31, 2009 was approximately $1,200,000 related to these customers representing approximately 21% of accounts receivable – trade.

For the year ended December 31, 2009 approximately 87% of the company's net purchases were from four vendors. At December 31, 2009 the amounts due to these vendors were $1,389,925. The company believes that should it not be able to purchase from these four vendors in the future, suitable replacements could be utilized so as to not interrupt the company's business.

NOTE 10 - EMPLOYEE BENEFIT PLAN

The company adopted a 401(K) Retirement Plan (the Plan) under the provisions of Section 401(K) of the Internal Revenue Code (the Code). The company personnel who meet prescribed service requirements are eligible to participate in the Plan administered by the company. Participant contributions consist of voluntary salary reduction contributions up to the limit set by the Code. The company matches 100% up to 3% of employee compensation, and 50% on the next 2% of employee compensation up to a maximum matching contribution of 4%. The company's matching contributions vest evenly over three years of credited service. During the year ended December 31, 2009, the company contributed $147,089 to the plan.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2009

NOTE 11 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The company leases its facilities and certain equipment under non-cancelable operating leases which expire on various dates through May 2013. The minimum lease commitments remaining under these agreements as of December 31, 2009 are as follows:

Years Ending December 31	Facilities	Equipment	Total
2010	$ 798,438	$ 71,819	$ 870,257
2011	822,391	55,474	877,865
2012	847,062	34,631	881,693
2013	502,660	14,430	517,090
TOTAL	$ 2,970,551	$ 176,354	$ 3,146,905

Rental expense under these leases was $885,988 for the year ended December 31, 2009.

(b) LITIGATION

In the ordinary course of conducting its business, the company becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the company, which, from time to time, may have an impact on its net income or financial position. The company does not believe that these proceedings individually, or in the aggregate, are material to its business or financial condition.

(c) LETTERS OF CREDIT

As of the December 31, 2009, the company has $506,500 of available irrevocable letters of credit with the bank, intended to provide for salary continuation to certain executives in connection with their severance agreements.

As of February 2010, the irrevocable letters of credit available balance was increased to $825,000 to provide for other executive benefits.

The letters of credit expire in December 2010.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2009

NOTE 12 - GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the company will continue as a going concern. As shown in the accompanying consolidated financial statements, the company incurred a net loss of $10,549,574 during the year ended December 31, 2009 and, as of that date, the company's current liabilities exceeded its current assets by $72,629,365 and its total liabilities exceeded its total assets by $71,454,825. Those factors, as well as the defaults on the line of credit and notes payable agreements with the bank and stockholder (as discussed in Notes 7 and 8), raise substantial doubt about the company's ability to continue as a going concern.

While the company believes that they are a going concern, there is no assurance to that effect. The company plans on selling its operating assets in the near future (See Note 13). The consolidated financial statements do not include any adjustments that might be necessary if the company is unable to continue as a going concern.

NOTE 13 - SUBSEQUENT EVENT

In April 2010, the company signed a letter of intent to sell all of the assets of its wholly owned subsidiary, Sexy Hair Concepts LLC.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2009

GREEN HASSON & JANKS LLP
BUSINESS ADVISORS AND CPAs

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of
Ecoly International, Inc.
dba Sexy Hair Concepts and Subsidiary

Our report on our audit of the consolidated financial statements of Ecoly International, Inc. dba Sexy Hair Concepts and Subsidiary for the year ended December 31, 2009 appears on Page 1. This audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as whole. The consolidating balance sheet as of December 31, 2009 and the consolidating statement of operations and changes in accumulated and member's deficit for the year then ended are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Green Hasson & Janks LLP

September 15, 2010
Los Angeles, California

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ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET
December 31, 2009

ASSETS	Ecoly International, Inc.	Sexy Hair Concepts, LLC	Eliminations	Consolidated
CURRENT ASSETS:				
Cash	$ -	$ 5,549,229	$ -	$ 5,549,229
Accounts Receivable - Trade (Net)	-	5,079,920	-	5,079,920
Inventories	-	4,855,848	-	4,855,848
Prepaid Expenses and Other Current Assets	-	2,267,819		2,267,819
Income Taxes Receivable	409,000	-	-	409,000
TOTAL CURRENT ASSETS	409,000	17,752,816	-	18,161,816
PROPERTY AND EQUIPMENT (Net)	-	715,602	-	715,602
OTHER ASSETS:				
Trademarks (Net)	-	227,320	-	227,320
Deposits and Other Assets	-	231,618	-	231,618
Due from Affiliates	-	3,064,136	(3,064,136)	-
TOTAL OTHER ASSETS	-	3,523,074	(3,064,136)	458,938
TOTAL ASSETS	$ 409,000	$ 21,991,492	$ (3,064,136)	$ 19,336,356
LIABILITIES AND STOCKHOLDERS' AND MEMBER'S DEFICIT				
CURRENT LIABILITIES:				
Accounts Payable	$ -	$ 2,640,350	$ -	$ 2,640,350
Accrued Expenses	67,643	8,437,674	-	8,505,317
Line of Credit	-	6,993,750	-	6,993,750
Current Portion of Long-Term Debt	-	72,107,500	-	72,107,500
Due to Affiliates	3,608,400	-	(3,064,136)	544,264
Deficit from Subsidiary	48,355,508	-	(48,355,508)	-
TOTAL CURRENT LIABILITIES	52,031,551	90,179,274	(51,419,644)	90,791,181
STOCKHOLDERS' AND MEMBER'S DEFICIT:				
Common Stock	10,330,090	-	-	10,330,090
Accumulated and Member's Deficit	(61,952,641)	(68,187,782)	48,355,508	(81,784,915)
TOTAL STOCKHOLDERS' AND MEMBER'S DEFICIT	(51,622,551)	(68,187,782)	48,355,508	(71,454,825)
TOTAL LIABILITIES AND STOCKHOLDERS' AND MEMBER'S DEFICIT	$ 409,000	$ 21,991,492	$ (3,064,136)	$ 19,336,356

See Independent Auditors' Report on Supplemental Information

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATING STATEMENT OF OPERATIONS
AND CHANGES IN ACCUMULATED AND MEMBER'S DEFICIT
Year Ended December 31, 2009

	Ecoly International Inc.	Sexy Hair Concepts, LLC	Eliminations	Consolidated
NET SALES	$ -	$ 58,843,042	$ -	$ 58,843,042
COST OF SALES	-	30,354,090	-	30,354,090
GROSS PROFIT	-	28,488,952	-	28,488,952
OPERATING EXPENSES:				
General and Administrative	1,416	7,912,750		7,914,166
Selling and Marketing	-	15,519,377	-	15,519,377
TOTAL OPERATING EXPENSES	1,416	23,432,127	-	23,433,543
INCOME (LOSS) FROM OPERATIONS	(1,416)	5,056,825	-	5,055,409
OTHER EXPENSES:				
Impairment Loss on Due from Affiliate	-	(579,628)	-	(579,628)
Interest Expense	-	(8,758,923)		(8,758,923)
Amortization Expense	-	(2,977,370)	-	(2,977,370)
Provision for Doubtful Note Receivable - Related Party	(2,250,483)	-	-	(2,250,483)
Other Expenses	-	(6,579)	-	(6,579)
Equity in Loss of Subsidiary	(7,277,675)	-	7,277,675	-
TOTAL OTHER EXPENSES	(9,528,158)	(12,322,500)	7,277,675	(14,572,983)
LOSS BEFORE PROVISION FOR INCOME TAXES	(9,529,574)	(7,265,675)	7,277,675	(9,517,574)
Provision for Income Taxes	1,020,000	12,000	-	1,032,000
NET LOSS	(10,549,574)	(7,277,675)	7,277,675	(10,549,574)
Accumulated and Member's Deficit - Beginning of Year	(51,403,067)	(60,910,107)	41,077,833	(71,235,341)
TOTAL ACCUMULATED AND MEMBER'S DEFICIT - END OF YEAR	$ (61,952,641)	$ (68,187,782)	$ 48,355,508	$ (81,784,915)

See Independent Auditors' Report on Supplemental Information

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM APRIL 1, 2008
TO DECEMBER 31, 2008

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

PERIOD FROM APRIL 1, 2008 TO DECEMBER 31, 2008

CONTENTS

GREEN HASSON & JANKS LLP
BUSINESS ADVISORS AND CPAs

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ecoly International, Inc.
dba Sexy Hair Concepts and Subsidiary

We have audited the accompanying consolidated balance sheet of Ecoly International, Inc. dba Sexy Hair Concepts and Subsidiary as of December 31, 2008, and the related consolidated statements of operations and changes in accumulated deficit, and cash flows for the period from April 1, 2008 to December 31, 2008. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ecoly International, Inc. dba Sexy Hair Concepts and Subsidiary as of December 31, 2008 and the results of its operations and its cash flows for the period from April 1, 2008 to December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

Green Hasson & Janks LLP

September 15, 2010
Los Angeles, California

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ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET
December 31, 2008

ASSETS		
CURRENT ASSETS:		
Cash	$ 520	
Accounts Receivable - Trade (Net of Allowance for Doubtful Accounts and Sales Returns of $3,843,800)	12,056,064	
Inventories	9,377,026	
Prepaid Expenses and Other Current Assets	2,683,066	
Debt Issuance Costs (Net)	482,360	
Deferred Income Taxes	1,534,000	
TOTAL CURRENT ASSETS		$ 26,133,036
PROPERTY AND EQUIPMENT (Net)		781,615
OTHER ASSETS:		
Note Receivable - Related Party	2,250,482	
Debt Issuance Costs (Net)	2,104,602	
Trademarks (Net)	198,345	
Deposits and Other Assets	189,742	
TOTAL OTHER ASSETS		4,743,171
TOTAL ASSETS		$ 31,657,822
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Book Overdraft	$ 401,808	
Accounts Payable	7,394,384	
Accrued Expenses	3,511,881	
Income Taxes Payable	445,000	
Current Portion of Long-Term Debt	3,370,000	
TOTAL CURRENT LIABILITIES		$ 15,123,073
OTHER LIABILITIES:		
Line of Credit	5,950,000	
Long-Term Debt	71,265,000	
Deferred Income Taxes	225,000	
TOTAL OTHER LIABILITIES		77,440,000
TOTAL LIABILITIES		92,563,073
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT:		
Common Stock - No Par Value, 1,000,000 Shares Authorized; 56,774 Shares Issued and Outstanding	10,330,090	
Accumulated Deficit	(71,235,341)	
TOTAL STOCKHOLDERS' DEFICIT		(60,905,251)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT		$ 31,657,822

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS AND
CHANGES IN ACCUMULATED DEFICIT
Period from April 1, 2008 to December 31, 2008

	Amount	% of Net Sales
NET SALES	$ 52,009,295	100.0
COST OF SALES	26,604,970	51.2
GROSS PROFIT	25,404,325	48.8
OPERATING EXPENSES:		
General and Administrative	8,343,310	16.1
Selling and Marketing	11,666,335	22.4
TOTAL OPERATING EXPENSES	20,009,645	38.5
INCOME FROM OPERATIONS	5,394,680	10.3
OTHER INCOME (EXPENSES):		
Interest Expense	(6,145,443)	(11.8)
Other Expenses	(991,825)	(1.9)
Amortization Expense	(361,770)	(0.7)
Interest Income	66,480	0.1
TOTAL OTHER INCOME (EXPENSES)	(7,432,558)	(14.3)
LOSS BEFORE BENEFIT FROM INCOME TAXES	(2,037,878)	(4.0)
Benefit from Income Taxes	(864,000)	(1.7)
NET LOSS	(1,173,878)	(2.3)
Accumulated Deficit - April 1, 2008	(24,660,298)	
Distributions to Stockholders	(45,401,165)	
ACCUMULATED DEFICIT - DECEMBER 31, 2008	$ (71,235,341)	

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
Period from April 1, 2008 to December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (1,173,878)	
Adjustments to Reconcile Net Loss to		
Net Cash Used in Operating Activities:		
Bad Debt Provision	3,089,000	
Inventory Reserve	500,000	
Amortization	361,770	
Depreciation	181,588	
Loss on Disposal of Property and Equipment	28,353	
Deferred Income Tax Benefit	(1,309,000)	
Interest Accrued on Note Receivable - Related Party	(66,480)	
Increase in:		
Accounts Receivable - Trade	(5,425,774)	
Inventories	(1,189,811)	
Prepaid Expenses and Other Current Assets	(1,479,565)	
Increase (Decrease) in:		
Book Overdraft	401,808	
Accounts Payable	1,207,891	
Accrued Expenses	(94,463)	
Income Taxes Payable	445,000	
NET CASH USED IN OPERATING ACTIVITIES		$ (4,523,561)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Payments for Debt Issuance Costs	(2,948,732)	
Purchases of Property and Equipment	(587,685)	
Payments for Deposits and Other Assets	(139,007)	
Payments for Acquisition of Trademarks	(63,400)	
NET CASH USED IN INVESTING ACTIVITIES		(3,738,824)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Borrowings on Line of Credit	5,950,000	
Proceeds from Long Term Debt	80,600,000	
Payments on Long Term Debt	(33,982,426)	
Distributions to Stockholders	(45,401,165)	
NET CASH PROVIDED BY FINANCING ACTIVITIES		7,166,409
NET DECREASE IN CASH		(1,095,976)
Cash - Beginning of Period		1,096,496
CASH - END OF PERIOD		$ 520
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Period for Interest		$ 5,639,139

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Period from April 1, 2008 to December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) NATURE OF BUSINESS

Ecoly International, Inc. dba Sexy Hair Concepts (Ecoly) and Subsidiary (collectively, the company) develops and distributes hair care products, which are created for the professional hair care market. The manufacturing of the products is performed by third party processors. These products are primarily sold through distributors who sell to professional hair salons. The company sells to distributors located primarily in the United States and also to distributors located internationally.

On April 9, 2008, pursuant to a securities purchase agreement, the outstanding stock of Ecoly International, Inc. was acquired by Luxe Beauty Holdings Corporation and Luxe Beauty Midco Corporation.

Luxe Beauty Holdings Corporation owns 100% of Luxe Beauty Midco Corporation (Holdings) and 29.46% of Ecoly International, Inc.

Luxe Beauty Midco Corporation (Midco) owns 70.54% of Ecoly International, Inc. and is a wholly-owned subsidiary of Luxe Beauty Holdings Corporation.

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Ecoly and its wholly-owned subsidiary, Sexy Hair Concepts, LLC (Sexy Hair). All significant intercompany balances and transactions have been eliminated on consolidation.

(c) MANAGEMENT'S USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes its estimates are appropriate, changes in assumptions utilized in preparing such estimates could cause these estimates to change some time in the future.

(d) CASH

The company maintains its cash in bank checking and deposit accounts which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Period from April 1, 2008 to December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) TRADE, NOTES AND OTHER RECEIVABLES

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectibility of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. Interest income on long-term interest-bearing notes receivable is recognized as the interest accrues under the terms of the notes.

(f) INVENTORIES

Inventories consist primarily of purchased hair care products and are stated at the lower of cost or market, using standard costs.

(g) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation of property and equipment has been determined principally by using straight-line and accelerated methods over their useful lives as follows:

Equipment	5 – 7 Years
Furniture and Fixtures	7 Years
Molds	5 Years
Transportation Equipment	5 Years
Leasehold Improvements	Remaining Life of Lease

The company follows the policy of capitalizing expenditures that materially increase asset lives and charging ordinary repairs and maintenance to operations as incurred.

(h) LONG-LIVED ASSETS

The company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated realizable value. No such impairment losses have been recognized for the period ended December 31, 2008.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Period from April 1, 2008 to December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) TRADEMARKS

Trademarks consist of costs incurred in connection with the procurement of trademarks for certain of the company's products.

The company reviews trademarks for impairment whenever events or changes in business circumstances indicate the carrying value of the assets may not be recoverable. There was no impairment of trademarks for the period ended December 31, 2008.

(j) REVENUE RECOGNITION

Revenue is recognized at the time of product shipment, net of allowance for returns.

(k) SHIPPING AND HANDLING FEES AND COSTS

The company includes shipping and handling fees billed to customers in net sales. Shipping and handling costs associated with inbound freight are included in cost of sales. Shipping and handling costs associated with outbound freight of $1,829,280 for the period ended December 31, 2008 are included in selling and marketing expenses.

(l) ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs incurred for the period ended December 31, 2008 was $1,785,563.

(m) DEFERRED FINANCING COSTS AND OTHER ASSETS

Fees and costs incurred in obtaining long-term financing are capitalized as deferred financing costs and amortized over the term of the related loan agreement. The capitalized costs are included in debt issuance costs. The amortization of these costs is included in other expenses.

The company complies with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended (Statement No. 133). Statement No. 133 requires that all derivative financial instruments be carried on the balance sheet as assets or liabilities at fair value, with changes in fair value recorded in net income or other comprehensive income depending on the nature of the instrument. The company was required to purchase an interest rate collar. During the term that the agreement comes into effect after an interest rate collar is purchased, changes in the fair value of the collar are recorded as realized gains or losses in the consolidated statement of operations as interest expense. Interest expense was decreased by $18,500 during the period ended December 31, 2008 due to the change in the fair value of the collar.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Period from April 1, 2008 to December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) FAIR VALUE MEASUREMENTS

The company reports that the carrying amounts of cash, accounts receivable - trade, inventories, prepaid expenses and other current assets, book overdraft, accounts payable, accrued expenses, income taxes payable, holdback payable and other current liabilities approximate fair value due to the short-term maturity of these instruments. In addition, management believes that the carrying amounts of notes receivable and notes payable approximate their fair value due to the relative similarity of their effective interest rates as compared to current market rates.

(o) INCOME TAXES

Income taxes are provided based on income reported in the consolidated financial statements adjusted for transactions that do not enter into the computation of income taxes payable.

Deferred income taxes are recognized for the tax consequences of "temporary differences" by applying currently enacted statutory tax rates to future years to differences between the consolidated financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

(p) RECENT ACCOUNTING PRONOUNCEMENT

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's consolidated financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken, or expected to be taken, on a tax return. FIN 48 was initially effective for fiscal years beginning after December 15, 2006. The implementation date for non-public corporations for FIN 48 has been delayed and is now effective for fiscal years beginning after December 15, 2008. The company has elected to defer the adoption of FIN 48 until January 1, 2009 and has not currently determined the impact of FIN 48 on its consolidated financial position and results of operations. However, until FIN 48 is adopted, the company will continue to account for uncertain tax positions using the guidance in FASB Statement 5, "Accounting for Contingencies." The cumulative effect, if any, of adopting FIN 48 will be recorded as an adjustment to accumulated deficit on January 1, 2009.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Period from April 1, 2008 to December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) SUBSEQUENT EVENTS

The company has evaluated events and transactions occurring subsequent to the consolidated balance sheet date of December 31, 2008 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through September 15, 2010, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred other than as disclosed in Note 13.

NOTE 2 - NOTE RECEIVABLE - RELATED PARTY

On March 9, 2006, a stockholder of the parent company purchased 8,516 shares of common stock for a note receivable, including accrued interest, of $2,250,482 at December 31, 2008. The note receivable is secured by a 50% interest in a New York LLC.

Interest is accrued annually at the bank's prime rate (3.25% at December 31, 2008) and is added to principal. Interest accrued on this for the period ended December 31, 2008 was $66,480.

NOTE 3 - INVENTORIES

Inventories consist of the following at December 31, 2008:

Raw Materials	$ 2,513,767
Finished Goods	6,863,259
TOTAL INVENTORIES	$ 9,377,026

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Period from April 1, 2008 to December 31, 2008

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2008:

Equipment	$ 1,046,582
Furniture and Fixtures	586,697
Molds	260,023
Transportation Equipment	24,683
Leasehold Improvements	66,413
TOTAL	1,984,398
Less: Accumulated Depreciation	(1,202,783)
NET PROPERTY AND EQUIPMENT	$ 781,615

Depreciation expense was $181,588 for the period ended December 31, 2008.

NOTE 5 - DEBT ISSUANCE COSTS

Debt issuance costs consist of the following:

Costs Relating to Notes Payable Issued in Connection with Business Acquisition	$ 2,948,732
Less: Accumulated Amortization	(361,770)
TOTAL	2,586,962
Less: Current Portion	(482,360)
NET DEBT ISSUANCE COSTS	$ 2,104,602

Amortization expense relating to debt issuance costs charged to operations was $361,770 for the period ended December 31, 2008.

Amortization expense relating to debt issuance costs for each of the next five succeeding years amounts to $482,360 in each year.

NOTE 6 - INCOME TAXES

The benefit from income taxes consists of the following for the period ended December 31, 2008:

Current - Federal	$ 334,000
Current - State	111,000
Deferred Income Tax Benefit	(1,309,000)
BENEFIT FROM INCOME TAXES	$ (864,000)

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Period from April 1, 2008 to December 31, 2008

NOTE 6 - INCOME TAXES (continued)

Deferred tax assets (liabilities) are comprised of the following:

DEFERRED TAX ASSETS:	
Allowance for Doubtful Accounts	$ 1,323,000
Allowance for Sales Returns	139,000
Inventory Reserve	193,000
Inventory Capitalization	160,000
Accrued Expenses	189,000
GROSS DEFERRED TAX ASSETS	2,004,000
DEFERRED TAX LIABILITIES:	
Prepaid Expenses and Loan Fees	(246,000)
Depreciation	(368,000)
State Taxes	(81,000)
GROSS DEFERRED TAX LIABILITIES	(695,000)
NET DEFERRED INCOME TAXES	$ 1,309,000
DEFERRED INCOME TAXES:	
Current	$ 1,534,000
Long-Term	(225,000)
NET DEFERRED INCOME TAXES	$ 1,309,000

The difference between the benefit from income taxes as a percentage of loss before benefit from income taxes and the federal statutory rate of 34% is due primarily to the non-deductibility of certain items, state income taxes and deferred income taxes.

NOTE 7 - LINE OF CREDIT

On April 9, 2008, the company entered into a loan agreement with the bank. In terms of the loan agreement, the company has a revolving credit loan and letter of credit facility up to $10,000,000 and a term loan facility in the aggregate original principal amount of $61,600,000 (See Note 7). The revolving credit facility expires in April 2013 and the term loan facility expires in April 2014.

As of December 31, 2008, the outstanding balance under the line of credit was $5,950,000. At December 31, 2008, the maximum borrowing available under the line of credit subject to the terms of the related agreement was $4,050,000. Borrowings under the line of credit facility bear interest at the higher of the prime rate or the Federal Funds Rate plus 4%. As of December 31, 2008, the bank's prime rate was 3.25% and the Federal Funds Rate was approximately 0.1%. The unused portion of the line of credit bear commitment fees equal to 0.50%. The credit facilities are secured by certain assets of the company and a stock pledge agreement.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Period from April 1, 2008 to December 31, 2008

NOTE 7 - LINE OF CREDIT (continued)

The credit facilities contain various covenants and restrictions which include, among others, (i) the maintenance of a maximum total leverage ratio; (ii) the maintenance of a maximum senior leverage ratio and; (iii) the maintenance of a minimum fixed charge coverage ratio.

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2008:

Note Payable - Bank, Secured by Certain Assets of the Company, Payable in Quarterly Installments of $842,500 (2009-2010) and $1,155,000 (2011-2013), Plus Interest at the Prime Rate, Outstanding Balance Due in April 2014	$ 55,635,000
Note Payable - Stockholder, Secured by Certain Assets of the Company, Interest Accruing at 14%, Payable Semi-Annually at 12% and the Remaining Accrued Interest Added Semi-Annually to the Outstanding Principal Amount of the Subordinated Note, Outstanding Balance Due in April 2015	19,000,000
TOTAL	74,635,000
Less: Current Maturities	(3,370,000)
LONG-TERM DEBT	$ 71,265,000

The bank prime rate was 3.25% at December 31, 2008.

Future maturities of long-term debt as of December 31, 2008 are as follows:

Years Ending December 31	
2010	$ 3,370,000
2011	4,620,000
2012	4,620,000
2013	4,620,000
Thereafter	54,035,000
TOTAL	$71,265,000

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Period from April 1, 2008 to December 31, 2008

NOTE 9 - FAIR VALUE MEASUREMENTS

Effective April 1, 2008, the company implemented SFAS 157 for those assets and liabilities that are re-measured and reported at fair value at each reporting period.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents information about the company's interest rate collar, which is measured at its fair value on a recurring basis at December 31, 2008, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

		Fair Value Measurements Using		
	Period Ended December 31, 2008	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LIABILITIES:				
Interest Rate Collar	$ 18,500	$ -	$ 18,500	$ -

The fair values of the interest rate collar within Level 2 inputs were derived from third-party pricing models using available market information. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the use of different assumptions and/or estimated methodologies could have a material effect on the estimated fair values. The fair value estimates are based on information available as of December 31, 2008. These amounts have not been revalued since that date, and current estimates of fair value could differ significantly from the amounts presented.

The company uses a cash flow hedge derivative to manage interest rate risk principally by the use of an interest rate collar agreement which effectively protects the interest rate for a portion of the term of the credit facilities with the bank. The interest rate collar agreement that is outstanding as of December 31, 2008 is as follows:

Notional Amount	$ 38,150,000
Cap Rate (Pay)	5%
Floor Rate (Receive)	1.45875%
Floating Rate Option	3 Month LIBOR
Maturity	June 30, 2011
Asset under Interest Rate Collar	$ 18,500

At December 31, 2008, the three month LIBOR rate was 1.41%.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Period from April 1, 2008 to December 31, 2008

NOTE 9 - FAIR VALUE MEASUREMENTS (continued)

The notional amount under the interest rate collar agreement decreases as principal payments are made on the note so that the notional amount equals the principal outstanding under the note. The interest rate collar agreement does not qualify for hedge accounting under the provisions of Statement No. 133 and, accordingly, the company recognizes the changes in the fair value immediately in interest expense. During the period ended December 31, 2008, there was a decrease of $18,500 in interest expense.

NOTE 10 - EMPLOYEE BENEFIT PLAN

The company adopted a 401(K) Retirement Plan (the Plan) under the provisions of Section 401(K) of the Internal Revenue Code (the Code). The company personnel who meet prescribed service requirements are eligible to participate in the Plan administered by the company. Participant contributions consist of voluntary salary reduction contributions up to the limit set by the Code. The company matches 100% up to 3% of employee compensation, and 50% on the next 2% of employee compensation up to a maximum matching contribution of 4%. The company's matching contributions vest evenly over three years of credited service. During the period ended December 31, 2008, the company contributed $71,016 to the plan.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The company leases its facilities and certain equipment under non-cancelable operating leases which expire on various dates through May 2013. The minimum lease commitments remaining under these agreements as of December 31, 2008 are as follows:

Years Ending December 31	Facilities	Equipment	Total
2009	$ 765,623	$ 78,418	$ 844,041
2010	765,623	71,819	837,442
2011	765,626	55,474	821,100
2012	765,725	34,631	800,356
2013	319,094	14,430	333,524
TOTAL	$ 3,381,691	$ 254,772	$ 3,636,463

Rental expense under these leases was $817,659 for the period ended December 31, 2008.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Period from April 1, 2008 to December 31, 2008

NOTE 11 - COMMITMENTS AND CONTINGENCIES (continued)

(b) LITIGATION

In the ordinary course of conducting its business, the company becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the company, which, from time to time, may have an impact on its net income or financial position. The company does not believe that these proceedings individually, or in the aggregate, are material to its business or financial condition.

(c) EMPLOYMENT CONTRACT

The company currently has an employment contract with one of the company's executives. The contract provides for annual salaries and participation in year end bonuses. Although the employment contract has no stated expiration date, the company has the right to terminate this contract at any time. Should the company terminate the contract without cause, it is obligated to pay salary and continuation of various benefits for twelve months following termination of employment.

NOTE 12 - BUSINESS ACQUISITION RELATED EXPENSES

Costs related to the business acquisition, which include legal, accounting, and valuation fees, in the amount of approximately $992,000 have been charged directly to operations and are included in other expenses in the consolidated statement of operations for the period ended December 31, 2008.

NOTE 13 - SUBSEQUENT EVENTS

As the note payable - bank and note payable - stockholder were in default as of December 31, 2009, the bank asserted its exclusive right to exercise all voting and consensual rights relating to the pledged shares as provided for in the pledge agreement. Furthermore, any rights to receive dividends and interest in respect of the pledged shares shall be attributed to the bank. In connection with the bank assertion of its rights:

(a) An impairment loss on due from affiliates for $579,628 was recorded during the year ended December 31, 2009 because, in the opinion of management, the outstanding advances due from the parent company may not be collectible due to the underlying financial condition of the parent company;

(b) As management doubts the collectability of the note receivable - related party, an allowance for doubtful note receivable was recorded against 100% of the outstanding balance as of December 31, 2009;

(c) All remaining unamortized debt issuance costs were written off during the year ended December 31, 2009; and

(d) In April 2010, the company signed a letter of intent to sell all of the assets of its wholly owned subsidiary, Sexy Hair Concepts LLC.

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

SUPPLEMENTAL INFORMATION

PERIOD FROM APRIL 1, 2008
TO DECEMBER 31, 2008

GREEN HASSON & JANKS LLP
BUSINESS ADVISORS AND CPAs

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of
Ecoly International, Inc.
dba Sexy Hair Concepts and Subsidiary

Our report on our audit of the consolidated financial statements of Ecoly International, Inc. dba Sexy Hair Concepts and Subsidiary for the period from April 1, 2008 to December 31, 2008 appears on Page 1. This audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as whole. The consolidating balance sheet as of December 31, 2008 and the consolidating statement of operations and changes in accumulated and member's deficit for the period from April 1, 2008 to December 31, 2008 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Green Hasson & Janks LLP

September 15, 2010
Los Angeles, California

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET
December 31, 2008

ASSETS	Ecoly International, Inc.	Sexy Hair Concepts, LLC	Eliminations	Consolidated
CURRENT ASSETS:				
Cash	$ 520	$ -	$ -	$ 520
Accounts Receivable - Trade (Net)	-	12,056,064	-	12,056,064
Inventories	-	9,377,026	-	9,377,026
Prepaid Expenses and Other Current Assets	-	2,683,066	-	2,683,066
Debt Issuance Costs (Net)	-	482,360	-	482,360
Deferred Income Taxes	1,534,000	-	-	1,534,000
TOTAL CURRENT ASSETS	1,534,520	24,598,516	-	26,133,036
PROPERTY AND EQUIPMENT (Net)	-	781,615	-	781,615
OTHER ASSETS:				
Note Receivable - Related Party	2,250,482	-	-	2,250,482
Debt Issuance Costs (Net)	-	2,104,602	-	2,104,602
Trademarks (Net)	-	198,345	-	198,345
Deposits and Other Assets	-	189,742	-	189,742
Due from Affiliates	-	3,042,504	(3,042,504)	-
TOTAL OTHER ASSETS	2,250,482	5,535,193	(3,042,504)	4,743,171
TOTAL ASSETS	$ 3,785,002	$ 30,915,324	$ (3,042,504)	$ 31,657,822
LIABILITIES AND STOCKHOLDERS' AND MEMBER'S EQUITY (DEFICIT)				
CURRENT LIABILITIES:				
Book Overdraft	$ -	$ 401,808	$ -	$ 401,808
Accounts Payable	-	7,394,384	-	7,394,384
Accrued Expenses	67,642	3,444,239	-	3,511,881
Income Taxes Payable	445,000	-	-	445,000
Current Portion of Long-Term Debt	-	3,370,000	-	3,370,000
Due to Affiliates	3,042,504	-	(3,042,504)	-
TOTAL CURRENT LIABILITIES	3,555,146	14,610,431	(3,042,504)	15,123,073
OTHER LIABILITIES:				
Line of Credit	-	5,950,000	-	5,950,000
Long-Term Debt	-	71,265,000	-	71,265,000
Deferred Income Taxes	225,000	-	-	225,000
Deficit from Subsidiary	41,077,833	-	(41,077,833)	-
TOTAL OTHER LIABILITIES	41,302,833	77,215,000	(41,077,833)	77,440,000
TOTAL LIABILITIES	44,857,979	91,825,431	(44,120,337)	92,563,073
STOCKHOLDERS' AND MEMBER'S EQUITY (DEFICIT):				
Common Stock	10,330,090	-	-	10,330,090
Accumulated and Member's Deficit	(51,403,067)	(60,910,107)	41,077,833	(71,235,341)
TOTAL STOCKHOLDERS' AND MEMBER'S EQUITY (DEFICIT)	(41,072,977)	(60,910,107)	41,077,833	(60,905,251)
TOTAL LIABILITIES AND STOCKHOLDERS' AND MEMBER'S EQUITY (DEFICIT)	$ 3,785,002	$ 30,915,324	$ (3,042,504)	$ 31,657,822

See Independent Auditors' Report on Supplemental Information

ECOLY INTERNATIONAL, INC.
dba SEXY HAIR CONCEPTS AND SUBSIDIARY

CONSOLIDATING STATEMENT OF OPERATIONS
AND CHANGES IN ACCUMULATED AND MEMBER'S DEFICIT
Period from April 1, 2008 to December 31, 2008

	Ecoly International Inc.	Sexy Hair Concepts, LLC	Eliminations	Consolidated
NET SALES	$ -	$ 52,009,295	$ -	$ 52,009,295
COST OF SALES	-	26,604,970	-	26,604,970
GROSS PROFIT	-	25,404,325	-	25,404,325
OPERATING EXPENSES:				
General and Administrative	3,057	8,340,253	-	8,343,310
Selling and Marketing	-	11,666,335	-	11,666,335
TOTAL OPERATING EXPENSES	3,057	20,006,588	-	20,009,645
INCOME (LOSS) FROM OPERATIONS	(3,057)	5,397,737	-	5,394,680
OTHER INCOME (EXPENSES):				
Interest Expense	-	(6,145,443)	-	(6,145,443)
Other Expenses	(20,025)	(971,800)	-	(991,825)
Amortization Expense	-	(361,770)	-	(361,770)
Interest Income	66,480	-	-	66,480
Equity in Loss of Subsidiary	(2,081,276)	-	2,081,276	-
TOTAL OTHER INCOME (EXPENSES)	(2,034,821)	(7,479,013)	2,081,276	(7,432,558)
LOSS BEFORE BENEFIT FROM INCOME TAXES	(2,037,878)	(2,081,276)	2,081,276	(2,037,878)
Benefit from Income Taxes	(864,000)	-	-	(864,000)
NET LOSS	(1,173,878)	(2,081,276)	2,081,276	(1,173,878)
Accumulated and Member's Deficit - April 1, 2008	(4,828,024)	(13,427,666)	(6,404,608)	(24,660,298)
Distributions to Stockholders and Member	(45,401,165)	(45,401,165)	45,401,165	(45,401,165)
TOTAL ACCUMULATED AND MEMBER'S DEFICIT - DECEMBER 31, 2008	$ (51,403,067)	$ (60,910,107)	$ 41,077,833	$ (71,235,341)

See Independent Auditors' Report on Supplemental Information

Sexy Hair Concepts
CONSOLIDATED BALANCE SHEET
November 30, 2010

	11/30/2010
CURRENT ASSETS	
Cash	$1,423,555
Accounts Receivable Net	$5,416,772
Inventory	$9,430,456
Prepaid Expenses and Other Current Assets	$2,091,626
Income Tax Receivable	$409,000
TOTAL CURRENT ASSETS	18,771,409
PROPERTY AND EQUIPMENT	
Furniture, Equipment, Staging Accesories	$2,502,145
Less: Accumulated Depreciation	($1,791,103)
NET PROPERTY AND EQUIPMENT	$711,042
OTHER ASSETS	
Goodwill	
Note Recevable - Stockholder	-
Trademarks (Net)	$263,221
Deposits	$1,299,178
TOTAL OTHER ASSETS	1,562,399
TOTAL ASSETS	21,044,849
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	$4,820,846
Accrued Expenses	$1,838,158
Accrued Interest	$9,800,470
Line of Credit	6,675,250
Current Portion of Long Term Debt	3,370,000
TOTAL CURRENT LIABILITIES	26,504,725
LONG TERM LIABILITIES	
Term Loan - Bank of America	47,210,000
Term Loan - North Western Bank	20,060,190
Deferred Income Tax	
TOTAL LONG TERM LIABILITIES	67,270,190
TOTAL LIABILITIES	93,774,915
STOCKHOLDERS EQUITY	
TOTAL STOCKHOLDERS EQUITY	(72,730,065)
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	**21,044,850**

Sexy Hair Concepts
CONSOLIDATED STATEMENT OF OPERATIONS
November 30, 2010

	November ACTUAL	YTD ACTUAL
Net Sales	4,811,193	62,246,023
Cost Of Goods Sold	(2,209,253)	(27,136,872)
Gross Profit	2,601,939	35,109,151
	54.1%	56.4%
Selling Expenses:		
Commission	9,989	203,554
Coop Expenses	141,149	1,368,179
Detailing	16,314	197,853
Education - Distributors	94,285	914,054
Education - Spiffs	-	-
Entertainment	-	4,795
Freight Out	151,668	1,703,626
Postage and Supplies	46,395	73,180
Sales Incentives	64,200	545,488
Sales Literature - Printing	16,715	275,566
Sales Meetings	46,768	484,397
Sales Salaries	276,310	2,488,212
Sales Salaries - Pension	4,835	50,422
Sales Samples	73,150	951,899
Telephone	2,738	49,063
Tradeshows - Distributor	35,585	701,031
Total Selling Expenses	980,100	10,011,318
	20.4%	16.1%
Marketing Expenses:		
Advertising Media	400	79,232
Artwork - Production/Supplies	12,675	290,473
Travel	429	13,247
Dues and Subscriptions	25,200	55,641
Education - Corporate	81,263	1,345,565
Education - Print Materials	-	-
Entertainment	-	147
Independent Contractors	6,856	22,496
Marketing Salaries	208,986	1,375,484
Marketing Salaries - Pension	1,306	15,071
POP Materials and Displays	-	296
Promotions/Samples	(31,238)	698,224
Publicity Expenses	55,006	350,342
Publicity Fees	-	-
Research & Development	19,664	201,701
Tradeshows - Major	22,106	852,274
Academy	(645)	68,444
Website	-	70,052
Total Marketing Expense	402,006	5,438,689
	8.4%	8.7%
Profit Contribution	1,219,834	19,659,144
	25.4%	31.6%

Sexy Hair Concepts
CONSOLIDATED STATEMENT OF OPERATIONS
November 30, 2010

	November ACTUAL	YTD ACTUAL
General & Administrative:		
Amortization	-	
Bad Debts	-	796,102
Bank Charges	5,121	39,679
Computer	23,288	130,065
Depreciation	34,239	336,190
Dues and Subscriptions	128	1,626
Equipment Rental and Lease	10,417	106,069
Independant Contractors	1,080	62,745
Insurance	21,549	281,563
Janitorial	1,495	15,275
Professional Fees	438,010	6,165,339
Licenses and Taxes	1,394	35,525
Meals and Entertainment	1,654	28,901
Miscellaneous	-	-
Office and Warehouse Supplies	13,779	143,081
Pension Administration	-	1,878
Printing and Postage	1,352	24,166
Recruiting	162	38,103
Rent - Office/Warehouse	78,963	908,140
Repairs and Maintenance	6,130	58,518
Salaries	374,291	3,673,428
Salaries - Pension	2,983	62,056
Staff Expenses	29,697	87,726
Telephone	2,544	65,796
Travel and Auto	3,223	86,881
Utilities	7,167	79,218
Total General & Administrative	1,058,667	13,228,068
	22.0%	21.3%
Total Operating Expenses	**2,440,773**	**28,678,075**
	50.7%	46.1%
Net Income (Loss) From Operations	**161,166**	**6,431,076**
	3.3%	10.3%
Other (Income) Expense:		
Interest Income / Other	(3,997)	(44,504)
Interest Expense	695,669	7,989,433
Other Expenses	3,889	240,291
Management Fee	-	-
Total Other (Income) Expense	695,560	8,185,220
	14.5%	13.1%
Net Income Before Tax (Loss)	**(534,394)**	**(1,754,144)**
	-11.1%	-2.8%
Tax	**1,000**	**11,000**
Net Income (Loss)	(535,394)	(1,765,144)

Schedule 7.01(g)

Absence of Certain Developments

(i)

1. Amendment, dated July 13, 2010, to Agreement by and among Imperial Capital, Peitzman, Weg and Kempinsky, LLP, and the Debtor dated as of October 12, 2009.

2. Amendments, each dated July 13, 2010, to Engagement Agreement, by and among CRG Partners Group, LLC, the Debtor, Ecoly International, Inc., and Luxe Beauty Midco Corporation, dated July 22, 2009.

3. Amendments, dated July 13, 2010, September 14, 2010 and December 20, 2010, to Employment Agreement by and between Karl-Heinz Pitsch and Luxe Beauty Holdings Corporation, dated November 7, 2008, as amended by resolution of the Board of Directors of Ecoly International, Inc., dated October 9, 2009, and as assumed by the Company in that certain Assumption Agreement, dated February 2, 2010, by and between Karl-Heinz Pitsch and the Company. For all avoidance of doubt, the Debtor acknowledges that each item set forth in this section (i)(3) of Schedule 7.01(g) constitute Excluded Liabilities that will, in accordance with the terms set forth in this Agreement, be retained by the Debtor.

4. Amendments, dated July 13, 2010, September 14, 2010 and December 20, 2010, to Employment Agreement by and between Mark Milner and Luxe Beauty Holdings Corporation, dated January 12, 2009, as assumed by the Company in that certain Assumption Agreement, dated February 2, 2010, by and between Mark Milner and the Company. For all avoidance of doubt, the Debtor acknowledges that each item set forth in this section (i)(4) of Schedule 7.01(g) constitute Excluded Liabilities that will, in accordance with the terms set forth in this Agreement, be retained by the Debtor.

5. Termination, effective as of January 15, 2010, of International Distribution Agreement, by and between, the Debtor and Soda Brands, Ltd., dated as of June 1, 2008.

6. Termination, effective as of October 7, 2010, of Business Agreement, by and between, the Debtor and Gateway Military, LLC, dated January 27, 2009.

7. Letter Amendment, dated October 5, 2010, to International Distributorship Agreement by and between Sexy Hair Concepts, LLC and HairConcepts GmbH, dated July 24, 2007 and revised December 16, 2009.

(ii)

(a) Stephen Jarvi was hired on July 1, 2010 at a salary of $168,000.

(iii)

(a)

1. Pitsch/Milner Sale Bonus (pursuant to Stay and Sale Bonus letters, dated January 14, 2010). Milner and Pitsch sale bonuses are calculated based on a percentage of the transaction consideration.

2. Pitsch/Milner Stay Bonus (pursuant to Stay and Sale Bonus letters, dated January 14, 2010). For both Pitsch and Milner. Pitsch Stay Bonus is $200,000. Milner Stay Bonus is $100,000. All Stay Bonuses have been paid in full.

3. Amendments, each dated July 13, 2010, to Engagement Agreement, by and among CRG Partners Group, LLC, the Debtor, Ecoly International, Inc., and Luxe Beauty Midco Corporation, dated July 22, 2009.

4. Amendments, dated July 13, 2010, September 14, 2010 and December 20, 2010, to Employment Agreement by and between Karl-Heinz Pitsch and Luxe Beauty Holdings Corporation, dated November 7, 2008, as amended by resolution of the Board of Directors of Ecoly International, Inc., dated October 9, 2009, and as assumed by the Company in that certain Assumption Agreement, dated February 2, 2010, by and between Karl-Heinz Pitsch and the Company.

5. Amendment, dated July 13, 2010, September 14, 2010, and December 20, 2010, to Employment Agreement by and between Mark Milner and Luxe Beauty Holdings Corporation, dated January 12, 2009, as assumed by the Company in that certain Assumption Agreement, dated February 2, 2010, by and between Mark Milner and the Company.

6. David Yaeger annual bonus (pursuant to a May 20, 2010 letter from Mark Milner to David Yaeger) in an aggregate amount equal to $15,450.

7. Rafe Hardy bonus program providing for a bonus of up to ten percent of base salary ($120,000) with a guaranteed minimum bonus of $7,500 for 2010.

8. 2010 Bonus Program for sales employees.

9. Marlene Amezcua’s bonus providing for a payment of ten percent of base salary ($115,000), pursuant to a March 10, 2010 email from Karl Heinz Pitsch to Marlene Amezcua.

10. Rachel Townsend was promoted on September 6, 2010 and her salary increased from $45,208 to $48,000.

11. Lindsay Mundell promoted on September 6, 2010 and her salary increased from $32,136 to $35,000.

12. Stephen Jarvi was hired on July 1, 2010 at a salary of $168,000, a signing bonus of $28,000 and an annual bonus of 10% of his annual salary.

13. Amended Schedule B, dated October 13, 2010, of Administaff Agreement, dated August 8, 2007, by and between Debtor and Administaff.

(b)

1. Karl-Heinz Severance

   (a) Severance Payment (pursuant to employment agreement, dated November 7, 2008, as amended by resolution of the Board of Directors of Ecoly International, Inc., dated October 9, 2009, and as further amended by the Stay and Sale Bonuses letter, dated January 14, 2010).

   (b) Severance Letter of Credit Amendment (amendment of Irrevocable Standby Letter of Credit No. BMCH284867OS:, dated February 16, 2010).

2. Mark Milner Severance

   (a) Severance Payment (pursuant to employment agreement, dated January 12, 2009, as amended by the Stay and Sale Bonuses letter, dated January 14, 2010).

   (b) Severance Letter of Credit Amendment (amendment of Irrevocable Standby Letter of Credit No.: BMCH2703610S, dated February 16, 2010).

3. Debtor agreed to provide $12,307.68 in a lump sum severance payment to Donna Gysin in an Employee Separation and Release agreement, dated May 11, 2010.

4. Debtor agreed to provide $4,800.00 in a lump sum severance payment to Vicky Radovsky in an Employee Separation and Release agreement, dated August 11, 2010.

5. For all avoidance of doubt, except as set forth in Section 8.09(c)(ii) with respect to the 2010 Bonus Program for sales employees, the Debtor acknowledges that each of the items set forth in this section (iii) of Schedule 7.01(g) constitute Excluded Liabilities that will, in accordance with the terms set forth in this Agreement, be retained by the Debtor.

(iv)

(a) Modifications to accounting practices related to calculation of inventory reserves as provided on Exhibit 5.01.

(v)

None.

(vi)

a) The Debtor entered into a General Release agreement, by and between the Debtor and Windsor Beauty Supply, Inc., dated as of April 2, 2010. The General Release Agreement released both parties from any and all claims either party may have against the other and provided that the parties would enter into a new Domestic Distribution Agreement and Anti-Diversion Agreement.

b) The Debtor entered into a Settlement Agreement and Release, by and between Debtor and Lisa Upton, dated September 8, 2010. The Settlement Agreement and Release provided that, in exchange for $5000.00, Upton released Debtor from any and all claims Upton may have against Debtor for damage to her hair related to the use of Debtor's product.

c) The Debtor entered into a Settlement Agreement, by and between the Debtor and Maja Abdul-Kareem ("Kareem"), dated November 30, 2010. The Settlement Agreement provides that, among other things, Kareem will abandon the application for, and cease the use of, the mark Sexy Vixen Elixirs.

(vii)

None.

(viii)

None.

(ix)

None.

(x)

None.

(xi)

None.

(xii)

None.

Schedule 7.01(h)

Debt; Guarantees

1. That certain Credit Agreement, dated April 9, 2008, by and among the Debtor, as Borrower, Luxe Beauty Holdings Corporation, and certain Affiliates of Borrower as Guarantors, the Lenders party thereto, and Bank of America, N.A. as Administrative Agent and Collateral Agent.

Debtor	Principal As of December 16, 2010	Creditor	Maturity Date	Collateral
Sexy Hair Concepts, LLC	$57,255,250.01	Bank of Montreal, N.A., as Administrative Agent and Collateral Agent for the secured lender group.	April 9, 2014	Collateral as described in the Pledge Agreement and Security Agreement, both dated April 9, 2008

2. That certain Securities and Guaranty Agreement, dated as of April 9, 2008, by and among Luxe Beauty Holdings Corporation, Luxe Beauty Midco Corporation, Ecoly International, Inc., the Debtor, and the Northwestern Mutual Life Insurance Company.

Debtor	Principal As of December 16, 2010	Creditor	Maturity Date	Collateral
Sexy Hair Concepts, LLC, Luxe Beauty Holdings Corporation, Luxe Beauty Midco Corporation, Ecoly International, Inc.	$ 20,081,946.24	Northwestern Mutual Life Insurance Company	April 9, 2015	None

Schedule 7.01(i)

Assets

Secured Party	Filing No.	Filing Date	Collateral Description	Remaining Amount Due
Wells Fargo Bank, N.A.	08-7175088964 (California)	10/22/2008	Two Drexel Forklifts	$53,614.55
NMHG Financial Services, Inc.	09-7212865232 (California)	10/30/2009	Two Forklifts	$50,272.14

The following Persons own or license the formulas used to manufacture the Debtor's Products:

1. 220 Laboratories, Inc.

Formulas Owned by 220 Laboratories, Inc.	Conditions to Ownership by Debtor	Number of Units Currently Purchased	Formula in Possession of Debtor
Piece Out Texturizing Wax Mousse	Formula ownership at the purchase of 500,000 units	111,851	Yes
Soy Mellow Conditioning Mousse	Formula ownership at the purchase of 500,000 units	166,915	Yes
Strong Shine Spray	Formula ownership at the purchase of 500,000 units	45,197 (Discontinued – no longer produced)	Yes

2. Aware Laboratories, Inc.

Formulas Owned by Aware Laboratories, Inc.	Conditions to Ownership by Debtor	Number of Units Currently Purchased	Formula in Possession of Debtor
Reinvent Color Extend Shampoo For Fine, Thin/Normal Hair	Formula ownership at the purchase of 250,000 units	197,538	Yes
Reinvent Color Extend Conditioner For Fine, Thin/Normal Hair	Formula ownership at the purchase of 250,000 units	179,289	Yes
Reinvent Color Extend Shampoo For Thick, Coarse/Heavily Damaged Hair	Formula ownership at the purchase of 250,000 units	164,647	Yes
Reinvent Color Extend Conditioner For Thick, Coarse/Heavily Damaged Hair	Formula ownership at the purchase of 250,000 units	164,983	Yes

Schedule 7.01(j)

Real Property

1. Premises Lease, dated as of May 15, 2008, by and between the Debtor and Blue Ball Enterprises for 21551 Prairie Street, Chatsworth, CA 91311.

2. Agreement, dated as of December 1, 2009, by and between the Debtor and Michael O'Rourke for the use of the Institute of Courage, 1135 North Topanga Canyon Blvd., Topanga, CA 90290.

Schedule 7.01(k)(i)

Intellectual Property

From 2005 to 2010 (and except as concerns Victoria's Secret), the following Actions challenging the legality, validity, enforceability, use or ownership of the Intellectual Property Assets have occurred:

Party Opposed	Date Opposed	Mark at Issue	Nature of Opposition	Status
Perfect Plus, Inc. Suite 601 9595 Wilshire Blvd. Beverly Hills, CA 90212	12/02/2005	Sexy n Sassy	Trademark Opposition	Resolved
Professor Werner Gramm Gramm, Lins & Partner Theodor-Heuss-Str. 1 38122 Braunschweig Fed. Rep. of Germany	01/19/2006	Totally Sexy	Cease and Desist letter Sent by the Debtor	Resolved
James Todd Smith 405 Park Avenue, 15th Floor New York, NY 10022	02/01/2006	Preserve the Sexy	Trademark Opposition	Resolved
Susan F. Evans, Esq. c/o Henkel Corp. 2200 Renaissance Blvd. The Triad, Ste. 200 Gulph Mills, PA 19406	03/28/2006	Got2b Sexy	Cease and Desist letter Sent by the Debtor	Open- the issue is trademark and trade dress infringement[1]
Branden Borba 9090 Manzanita Dr Alta Loma, CA 91737	10/03/2006	Sex Hair International	Trademark Opposition	Resolved
James Todd 405 Park Avenue 15th Floor New York, NY 10022	02/12/2007	Size Sexy	Cease and Desist letter Sent by the Debtor	Resolved
Revlon Consumer Products Corporation 237 Park Avenue New York, NY 10017	02/14/2007	Find Your Sexy	Trademark Opposition	Resolved

[1] Henkel responded to the Debtor's letter stating it would make no application for registration. The Debtor responded reserving its rights to take other action. No application for registration has been filed by Henkel. The Debtor is considering other action now that the V. Secret proceedings have terminated.

Party Opposed	Date Opposed	Mark at Issue	Nature of Opposition	Status
Kyaro Masculo 2311 Midway Road Carrollton, TX 75006	02/23/2007	Sexy Bitch	Cease and Desist letter Sent by the Debtor	Resolved
Ryan Basics Corp., LLC 145 Avenue of the Americas Suite 5C New York, NY 10013	04/03/2007	100% Vegan 100% Safe 100% Sexy	Cease and Desist letter Sent by the Debtor	Resolved
Yves Saint Laurent Parfums Société par actions simplifiée 28/34, Boulevard du Parc F-92200 Neuilly-Sur-Seine France	04/03/2007	Young Sexy Lovely	Cease and Desist letter Sent by the Debtor	Resolved
SexyB, Inc. 73 Ferndale Circle Markham, Ontario Canada L3R3Y7	04/03/2007	SexyB	Cease and Desist letter Sent by the Debtor	Resolved
Revlon Consumer Products Corporation 237 Park Avenue New York, NY 10017	05/07/2007	Lost Your Sexy?	Trademark Opposition	Resolved
Dean V. Christal 498 Freehaven Drive Santa Barbara, CA 93108	05/08/2007	The Sexy Side of Science	Trademark Opposition	Resolved
Ryan Basics Corp., LLC 145 Avenue of the Americas Suite 5C New York, NY 10013	05/14/2007	Sexy Beast	Cease and Desist letter Sent by the Debtor	Resolved
Mr. J. Caleb Donner 910 Hampshire Road Suite R Westlake Village, CA 91361	07/19/2007	Sexy Hair Extensions for You, Inc.	Cease and Desist letter Sent by the Debtor	Resolved
Jafer Limited Clarendon House 2 Church Street Hamilton, Bermuda HM12	07/30/2007	Sexy Unique Woman	Cease and Desist letter Sent by the Debtor	Resolved

Party Opposed	Date Opposed	Mark at Issue	Nature of Opposition	Status
Arthes, S.A. Parc Industriel des Bois de Grasse BP 91006 F-06131 France	11/30/2007	Sexy Boy	Cease and Desist letter Sent by the Debtor	Resolved
Mirror Mirror Inc. 590 Madison Ave., 21st Fl. New York, NY 10022	12/26/2007 01/28/2008	Sex in a Bottle	Trademark Opposition	Resolved
TIC International Trading, Inc. #409 11024 Balboa Blvd. Granada Hills, CA 91344	04/08/2008	Sexy Clips	Trademark Opposition	Resolved
Dr. Miracle's Inc. 7 Greenwich Office Park, Suite 200 599 West Putnam Ave. Greenwich, CT 06830	05/09/2008	Healthy Hair Is Sexy Hair	Cease and Desist letter Sent by the Debtor	Resolved
Red House Pictures LLC P.O. Box 207 Woodstock, NY 12498	07/01/2008	Crazy Sexy	Cease and Desist letter Sent by the Debtor	Resolved
Conair Corporation Attn: Kathleen Andrade, Legal Dept. 1 Cummings Point Road Stamford, CT 06902	07/01/2008	Rusk – Being Sexy	Cease and Desist letter Sent by the Debtor	Resolved
Stuff4Beauty Inc. P.O. Box 532 Shelbyville, IL 62565	08/06/2008	Being Sexy	Cease and Desist letter Sent by the Debtor	Resolved
Stephen L. Baker, Esq. Baker and Rannells PA 575 Route 28 Raritan, NJ 088869-1354	09/17/2008	Naturally Sexy	Cease and Desist letter Sent by the Debtor	Resolved
Luwetta West Sexy's 1226 E. 71st Place Chicago, IL 60619-1306	10/26/2008	SS Sexy's "the Way You Feel"	Trademark Opposition	Open- A Summary Judgment Motion is being prepared

Party Opposed	Date Opposed	Mark at Issue	Nature of Opposition	Status
Olga M. Nedeltscheff, Esq. Limited Brands 666 5th Avenue, 4th Floor New York, NY 10103-0502	12/15/2008	Shimmersexy	Cease and Desist letter Sent by the Debtor	Resolved
Antonio Puig, S.A. Travesera de Gracia, 9 Barcelona 08021 Spain	02/20/2009	Sex Bomb	Trademark Opposition	Resolved
Nature Labs, LTD. Co. 2512 Program Dr Dallas, TX 75220	03/25/2009	Big Sexy Dog	Cease and Desist letter Sent by the Debtor	Resolved
Betty Beauty, Inc. Second Floor 344 East 59th St. New York, NY 10022	04/24/2009	Sexy Betty	Trademark Opposition	Resolved
Jafer Limited Clarendon House 2 Church Street Hamilton HM Bermuda	05/09/2009	(Soy Sexy Yanbal) Design	Trademark Opposition	Resolved
Alfred Silva III 738 Scotia Ave. SW Palm Bay, FL 32908	08/11/2009	Dead Sexy Hair	Cease and Desist letter Sent by the Debtor	Resolved
Yoreila Corp. c/o William C. Hearon, Esq. 1 S.E. 3rd Avenue, Suite 3000 Miami, FL 33131	09/29/2009	Sexy Do	Trademark Opposition	Resolved
La Senza Corporation 1608 St. Regis Boulevard Doral, Quebec H9P1H6 Canada	10/21/2009	La Sexy La Senza Wild	Trademark Opposition	Resolved
La Senza Corporation 1608 St. Regis Boulevard Doral, Quebec H9P1H6 Canada	10/27/2009	Sexy Sweet	Trademark Opposition	Resolved

Party Opposed	Date Opposed	Mark at Issue	Nature of Opposition	Status
Takehiko Suzuki DIRECTV, Inc. 2230 Imperial Highway El Segunda, CA 90245 Salvador K. Karottki Tribune Company Law Dept., 6th Floor 435 N. Michigan Avenue Chicago, IL 60611	02/19/2010	Sexy Holiday Hair Sexy Hollywood Hair	Cease and Desist letter Sent by the Debtor	Resolved
Pravana International 195 Dapplegray Road Bell Canyon, CA 91307	03/30/2010	Naturally Sexy	Trademark Opposition	Resolved
Maja Abdul-Kareem P.O. Box 1013 Maumee, OH 43537-8013	03/13/2010	Sexy Vixen Elixers	Cease and Desist Letter Sent by the Debtor	Resolved[2]
Marnie Wright Barnhorst, Esq. The Trademark Group, APLC 1200 Prospect Street, Ste. G100 La Jolla, CA 92037-3608 (for Guthy-Renker, LLC/Chaz Dean.)	05/06/2010	Sexy Hollywood Hair	Cease and Desist letter Sent by the Debtor	Resolved
Time Products UK, Ltd. 34 Dover Street London W1S 4NG	04/29/2010	Seksy	Cease and Desist letter Sent by the Debtor	Open- The issue is likelihood of confusion.[3]
L'Oreal USA 575 Fifth Avenue New York, NY 10017	05/18/2010	Reinvent "Color Extend"	Cease and Desist letter sent to the Debtor	Resolved

[2] There is no evidence of use of the mark of the application. The intention is to oppose registration of the mark when/if the mark is published for opposition.

[3] There is no evidence of use of the mark of the application. The intention is to oppose registration of the mark when/if the mark is published for opposition.

Party Opposed	Date Opposed	Mark at Issue	Nature of Opposition	Status
Melissa Marod 4020 Beacon Ridge Way Clermont FLORIDA 34711	11/03/10	Bring Sexy Back	Trademark Opposition	Open
Scott Oshry 560 Broadway Suite 507A New York NEW YORK 10012	12/15/10	SXY By Unforgettable Moments	Cease and Desist letter Sent by the Debtor	Open. issue is likelihood of confusion.[4]

Victoria's Secret Proceedings

All proceedings (listed in the settlement agreement terminating the appeal before the U.S. District Court for the Southern District of New York) have been terminated except (and pursuant to the settlement agreement): Victoria's Secret Stores Brand Management v. Sexy Hair Concepts, Opposition No. 91,178,324 presently stayed pending disposition of the Victoria's Secret application for registration of SEXY for goods in Class 3 other than hair care preparations. The letter of consent from SHC to VSecret has been submitted to the PTO, and accepted, and the Victoria's Secret application has been published.

[4] There is no evidence of use of the mark of the application. The intention is to oppose registration of the mark when/if the mark is published for opposition.

Schedule 7.01(k)(ii)

Intellectual Property

a) Conflicts with Third Parties Asserting Third Party Intellectual Property Rights Against Debtor within the last 3 years (2007-2010):

Party in Conflict	Date Sexy Hair was Notified	Third Party Mark or IP at issue	Status
L'Oreal USA 575 Fifth Ave. New York, NY 10017	05/18/2010 – Cease and Desist letter received by Sexy Hair, Inc.	Color Extend	Resolved
Victoria Secret Stores Brand Management, Inc. 5 Limited Parkway E. Reynoldsburg, OH 43068	07/11/2007 – Trademark Opposition filed against Sexy Hair for SEXY	V. Secret Sexy marks	Suspended pursuant to the Settlement Agreement

b) Conflicts with Third Parties Where Debtor Has Asserted Intellectual Property Rights within the last 3 years (2007-2010):

Party Opposed	Date and Nature of Complaint	Mark at Issue	Resolution
James Todd 405 Park Ave. 15th Floor New York, NY 10022	02/12/2007 – Cease and Desist letter	Size Sexy	Resolved
Revlon Consumer Products Corp. 237 Park Ave. New York, NY 10017	02/14/2007 – Trademark Opposition filed	Find Your Sexy	Resolved
Kyaro Masculo 2311 Midway Rd. Carrollton, TX 75006	02/23/2007 – Cease and Desist letter sent	Sexy Bitch	Resolved
Ryan Basics Corp., LLC 145 Avenue of the Americas, Suite 5C New York, NY 10013	04/03/2007 – Cease and Desist letter sent	100% Vegan 100% Safe 100% Sexy	Resolved

* All registrations are U.S.A. unless otherwise indicated.

Party Opposed	Date and Nature of Complaint	Mark at Issue	Resolution
Yves Saint Laurent Parfums Société par action simplifiée 28/34, Boulevard du Parc F-92200 Neuilly-Sur-Seine FRANCE	04/03/2007 – Cease and Desist letter sent	Young Sexy Lovely	Resolved
SexyB, Inc. 73 Ferndale Circle Markham, Ontario CANADA L3R3Y7	04/03/2007 – Cease and Desist letter sent	SexyB	Resolved
Revlon Consumer Products Corp. 237 Park Ave. New York, NY 10017	05/07/2007 – Trademark Opposition filed	Lost Your Sexy?	Resolved
Dean V. Christal 498 Freehaven Drive Santa Barbara, CA 93108	05/08/2007 – Trademark Opposition filed	The Sexy Side of Science	Resolved
Ryan Basics Corp., LLC 145 Avenue of the Americas, Suite 5C New York, NY 10013	05/14/2007 – Cease and Desist letter sent	Sexy Beast	Resolved
Victoria Secret Stores Brand Management, Inc. 5 Limited Parkway E. Reynoldsburg, OH 43068	07/11/2007 – Trademark Opposition filed against Sexy Hair	Sexy	Suspended
Mr. J. Caleb Donner 910 Hampshire Rd. Suite R Westlake Village, CA 91361	07/19/2007 – Cease and Desist letter sent	Sexy Hair Extensions For You, Inc.	Resolved
Jafer Limited Clarendon House 2 Church Street Hamilton, BERMUDA HM12	07/30/2007 – Cease and Desist letter sent	Sexy Unique Woman	Resolved

* All registrations are U.S.A. unless otherwise indicated.

Party Opposed	Date and Nature of Complaint	Mark at Issue	Resolution
Arthes, S.A. Parc Industriel des Bois de Grasse BP 91006, F-06131 FRANCE	11/30/2007 – Cease and Desist letter sent	Sexy Boy	Resolved
Mirror Mirror, Inc. 590 Madison Ave. 21st Floor New York, NY 10022	01/28/2008 – Trademark Opposition filed	Sex in a Bottle	Resolved
TIC International Trading, Inc. #409 11024 Balboa Blvd. Granada Hills, CA 91344	04/08/2008 – Trademark Opposition filed	Sexy Clips	Resolved
Dr. Miracle's Inc. 7 Greenwich Office Park, Suite 200 599 West Putnam Ave. Greenwich, CT 06830	05/09/2008 – Cease and Desist letter sent	Healthy Hair Is Sexy Hair	Resolved
Red House Pictures, LLC P.O. Box 207 Woodstock, NY 12498	07/01/2008 – Cease and Desist letter sent	Crazy Sexy	Resolved
Conair Corp. Attn: Kathleen Andrade, Legal Dept. 1 Cummings Point Rd. Stamford, CT 06902	07/01/2008 – Cease and Desist letter sent	Rusk – Being Sexy	Resolved
Stuff4Beauty Inc. P.O. Box 532 Shelbyville, IL 62565	08/06/2008 – Cease and Desist letter sent	Being Sexy	Resolved
Stephen L. Baker, Esq. Baker & Rannells PA 575 Route 28 Raritan, NJ 08869-2354	09/17/2008 – Cease and Desist letter sent	Naturally Sexy	Resolved

* All registrations are U.S.A. unless otherwise indicated.

Party Opposed	Date and Nature of Complaint	Mark at Issue	Resolution
Luwetta West Sexy's 1226 E. 71st Place Chicago, IL 60619-1306	10/26/2008 – Cease and Desist letter sent	SS Sexy's "the Way You Feel"	Open – opposition is pending
Olga M. Nedeltscheff, Esq. Limited Brands 666 5th Ave., 4th Floor New York, NY 10103-0502	12/15/2008 – Cease and Desist letter sent	Shimmer sexy	Resolved
Antonio Puig, S.A. Travesera de Gracia, 9 Barcelona 08021 SPAIN	02/20/2009 – Trademark Opposition filed	Sex Bomb	Resolved
Nature Labs, Ltd. Co. 2512 Program Dr. Dallas, TX 75220	03/25/2009 – Cease and Desist letter sent	Big Sexy Dog	Resolved
Betty Beauty, Inc. 344 East 59th St. 2nd Floor New York, NY 10022	04/24/2009 – Trademark Opposition filed	Sexy Betty	Resolved
Jafer Limited Clarendon House 2 Church Street Hamilton HM BERMUDA	05/09/2009 – Trademark Opposition filed	(Soy Sexy Yanbal) Design	Resolved
Alfred Silva III 738 Scotia Ave., SW Palm Bay, FL 32908	08/11/2009 – Cease and Desist letter sent	Dead Sexy Hair	Resolved
Yoreila Corp. c/o William C. Heron, Esq. 1 S.E. 3rd Avenue, Ste. 3000 Miami, FL 33131	09/29/2009 – Trademark Opposition filed	Sexy Do	Resolved

* All registrations are U.S.A. unless otherwise indicated.

Party Opposed	Date and Nature of Complaint	Mark at Issue	Resolution
La Senza Corp. 1608 St. Regis Blvd. Doral, Quebec H9P1H6 CANADA	10/21/2009 – Trademark Opposition filed	La Sexy La Senza Wild	Resolved
La Senza Corp. 1608 St. Regis Blvd. Doral, Quebec H9P1H6 CANADA	10/27/2009 – Trademark Opposition filed	Sexy Sweet	Resolved
Takehiko Suzuki DIRECTV, Inc. 2230 Imperial Highway El Segunda, CA 90245 Salvador K. Karottki Tribune Company Law Dept., 6th Floor 435 N. Michigan Ave. Chicago, IL 60611	02/19/2010 – Cease and Desist letters sent	Sexy Holiday Hair Sexy Hollywood Hair	Resolved
Pravana International 195 Dapplegray Rd. Bell Canyon, CA 91307	03/30/2010 – Trademark Opposition filed	Naturally Sexy	Resolved
Maja Abdul-Kareem P.O. Box 1013 Maumee, OH 43537-8013	03/13/2010 – Cease and Desist letter sent	Sexy Vixen Elixers	Open – follow up demand letter was sent on March 13, 2010. There is no evidence of use.
Marnie Wright Barnhorst, Esq. The Trademark Group APLC 1200 Prospect St., Ste. G100 La Jolla, CA 92037-3608 (for Guthy-Renker, LLC/Chaz Dean)	05/06/2010 – Cease and Desist letter sent	Sexy Hollywood Hair	Resolved
Time Products UK, Ltd. 34 Dover Street LONDON W1S 4NG	04/29/2010 – Cease and Desist letter sent	Seksy	Open

* All registrations are U.S.A. unless otherwise indicated.

Party Opposed	Date and Nature of Complaint	Mark at Issue	Resolution
Coty Inc. 2 Park Avenue New York, NY 10016-5675	05/26/2010- Cease and Desist letter sent	Play It Sexy	Resolved

* All registrations are U.S.A. unless otherwise indicated.

Schedule 7.01(k)(iii)

Registered Intellectual Property Rights*

Trademarks

Mark	Country	Status	Appln.Reg. No.	Classes/Goods
AERO TAN	U.S.	Registered	2,634,449	03 - Temporary tanning spray
BIG SEXY HAIR	France	Registered	073529830	03 - Hair care products, namely hair shampoos, hair conditioners, hair lotions, hair creams, hair gels, hair gel foams, hair waxes, hair sprays, hair color, hair dyes, hair rinses and hair mousse
BIGSEXYHAIR	U.S.	Registered	3,539,680	03 - Hair care products, namely hair shampoos, hair colors, hair conditioners, hair mousses, hair sprays, hair gels, hair gel foams, hair cremes, hair waxes, hair detanglers, hair balms, hair glosses, hair pomades and hair tonics
COOL FACTOR	U.S.	Registered	3,658,966	03 - Hair conditioner
CURL POWER	U.S.	Registered	2,530,633	03 - Hair care products for men, women and children, namely, hair shampoos, hair conditioners, hair lotions, hair cremes, hair gels, hair sprays, hair color, hair dyes, hair rinses and hair mousse
CURLY SEXY HAIR HEALTHY SEXY HAIR STRAIGHT SEXY HAIR SHORT SEXY HAIR BIG SEXY HAIR SILKY SEXY HAIR	Australia	Registered	984908	03 - Hair care products such as hair shampoos, hair conditioners, hair treatments and hair styling products (including pomades, gels, mousses, hair sprays and waxes)
ECOLY (Stylized)	U.S.	Registered	1,866,675	03 - Hair care preparations and products; namely, shampoos, cream rinses, conditioners, sprays, moisturizers, mousses, gels and beautifying oils
ECOLY (Stylized)	Germany	Registered	2094201	03 - Hair care preparations and products, namely shampoos, cream conditioner, conditioning sprays, humidification products, foam, gels and beautification oils;

* All registrations are U.S.A. unless otherwise indicated.

Mark	Country	Status	Appln.Reg. No.	Classes/Goods
				body care products and beauty care; and beautification oils; body care products and beauty care; non-medical hair care preparations
FRESH CONCEPTS	U.S.	Registered	2,935,449	03 - Hair care products for men, women and children, namely hair shampoos, hair conditioners, hair lotions, hair cremes, hair gels, hair sprays, hair color, hair dyes, hair rinses, hair mousse
HARD UP	U.S.	Registered	3,643,072	03 - Hair styling gel
HEALTHY SEXY	U.S.	Registered	3,247,540	03 - Hair care products, namely hair shampoos, hair conditioners, hair pomades and hair tonics
HOT ROD	U.S.	Registered	3,303,839	08 - Electric hair clippers 09 - Electric hair curling irons, electric hair crimpers, electric hair curlers, electric hair rollers, electric hair straightening irons, electric rotary hair brush for styling a user's hair, electrically heated hair brushes, hot air hair brushes 11 - Electric blow dryers
HOT SEXY HIGHLIGHTS	U.S.	Registered	2,553,996	03 - Hair care products for men, women and children, namely, shampoos, conditioners, hair lotions, hair conditioning creams, hair gels, hair sprays, hair color, hair tint and hair mousse
HOT SEXY HIGHLIGHTS	European Union	Registered	1,968,999	03 - Hair care products for men, women and children, namely, shampoos, conditioners, hair lotions, hair conditioning creams, hair gels, hairsprays, hair color, hair tint and hair mousse
LIQUID ART	U.S.	Registered	3,036,101	03 - Hair care preparations and products, namely, shampoos, creme rinses, conditioners, sprays, moisturizers, mousses, gels, and beautifying oils
NATURA ECOLY HAIR CARE (Stylized)	Canada	Registered	TMA463,652	Shampoos, conditioners, hair spray, finishing spray, hair gels, mousses and lotions, hair

* All registrations are U.S.A. unless otherwise indicated.

Mark	Country	Status	Appln.Reg. No.	Classes/Goods
				reconditioner
POWDER PLAY	U.S.	Pending	77/826,729	03 - Hair care preparations, namely, powder-based hair products
ROCKED OUT	U.S.	Registered	3,758,872	03 - Molding clay for hair
ROOT PUMP	U.S.	Registered	3,643,069	03 – Hair spray
SEX SYMBOL	Canada	Registered	TMA576,059	Cosmetics, namely lipstick and lip gloss, nail polish, mascara, eye liner and foundation, and hair care products for men, women and children, namely shampoos, conditioners, hair lotions, hair conditioning creams, hair gels, hair sprays, hair color, hair tint and hair mousse
SEX SYMBOL	European Union	Registered	002134781	03 - Cosmetics, namely, lipstick and lip gloss, nail polish, mascara, eye liner and foundation, and hair care products for men, women and children, namely, shampoos, conditioners, hair lotions, hair conditioning creams, hair gels, hair sprays, hair color, hair tint and hair mousse
SEXSYMBOL	U.S.	Registered	2,636,664	03 - Cosmetics, namely, lipstick and lip gloss, nail polish, mascara, eyeliner and foundation and hair care products for men, women and children, namely, shampoos, conditioners, hair lotions, hair conditioning creams, hair gels, hair sprays, hair color, hair tint and hair mousse
SEXY	Switzerland	Registered	583,715	03 - Hair care products for men, women and children, namely, hair shampoos, hair conditioners, hair lotions, hair creams, hair gels, hair sprays, hair color, hair dyes, hair rinses and hair mousse
SEXY	European Union	Registered	6,292,445	03 - Hair care products for men, women and children, namely hair shampoos, hair conditioners, hair lotions, hair creams, hair gels, hair sprays, hair color, hair dyes, hair

* All registrations are U.S.A. unless otherwise indicated.

Mark	Country	Status	Appln.Reg. No.	Classes/Goods
				rinses and hair mousse
SEXY	U.S.	Pending	78/942,914	03 - Hair care products, namely hair shampoos, hair colors, hair conditioners, hair mousses, hair sprays, hair gels, hair gel foams, hair cremes, hair waxes, hair detanglers, hair balms, hair glosses, hair pomades, dry silicon serum sprays for hair and hair tonics
SEXY and Design (Red Star)	Israel	Pending	219568	03 - Hair care products, namely hair shampoos, hair colors, hair conditioners, hair mousses, hair sprays, hair gels, hair gel foams, hair crèmes, hair waxes, hair detanglers, hair balms, hair glosses, hair pomades, dry silicon serum sprays for hair and hair tonics
SEXY and Design (Red Star)	U.S.	Registered	3,478,939	03 - Hair care products, namely hair shampoos, hair colors, hair conditioners, hair mousses, hair sprays, hair gels, hair gel foams, hair crèmes, hair waxes, hair detanglers, hair balms, hair glosses, hair pomades, dry silicon serum sprays for hair and hair tonics
SEXY BLONDES	U.S.	Registered	3,441,169	03 - Hair coloring preparations and hair care preparations, namely, hair conditioners, hair shampoos, hair lotions, hair cremes, hair rinses, hair mousse, and hair gels
SEXY HAIR	Canada	Registered	TMA537,097	Hair care products for men, women and children, namely, shampoos, conditioners, lotions, creams, gels, sprays, solutions for coloring and for tinting hair and mousse, electric irons for styling hair; hand-held electric hair dryers
SEXY HAIR	Brazil	Pending	825317932	03 - hair care products for men, women and children, namely, hair shampoos, hair conditioners, hair lotions, hair creams, hair gels, hair sprays, hair color, hair dyes, hair rinses and hair mousse

* All registrations are U.S.A. unless otherwise indicated.

Mark	Country	Status	Appln.Reg. No.	Classes/Goods
SEXY HAIR	European Union	Registered	1,052,380	03 - Hair care products for men, women and children, namely shampoos, conditioners, lotions, creams, gels, sprays, solutions for coloring and for tinting hair, and mousse
SEXY HAIR	Mexico	Registered	790,977	03 - Hair care products for men, women and children, namely, hair shampoos, hair conditioners, hair lotions, hair creams, hair gels, hair sprays, hair color, hair dyes, hair rinses and hair mousse
SEXY HAIR	Uruguay	Pending	411,433	03 - Hair care products, namely, hair shampoos, hair conditioners, hair mousses, hair lotions, hair creams, hair gels, hair sprays, hair gel foams, hair creams, hair waxes, hair detangling sprays, hair balms, hair glosses, hair pomades, dry silicon serum sprays for hair and hair tonics
SEXY HAIR	Russian Federation	Registered	281,761	03 - Hair care products for men, women and children, namely, hair shampoos, hair conditioners, hair lotions, hair creams, hair gels, hair sprays, hair color, hair dyes, hair rinses and hair mousse
SEXY HAIR	Argentina	Registered	1,922,953	03 - Hair care products for men, women and children, namely, hair shampoos, hair conditioners, hair lotions, hair creams, hair gels, hair sprays, hair color, hair dyes, hair rinses and hair mousse
SEXY HAIR	U.S.	Registered	2,403,396	03 - Hair care products for men, women and children, namely hair shampoos, hair conditioners, hair lotions, hair cremes, hair gels, hair sprays, hair color, hair dyes, hair rinses, hair mousse

* All registrations are U.S.A. unless otherwise indicated.

Mark	Country	Status	Appln.Reg. No.	Classes/Goods
SEXY HAIR & DESIGN	European Union	Registered	5,256,045	02 - Paints, varnishes, lacquers; preservatives against rust and against deterioration of wood; colorants; mordants; raw natural resins; metals in foil and powder for painters, decorators, printers and artists 03 - Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps, perfumery, essential oils, cosmetics, hair lotions; dentifrices 44 - Medical services; hygienic and beauty care for human beings or animals; agricultural, horticultural or forestry services
SEXYHAIRORGANICS	U.S.	Registered	3,729,749	03 - Hair care products, namely hair shampoos, hair conditioners, hair lotions, hair cremes, hair gels, hair sprays, hair color, hair dyes, hair rinses, hair mousse
SHORT SEXY	U.S.	Registered	3,247,541	03 - Hair care products, namely, hair gels, hair gel foams, hair cremes and hair waxes
SHORT SEXY HAIR CLEAN SLATE	U.S.	Allowed	77/620,784	03 - Hair shampoo
SMOOTH & PROTECT	U.S.	Registered	3,750,655	03 - Hair care products, namely , hair conditioners
SOY RENEWAL	U.S.	Registered	3,865,249	03 - Hair care products, namely , hair conditioners
SPRAY & PLAY	U.S.	Registered	3,372,755	03 - Hair spray
SPRAY & STAY	U.S.	Registered	3,750,645	03 - Hair spray
STAY PUT	U.S.	Allowed	77/620,714	03 - Hair care products, namely hair gels
STRONGSEXYHAIR	U.S.	Registered	3,371,913	03 - Hair care products, namely hair shampoos, hair conditioners, hair sprays and hair balms
TRIBES OF STYLE	U.S.	Registered	3,120,069	41 - Conducting educational exhibitions in the field of hair care services; conducting entertainment

* All registrations are U.S.A. unless otherwise indicated.

Mark	Country	Status	Appln.Reg. No.	Classes/Goods
				exhibitions in the field of hair care services
WILDSEXYHAIR	U.S.	Allowed	77/719,656	03 - Hair care products, namely hair gels, hair color, hair dyes, and hair rinses
SEXYBATH&BODY	U.S.	Registered	2,823,999	03 - Skin care products, namely liquid body wash, moisturizing lotions, shampoo, conditioner
COLOR ME SEXY	U.S.	Registered	3,457,615	03 - Hair shampoo for color-treated hair
PIECE OUT	U.S.	Allowed	85/008,599	03 - Hair care products, namely hair mousse
DOUBLE DUTY	U.S.	Allowed	85/004,844	03 - Hair care products, namely hair shampoos and hair conditioners
JUST GELLING	U.S.	Allowed	85/004,849	03 - Hair care products, namely hair gels
SEXY SKIN	U.S.	Pending	77/119,862	03 - Non-medicated skin care preparations, body butter, skin moisturizers
MAKE BELIEVE	Canada	Registered	TMA772886	Self-tan products, namely non-medicated skin care preparations, namely self tanning spray, self tanning mousse, self tanning lotion, self tanning gels, self tanning foams, self tanning oils, self tan stain remover, skin cleansers, skin toners, skin moisturizers, skin scrubs, skin exfoliators, and sun screens
W.M.N. (Stylized)	Canada	Registered	TMA544,399	Hair care products for men, women and children, namely, shampoos, conditioners, lotions, creams, gels, sprays, solutions for coloring and for tinting hair, mousse; skin care and personal care products for men, women and children, namely, soaps, bath gels, eye gels, shaving gels, shower gels, tooth gels, hand creams, cold creams, skin creams, shaving creams, night creams, face creams, body creams, perfume sprays, deodorant sprays, skin

* All registrations are U.S.A. unless otherwise indicated.

Mark	Country	Status	Appln.Reg. No.	Classes/Goods
				lotions, facial lotions, body lotions, sunblocks, sunscreens, skin conditioners and skin toners
MAKE BELIEVE CONCEPTS	Canada	Registered	TMA544,398	Hair care products for men, women and children, namely shampoos, conditioners, lotions, creams, gels,sprays, solutions for coloring and for tinting hair, and mousse and skin care personal care products for men, women and children, namely, soaps, gels, creams, sprays, lotions, sunblocks and sunscreens, conditioners, toners
THINGS	Canada	Registered	TMA528,479	Hair care products for men, women and children, namely, shampoos, conditioners, hair lotions, hair conditioning cremes, hair gels, hair sprays, hair color, hair tint, hair mousse; skin care and personal care products for men, women and children, namely, skin soaps, skin cleansing gels, skin cremes, body sprays, skin lotions, sun blocks and sun screens, skin conditioning lotions and skin toners
PSY-COLOR-GY	Canada	Registered	TMA544,011	Hair-care products, namely, shampoos, conditioners, lotions, creams, gels, sprays, solutions for coloring and for tinting hair, mousse; skin care and personal care products, namely, soaps, gels, creams, sprays, lotions, sunblocks, sunscreens, conditioners, toners
SEA CRITTERS	Canada	Registered	TMA527,118	Hair care products, namely, shampoos, conditioners, lotions, creams, gels, sprays, solutions for coloring and for tinting hair, mousse; skin care and personal care products, namely, soaps, gels, creams, sprays, lotions, sunblocks and sunscreens, conditioners, toners
FASHION FORMULAS BY ECOLY	Canada	Registered	TMA508,671	Hair care preparations and products; namely, shampoos, cream rinses, conditioners, sprays, moisturizers, mousses, gels, and

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Mark	Country	Status	Appln.Reg. No.	Classes/Goods
				beautifying oils
SEXYHAIR & Star Design	Germany	Registered	30354034	44 - Dienstleistungen eines Frisörsalons, soweit in Klasse 44 enthalten
MAKE BELIEVE CONCEPTS	European Union	Registered	1,054,386	03 - Hair care products for men, women and children, namely shampoos, conditioners, lotions, creams, gels,sprays, solutions for coloring and for tinting hair, and mousse and skin care personal care products for men, women and children, namely, soaps, gels, creams, sprays, lotions, sunblocks and sunscreens, conditioners, toners
SEXY HAIR	European Union	Registered	8,415,184	08 - Hair cutting scissors 09 - Electric curling irons; electric irons for styling hair; electric hair rollers 11 - Hair dryers
SEXY HAIR	Canada	Registered	TMA537097	Electric curling irons; electric irons for styling hair; electric hair rollers; hair dryers
HEALTHYSEXYHAIR REINVENT	U.S.	Pending	85/058,244	03 - Hair shampoos and hair conditioners
HEALTHYSEXYHAIR REINVENT COLOR CARE	U.S.	Pending	85/048,378	03 - Hair shampoos and hair conditioners
HEALTHYSEXYHAIR REINVENT COLOR CARE TOP COAT	U.S.	Pending	85/075,704	03 - Hair shampoos and hair conditioners
SPRITZ & STAY	U.S.	Pending	85/045,263	03 - Hair spray
CONTROL MANIAC	U.S.	Registered	3,877,127	03 - Hair styling products, namely hair gels
FRENZY	U.S.	Registered	3,873,608	03 - Hair styling products, namely hair gels
WHAT A TEASE	U.S.	Registered	3,877,126	03 - Hair spray
SI KA XIAN (in Chinese characters)	China	Pending	7633641	03 - shampoos; conditioners; hair styling; hair colorant

* All registrations are U.S.A. unless otherwise indicated.

Mark	Country	Status	Appln.Reg. No.	Classes/Goods
SI KA XI (in Chinese characters)	China	Pending	7633642	03 - shampoos; conditioners; hair styling; hair colorant
SOY TOUCHABLE	U.S.	Pending	85/127,900	03 - Weightless hairspray
SEXY HAIR	U.S.	Pending	85/110,972	09 - electric irons for styling hair 11 - hand-held electric hair dryers
TRIBE OF STYLE	U.S.	Pending	85/183,084	200 - Indicating membership in a(n) to indicate membership in an organization of stylists who have attended or completed educational and entertainment programs in the field of hair care services
STRUCTURE IN MOTION	U.S.	Pending	85/175,294	09 - DVDs featuring hair styling and hair-cutting techniques 16 - publications, namely, brochures, booklets, and teaching materials in the field of hair styling and hair cutting 41 - educational services, namely, providing classes, seminars, conferences, workshops in the field of hair styling and hair cutting

Common Law Marks

Mark
BIG SHINE
BLOW IT UP
CLEAN SLATE
CONTROL MANIAC
CURLYSEXYHAIR
DARN STRAIGHT
DENSE
DOUBLE HEADER
FLIP IT OVER

* All registrations are U.S.A. unless otherwise indicated.

FRENZY
FULL ON CURLS
GLEAM ME UP
HOLD OUT
PLASTER
PLAY DIRTY
POWER STRAIGHT
QUICK CHANGE
ROOT PUMP PLUS
ROUGH & READY
SEXYHAIR Red Star Logo
SHATTER
SILKYSEXYHAIR
SLEPT IN
SMOOTH & SEAL
SO PUMPED SOY and COCOA Design
SOY MELLOW SOY TRI-WHEAT
SOYA WANT FLAT HAIR
SOYA WANT FULL HAIR
SPRAY & PLAY HARDER STRAIGHTSEXYHAIR
TRITANIUM COMPLEX
TRITANIUM COMPLEX & Design
WHAT A BODY
WHAT A TEASE

* All registrations are U.S.A. unless otherwise indicated.

Domain Names

straightsexyhair.com
sexyhair.com
ecoly.com
sexyhairconcepts.com

Copyrights

The Debtor has no registered copyrights.

Patents

1. U.S. Patent under Grant/App. Number D412836 (assigned by Member to Debtor).

Out-License Agreements

1. Limited license provision in Domestic Distribution Agreement by and between the Debtor and Authur Resnick, d.b.a Salon Direct, dated as of January 1, 2008.

2. Limited license provision in Domestic Distribution Agreement by and between the Debtor and Four Star Salon Services, dated as of August 31, 2007.

3. Limited license provision in Domestic Distribution Agreement by and between the Debtor and Malys of California, dated as of March 23, 2007.

4. Limited license provision in International Distribution Agreement by and between the Debtor and Friends A/S, dated as of September 6, 2007.

5. Limited license provision in International Distribution Agreement, by and between the Debtor and Complete Hairdressing Supplies PTY. LTD., dated as of November 15, 2005.

6. Limited license provision in International Distribution Agreement, by and between the Debtor and HairConcepts GmbH, dated as of July 24, 2007.

7. Limited license provision in International Distribution Agreement, by and between the Debtor and Hairium, Ltd., dated as of January 1, 2010.

8. Limited license provision in International Distribution Agreement, by and between the Debtor and Soda Brands, Ltd., dated as of June 1, 2008.

9. Limited license provision in International Distribution Agreement, by and between the Debtor and Charm Distributions, dated as of June, 2007.

10. Limited license provision in International Distribution Agreement, by and between the Debtor and European Beauty Distribution, dated as of January 1, 2010.

* All registrations are U.S.A. unless otherwise indicated.

11. Limited license provision in Domestic Distribution Agreement, by and between the Debtor and Windsor Beauty Supply, Inc., dated as of April 2, 2010.

12. Limited license provision in International Distribution Agreement, by and between the Debtor and Seeley & Seeley Salon Professional, dated as of January 1, 2010.

13. Limited license provision in International Distribution Agreement, by and between the Debtor and Kaluga Pro Beauty S.A., dated as of January 1, 2010

14. Limited license provision in International Distribution Agreement, by and between the Debtor and Cosmo Group, dated as of July 20, 2009.

15. Limited license provision in International Distribution Agreement, by and between the Debtor and M.A.P. Corporation, dated as of August 1, 2009.

16. Limited license provision in International Distribution Agreement, by and between the Debtor and Plus Hair Limitada, dated as of April 1, 2010.

17. Limited license provision in International Distribution Agreement, by and between the Debtor and Trade Solutions S.A., dated as of January 1, 2010.

In-License Agreements

None.

* All registrations are U.S.A. unless otherwise indicated.

Schedule 7.01(k)(iv)

Intellectual Property

1. The Debtor maintains consumer names, mailing addresses and email addresses in connection with the distribution of free merchandise, to a select number of consumers, for contest giveaways.

2. The Debtor maintains email addresses, provided by consumers through Debtor's website, for distribution of product information.

Schedule 7.01(l)

Legal Compliance

1. The Debtor received a letter from the California Air Resources Board (CARB) dated October 6, 2009 requesting information as part of an ongoing investigation of hair care products and compliance with CARB requirements. The letter focused on the volatile organic compound (VOC) content of Big Sexy Hair What a Tease, Big Sexy Hair Dense, and Short Sexy Hair Slept in Texture Crème, as well as date of manufacture coding on packages of Short Sexy Hair Control Maniac Wax, Short Sexy Hair Slept in Crème, and Big Sexy Hair Blow Dry Volumizing Gel. The Debtor responded to the information request and has met with CARB enforcement staff. The Debtor takes the position that CARB has misclassified the What a Tease and Dense products, and that these products comply with the 55% VOC limit to which they are subject in California. The Debtor further asserts that CARB mis-analyzed the VOC content of the Creme product, and that, had CARB properly analyzed this product, it would have determined that the product complies with the 2% VOC limit to which it is subject. The Debtor is not aware of any notice of violation or complaint having been issued by CARB in connection with the matters at issue in its October 6, 2009 letter, or of any potential for CARB to initiate a similar investigation or take any enforcement action with respect to any other of the Debtor's products that are marketed in California.

   The date of manufacture coding issues appears to be the result of two separate alleged violations: (1) failure to provide the CARB with required information regarding the decoding of the information provided on the packaging; and (2) failure to provide legible date of manufacture coding on the packaging. With respect to the submission of information relating to the date of manufacture coding, the Debtor learned that one of its manufacturers had not provided the necessary paperwork to CARB. This paperwork has since been submitted. With respect to the failure to provide legible date of manufacture coding on certain products, the Debtor learned that the contract filler of one product -- Control Maniac -- has been placing a label over the date of manufacture coding information on the package. The Debtor has instructed this contract filler to change this practice and the contract filler has agreed to this request. CARB has also raised questions about the legibility of the date of manufacture coding on the edges of packaging (i.e. the Slept In product with crimped edges). As of the date hereof, to the Debtor's knowledge, there are no threatened or pending actions by CARB in respect of such questions.

2. On June 18, 2010, a complaint of discrimination was filed against the Debtor with the Massachusetts Commission Against Discrimination by Deborah M. St. Rose, MCAD Docket Number 10BEM01499, EEOC/HUD Number 16C-2010-01764.

3. A class action lawsuit, Salon Fad et al., v. L'oreal USA, Inc. et al., was initiated on July 1, 2010, Case No. 10-CV-5063, in the U.S. District Court of the Southern District of New York.

Schedule 7.01(m)

Permits

1. City of Los Angeles Tax Registration Certificate

Schedule 7.01(n)

Tax Matters

None.

Schedule 7.01(o)

Environmental Matters

1. Disposal of Products Stored at Facility

The Debtor had a certain amount of "Liquid Art" and "Color Me Sexy" product at its facility that was not for sale or distribution. As of August 31, 2010, these products were disposed of using a contracted waste disposal company.

It is the Debtor's understanding that Liquid Art and Color Me Sexy contained a dye that was not compliant with European and Canadian regulations. The Debtor has no further information regarding why the Products were in violation or which regulations they violated. Upon learning this information, the Debtor discontinued selling the Products in the aforementioned locations. The Debtor had 56 pallets, weighing 66,134 pounds, of Liquid Art and Color Me Sexy. All of these wastes were properly disposed of through a licensed hazardous waste hauler, pursuant to required manifests.

2. California Air Resources Board Investigation

The Debtor received a letter from the California Air Resources Board (CARB) dated October 6, 2009 requesting information as part of an ongoing investigation of hair care products and compliance with CARB requirements. The letter focused on the volatile organic compound (VOC) content of Big Sexy Hair What a Tease, Big Sexy Hair Dense, and Short Sexy Hair Slept in Texture Crème, as well as date of manufacture coding on packages of Short Sexy Hair Control Maniac Wax, Short Sexy Hair Slept in Crème, and Big Sexy Hair Blow Dry Volumizing Gel. The Debtor responded to the information request and has met with CARB enforcement staff. The Debtor takes the position that CARB has misclassified the What a Tease and Dense products, and that these products comply with the 55% VOC limit to which they are subject in California. The Debtor further asserts that CARB mis-analyzed the VOC content of the Creme product, and that, had CARB properly analyzed this product, it would have determined that the product complies with the 2% VOC limit to which it is subject. The Debtor is not aware of any notice of violation or complaint having been issued by CARB in connection with the matters at issue in its October 6, 2009 letter, or of any potential for CARB to initiate a similar investigation or take any enforcement action with respect to any other of the Debtor's products that are marketed in California.

The date of manufacture coding issues appears to be the result of two separate alleged violations: (1) failure to provide the CARB with required information regarding the decoding of the information provided on the packaging; and (2) failure to provide legible date of manufacture coding on the packaging. With respect to the submission of information relating to the date of manufacture coding, the Debtor learned that one of its manufacturers had not provided the necessary paperwork to CARB. This paperwork has since been submitted. With respect to the failure to provide legible date of manufacture coding on certain products, the Debtor learned that the contract filler of one product -- Control Maniac -- has been placing a label over the date of manufacture coding information on the package. The Debtor has instructed this contract filler to change this practice and the contract filler has agreed to this request. CARB has also raised

questions about the legibility of the date of manufacture coding on the edges of packaging (i.e. the Slept In product with crimped edges). As of the date hereof, to the Debtor's knowledge, there are no threatened or pending actions by CARB in respect of such questions.

Schedule 7.01(p)(i)

Contracts

1.

a) Credit Agreement, dated as of April 9, 2008, by and among the Debtor, as Borrower, Luxe Beauty Holdings Corporation and certain Affiliates of Borrower as Guarantors, the Lenders party thereto, and Bank of America, N.A. as Administrative Agent and Collateral Agent.

b) Securities and Guaranty Agreement, dated as of April 9, 2008, by and among Luxe Beauty Holdings Corporation, Luxe Beauty Midco Corporation, Ecoly International, Inc., the Debtor, and the Northwestern Mutual Life Insurance Company.

c) Premises Lease, dated as of May 15, 2008, by and between the Debtor and Blue Ball Enterprises for 21551 Prairie Street, Chatsworth, CA 91311.

2.

a) Domestic Distribution Agreement by and between the Debtor and Authur Resnick, d.b.a. Salon Direct, dated as of January 1, 2008.

b) Domestic Distribution Agreement by and between the Debtor and Malys of California, dated as of March 23, 2007.

c) International Distribution Agreement by and between the Debtor and Friends A/S, dated as of September 6, 2007, amended June 8, 2008 and amended November 30, 2010.

d) International Distribution Agreement, by and between the Debtor and Complete Hairdressing Supplies PTY. LTD., dated as of November 15, 2005.

e) International Distribution Agreement, by and between the Debtor and HairConcepts GmbH, dated as of July 24, 2007, amended by letter agreement dated October 5, 2010.

f) International Distribution Agreement, by and between the Debtor and Hairium, Ltd., dated as of January 1, 2010.

g) International Distribution Agreement, by and between the Debtor and Charm Distributions, dated as of June 2007.

h) International Distribution Agreement, by and between the Debtor and European Beauty Distribution, dated as of January 1, 2010.

i) Domestic Distribution Agreement, by and between the Debtor and Windsor Beauty Supply, Inc., dated as of April 2, 2010.

j) International Distribution Agreement, by and between the Debtor and Seeley & Seeley Salon Professional, dated as of January 1, 2010.

k) International Distribution Agreement, by and between the Debtor and Cosmo Group, dated as of July 20, 2009.

l) International Distribution Agreement, by and between the Debtor and M.A.P. Corporation, dated as of August 1, 2009.

m) International Distribution Agreement, by and between the Debtor and Kaluga Pro Beauty S.A., dated as of January 1, 2010.

n) International Distribution Agreement, by and between the Debtor and Plus Hair Limitada, dated as of April 1, 2010.

o) Business Agreement, by and Between the Debtor and Gateway Military Sales, dated as of January 27, 2009.

p) International Distribution Agreement, by and between the Debtor and Trade Solutions S.A., dated as of January 1, 2010

q) Anti-Diversion Agreement, by and Between Debtor and Friends A/S, dated September 6, 2007.

r) Anti-Diversion Agreement, by and Between Debtor and Arthur Resnick, d.b.a. Salon Direct, dated January 1, 2008.

s) Anti-Diversion Agreement by and between Debtor and European Beauty Distribution, dated January 1, 2010.

t) Anti-Diversion Agreement by and between Debtor and Hairium Ltd., dated December 31, 2009.

u) Anti-Diversion Agreement by and between Debtor and Kaluga Pro Beauty Group S.A., dated January 1, 2010.

v) Anti-Diversion Agreement by and between Debtor and Windsor Beauty Supply, Inc., dated April 2, 2010.

w) Anti-Diversion Agreement by and between Debtor and Seeley & Seeley Professional Salon, dated January 1, 2010.

x) Anti-Diversion Agreement by and between Debtor and M.A.P. Corporation, dated August 1, 2009.

y) Anti-Diversion Agreement by and between Debtor and Plus Hair Limitada, dated April 1, 2010.

z) Anti-Diversion Agreement by and between Debtor and Trade Solutions S.A., dated November 1, 2009.

aa) Independent Manufacturer's Representative Agreement – International, by and between Debtor and The Kirschner Group, Inc., dated December 8, 2010.

bb) Letter Agreement by and between Debtor and Salon Centric, dated December 15, 2010.

3.

a) Contracts granting exclusive rights:

(i) Distribution Agreement, by and between Sexy the Debtor and Charm Distributions, dated as of June 2007.

(ii) Distribution Agreement, by and between the Debtor and Complete Hairdressing Supplies Pty., dated as of November 15, 2005.

(iii) Distribution Agreement, by and between the Debtor and Friends A/S, dated as of September 6, 2007, amended June 8, 2008 and amended November 30, 2010.

(iv) Distribution Agreement, by and between the Debtor and HairConcepts GmbH, dated as of July 24, 2007.

(v) Distribution Agreement, by and between the Debtor and Trade Solutions S.A., dated as of January 1, 2010.

(vi) Distribution Agreement, by and between the Debtor and Malys of California, dated as of March 23, 2007.

(vii) Distribution Agreement, by and between the Debtor and Arthur Resnick, d.b.a. Salon Direct, dated as of January 1, 2008.

(viii) Distribution Agreement, by and between the Debtor and European Beauty Distribution, dated as of January 1, 2010.

(ix) Distribution Agreement, by and between the Debtor and Hairium Ltd., dated as of January 1, 2010.

(xi) Distribution Agreement, by and between the Debtor and Windsor Beauty Supply, Inc., dated as of April 2, 2010.

(xii) Distribution Agreement, by and between the Debtor and Seeley & Seeley Salon Professional, dated as of January 1, 2010.

(xiii) Business Agreement, by and between the Debtor and Gateway Military Sales, LLC, dated January 27, 2009.

4.

a) Confidentiality Agreement, by and between the Debtor and Bocchi Laboratories Inc., dated as of May 31, 2007.

b) Confidentiality Agreement, by and between Ecoly International, Inc. and Joar Labs, Inc., dated as of October 14, 1999, (such Confidentiality Agreement to be assigned to the Debtor in connection at, or prior to, the date of this Agreement).

c) Confidentiality Agreement, by and between Ecoly International, Inc. and 220 Laboratories, Inc., dated as of December 3, 1999, (such Confidentiality Agreement to be assigned to the Debtor in connection at, or prior to, the date of this Agreement).

d) Formula Transfer of Ownership Agreement, by and between the Debtor and Outsourcing Services Group, Inc., (now known as Kik Custom Products) providing for confidentiality, dated as of November 2, 2002.

e) Confidentiality Agreement, by and between the Debtor and Cosmetic Technologies, Inc.

f) Non-disclosure Agreement, by and between Ecoly International, Inc., and Cosway, Co., Inc., dated July 6, 1998, (such Confidentiality Agreement to be assigned to the Debtor in connection at, or prior to, the date of this Agreement).

g) Confidentiality Agreement, by and between the Debtor and Chicago Aerosol, LLC, dated as of April 20, 2009.

h) Confidentiality Agreement, by and between the Debtor and Mark Milner, dated as of January 12, 2009.

i) Confidentiality Agreement, by and between the Debtor and Karl Heinz Pitsch, dated as of November 7, 2008.

j) Debtor Confidentiality Agreement, by and between the Debtor and Christina Huanosta, dated as of February 20, 2006.

k) Debtor Confidentiality Agreement, by and between the Debtor and Maria Venegas, dated as of January 2, 2001.

l) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Rachel Townsend, dated as of April 1, 2008.

m) Debtor Confidentiality Agreement, by and between the Debtor and Jane Tanjuaquio, dated as of April 11, 2000.

n) Debtor Confidentiality Agreement, by and between the Debtor and Denise Still, dated as of September 11, 2006.

o) Debtor Confidentiality Agreement, by and between the Debtor and Jillynn Snyder, dated as of December 12, 2005.

p) Debtor Confidentiality Agreement, by and between the Debtor and Alberto Sanchez, dated as of July 5, 2005.

q) Debtor Confidentiality Agreement by and between the Debtor and Liza Reyes.

r) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Karl Pitsch, dated as of November 20, 2008.

s) Debtor Confidentiality Agreement, by and between the Debtor and Nelson Pineda, dated as of October 16, 2006.

t) Debtor Confidentiality Agreement, by and between the Debtor and Daniel Munguia, dated as of October 23, 2006.

u) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Lindsay Mundell, dated as of January 10, 2008.

v) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Mark Milner, dated as of February 10, 2009.

w) Debtor Confidentiality Agreement, by and between the Debtor and Silvino Juarez, dated as of October 28, 2002.

x) Debtor Confidentiality Agreement, by and between the Debtor and Josefina Lopez, dated as of June 21, 2006.

y) Debtor Confidentiality Agreement, by and between the Debtor and Jodi Laurutis, dated as of February 21, 2002.

z) Debtor Confidentiality Agreement, by and between the Debtor and Sloane Martina, dated as of August 1, 2006.

aa) Debtor Confidentiality Agreement, by and between the Debtor and Maria Sease, dated as of December 28, 2002.

bb) Debtor Confidentiality Agreement, by and between the Debtor and Richard Scott Judson, dated as of January 6, 2003.

cc) Debtor Confidentiality Agreement, by and between the Debtor and Anna Joya, dated as of March 12, 2007.

dd) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Martha Jimenez.

ee) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Lisa Jacobson, dated as of August 1, 2008.

ff) Debtor Confidentiality Agreement, by and between the Debtor and Kandee Jackson-Smith, dated as of August 15, 2003.

gg) Debtor Confidentiality Agreement, by and between the Debtor and Heather Hebron, dated as of October 17, 2005.

hh) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Kathleen Harte, dated as of June 1, 2009.

ii) Debtor Confidentiality Agreement, by and between the Debtor and Keith Gulbranson, dated as of February 18, 2004.

jj) Debtor Confidentiality Agreement, by and between the Debtor and Anjanette Guiboa, dated as of March 27, 2003.

kk) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Janice Greaves, dated as of February 4, 2009.

ll) Debtor Confidentiality Agreement, by and between the Debtor and Wendy Graham, dated as of February 7, 2005.

mm) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Stephanie Goranson, dated as of January 2, 2008.

nn) Debtor Confidentiality Agreement, by and between the Debtor and Christopher Gill, dated as of December 16, 2005.

oo) Debtor Confidentiality Agreement, by and between the Debtor and Jeffrey Geisinger, dated as of April 13, 2000.

pp) Debtor Confidentiality Agreement, by and between the Debtor and Sipriano Garcia, dated as of December 8, 2003.

qq) Debtor Confidentiality Agreement, by and between the Debtor and Mario Escamilla, dated as of April 2, 2001.

rr) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Luisanna Beltran, dated as of December 12, 2007.

ss) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Cynthia Dart, dated as of May 7, 2008.

tt) Debtor Confidentiality Agreement, by and between the Debtor and Megan Costic, dated as of April 12, 2000.

uu) Debtor Confidentiality Agreement, by and between the Debtor and Horacio Carranza, dated as of September 9, 2005.

vv) Debtor Confidentiality Agreement, by and between the Debtor and Doreen Imperial, dated as of September 15, 2004.

ww) Debtor Confidentiality Agreement, by and between the Debtor and Alicia Burnett, dated as of April 12, 2000.

xx) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Cheri Bickar, dated as of October 1, 2008.

yy) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Renee Brandt, dated as of February 26, 2008.

zz) Debtor Confidentiality Agreement, by and between the Debtor and Lisa Baker, dated as of November 11, 2003.

aaa) Debtor Confidentiality Agreement, by and between the Debtor and Oscar Aguirre, dated as of July 5, 2005.

bbb) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Chona Lopez, dated as of June 29, 2007.

ccc) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and David Yaeger, dated as of June 7, 2007.

ddd) Debtor Confidentiality Agreement, by and between the Debtor and Karina Lutzy, dated as of October 30, 2006.

eee) Debtor Confidentiality Agreement, by and between the Debtor and Jennifer Fuller, dated as of September 4, 2001.

fff) Debtor Confidentiality Agreement, by and between the Debtor and Blaine Rice, dated as of October 13, 2003.

ggg) Amended and Restated Agreement and Release, by and between the Debtor and James Morrison, dated May 8, 2009.

hhh) Formula Ownership Agreement, by and between Member and Aware Products, Inc., dated March 22, 1996, providing for non-disclosure of formulas (such Formula Ownership Agreement to be assigned to the Debtor in connection at, or prior to, the date of this Agreement).

iii) Non-disclosure Agreement, by and between Member and Outsourcing Services Group, Inc., (now known as Kik Custom Products), dated as of October 19, 1999 (such Non-disclosure Agreement to be assigned to the Debtor in connection at, or prior to, the date of this Agreement).

jjj) Non-disclosure Agreement, by and between the Member and Outsourcing Services Group, Inc., (now known as Kik Custom Products), dated as of September 15, 1998 (such Non-disclosure Agreement to be assigned to the Debtor in connection at, or prior to, the date of this Agreement).

kkk) Confidentiality Agreement, by and between Debtor and 220 Laboratories, Inc., dated as of November 1, 2008.

lll) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Stephen Jarvi, dated as of August 9, 2010.

mmm) Employee Non-Disclosure and Confidentiality Agreement, by and between the Debtor and Ashley Weiner, dated as of September 8, 2010.

5.

a) Credit Agreement, dated as of April 9, 2008, by and among the Debtor, as Borrower, Luxe Beauty Holdings Corporation and certain Affiliates of Borrower as Guarantors, the Lenders party thereto, and Bank of America, N.A. as Administrative Agent and Collateral Agent.

b) Equipment Lease, by and between the Debtor and NMHG Financial Services, Inc., dated as of September 25, 2009.

c) Equipment Lease, by and between the Debtor and Wells Fargo Financial Capital Finance, dated as of July 29, 2008, Agreement Number 200865508.

6.

None.

7.

a) Agreement, by and among Imperial Capital, Peitzman, Weg & Kempinsky, LLP, and the Debtor, dated as of October 12, 2009.

b) Engagement Agreement, by and between Chanin Capital Partners, LLC, and the Debtor, dated as of February 4, 2010.

c) Engagement Agreement, by and among Crowe Horwath, LLP, Peitzman, Weg & Kempinsky, LLP, and the Debtor, dated as of February 16, 2010.

d) Engagement Agreement, by and among CRG Partners Group, LLC, the Debtor, Ecoly International, Inc., and Luxe Beauty Midco Corporation, dated as of July 22, 2009.

(e) Securities Purchase and Guaranty Agreement, by and between the Debtor, the Member, Luxe Beauty Midco Corporation, Luxe Beauty Holdings Corporation and NWM, dated April 9, 2008.

(f) Credit Agreement, by and among the Debtor, as Borrower, Luxe Beauty Holdings Corporation, and certain Affiliates of Borrower as Guarantors, the Lenders party thereto, and Bank of America, N.A. as Administrative Agent and Collateral Agent, dated April 9, 2008.

8.

None.

9.

a) Credit Agreement, dated as of April 9, 2008, by and among the Debtor, as Borrower, Luxe Beauty Holdings Corporation, and certain Affiliates of Borrower as Guarantors, the Lenders party thereto, and Bank of America, N.A. as Administrative Agent and Collateral Agent.

b) Securities and Guaranty Agreement, dated as of April 9, 2008, by and among Luxe Beauty Holdings Corporation, Luxe Beauty Midco Corporation, Ecoly International, Inc., the Debtor, and the Northwestern Mutual Life Insurance Company.

c) Irrevocable Standby Letter of Credit No. BMCH284867OS, dated as of February 16, 2010, issued by the Bank of Montreal, for the benefit of Karl Heinz Pitsch.

d) Irrevocable Standby Letter of Credit No. BMCH270361OS, dated as of October 7, 2009, issued by the Bank of Montreal, for the benefit of Mark Milner.

10.

None.

11.

a) Severance Agreement, by and between Karl Heinz Pitsch and Luxe Beauty Holdings, dated as of November 7, 2008, as assumed by the Debtor in that certain Assumption Agreement, dated as of February 9, 2010.

b) Severance Agreement, by and between Mark Milner and Luxe Beauty Holdings, dated as of January 12, 2009, as assumed by the Debtor in that certain Assumption Agreement, dated as of February 9, 2010.

c) Sale Bonus (pursuant to Stay and Sale Bonus letters, dated January 14, 2010). For both Pitsch and Milner. Milner and Pitsch sale bonuses are calculated based on a percentage of the transaction consideration.

d) Compensation to Transferring Employees pursuant to the Transaction **[Note: All funds paid to Transferring Employees to be treated as an Excluded Liability]**

12.

a) Employment Agreement by and between Karl-Heinz Pitsch and Luxe Beauty Holdings Corporation, dated November 7, 2008, as amended by resolution of the Board of Directors of Ecoly International, Inc., dated October 9, 2009, as assumed by the Company in that certain Assumption Agreement, dated February 2, 2010, by and between Karl-Heinz Pitsch and the Company, as amended by that certain letter agreement by and between the Debtor and Karl-Heinz Pitsch, dated July 13, 2010, as amended by that certain letter agreement by and between the Debtor and Karl-Heinz Pitsch, dated September 14, 2010 and as amended by that certain letter agreement by and between the Debtor and Karl-Heinz Pitsch, dated December 20, 2010.

b) Employment Agreement by and between Mark Milner and Luxe Beauty Holdings Corporation, dated January 12, 2009, as assumed by the Company in that certain Assumption Agreement, dated February 2, 2010, by and between Mark Milner and the Company, as amended by that certain letter agreement by and between the Debtor and Mark Milner, dated July 13, 2010, as amended by that certain letter agreement by and between the Debtor and Mark Milner, dated September 14, 2010, and as amended by that certain letter agreement by and between the Debtor and Mark Milner, dated December 20, 2010.

c) Karl-Heinz Severance

(i) Severance Payment (pursuant to employment agreement, dated November 7, 2008, as amended by resolution of the Board of Directors of Ecoly International, Inc., dated October 9, 2009, and as further amended by the Stay and Sale Bonuses letter, dated January 14, 2010).

(ii) Severance Letter of Credit Amendment (amendment of Irrevocable Standby Letter of Credit No. BMCH284867OS:, dated February 16, 2010).

d) Mark Milner Severance

(i) Severance Payment (pursuant to employment agreement, dated January 12, 2009, as amended by the Stay and Sale Bonuses letter, dated January 14, 2010).

(ii) Severance Letter of Credit Amendment (amendment of Irrevocable Standby Letter of Credit No.: BMCH270366OS, dated February 16, 2010).

d) Sale Bonus (pursuant to Stay and Sale Bonus letters, dated January 14, 2010). For both Pitsch and Milner. Milner and Pitsch sale bonuses are calculated based on a percentage of the transaction consideration.

e) Stay Bonus (pursuant to Stay and Sale Bonus letters, dated January 14, 2010). For both Pitsch and Milner. Pitsch Stay Bonus is $200,000. Milner Stay Bonus is $100,000.

f) David Yaeger's annual bonus in an aggregate amount equal to $15,450, pursuant to a May 20, 2010 letter from Mark Milner to David Yaeger.

g) Rafe Hardy's bonus program providing for a bonus of up to ten percent of base salary ($120,000) with a guaranteed minimum bonus of $7,500 for 2010.

h) Marlene Amezcua's bonus providing for a payment of ten percent of base salary ($115,000), pursuant to a March 10, 2010 email from Karl Heinz Pitsch to Marlene Amezcua.

i) 2010 Bonus Program for sales employees.

j) Discretionary 6% bonus plan for all employees not otherwise covered under a bonus plan.

k) Pursuant to an offer letter, dated June 28, 2010, Stephen Jarvi was hired on July 1, 2010 at a salary of $168,000, a signing bonus of $28,000 and an annual bonus of 10% of his annual salary.

Schedule 7.01(q)

Affiliate Transactions

1. Securities Purchase and Guaranty Agreement, by and between the Debtor, the Member, Luxe Beauty Midco Corporation, Luxe Beauty Holdings Corporation and NWM, dated April 9, 2008.

2. Credit Agreement, by and among the Debtor, as Borrower, Luxe Beauty Holdings Corporation, and certain Affiliates of Borrower as Guarantors, the Lenders party thereto, and Bank of America, N.A. as Administrative Agent and Collateral Agent, dated April 9, 2008.

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Schedule 7.01(r)

Customers and Suppliers

Supplier Name	Contractual Obligations
KIK CUSTOM PRODUCTS	Formula Ownership Agreement listed at Schedule 7.01(p)(i)(4)(d); Non-Disclosure Agreement listed at Schedule 7.01(p)(i)(4)(iii); Non-Disclosure Agreement listed at Schedule 7.01(p)(i)(4)(jjj)
COSWAY COMPANY, INC.	Non-disclosure agreement listed at Schedule 7.01(p)(i)(4)(f); Rebate Letter agreement, dated January 28, 2009
DESIGN WORX PACKAGING	Preferred Customer Rebate Program Agreement, dated May 11, 2010
PDA GROUP	None
JOAR LABS.,INC	Confidentiality Agreement listed at Schedule 7.01(p)(i)(4)(b); Contract Filler Agreement, date February 8, 2000 (assigned by Member to Debtor); Formula Ownership Agreement, dated February 7, 2000 (assigned by Member to Debtor)
220 LABORATORIES	Confidentiality Agreement listed at Schedule 7.01(p)(i)(4)(c); Confidentiality Agreement listed at Schedule 7.01(p)(i)(4)(kkk); Formula Ownership agreement, dated January 6, 2000 (assigned by Member to Debtor); Rebate Letter agreement, dated August 21, 2009
AWARE PRODUCTS	Formula Ownership Agreement listed at Schedule 7.01(p)(i)(4)(hhh); Formula Agreement, dated September 28, 1999 (assigned by Member to Debtor)
UBS PRINTING GROUP, INC.	Rebate Letter agreement, dated February 12, 2009
CCL Container	None
LAURAL PACKAGING GROUP	Rebate Letter agreement, February 12, 2009

Customer Name	International or Domestic Distributor Contract
SALON DIRECT/BOSTON BEAUTY	Yes, listed at Schedules 7.01(k)(iii), 7.01(p)(i)(2)(a), and 7.01(p)(i)(3)(a)(vii)
SECURITY PRODUCTS DIST CORP	None
REGIS	Routing Guide Agreement
ULTA SALON & COSMETICS, INC.	None
STATE BEAUTY SUPPLY(owned by SalonCentric)	None
JC PENNEY	None
MALY'S OF CALIFORNIA-VALENCIA (owned by Salon Centric)	Yes, listed at Schedules 7.01(k)(iii), 7.01(p)(i)(2)(b), and 7.01(p)(i)(3)(a)(vi)
MALY'S MIDWEST (owned by Salon Centric)	None
SALON INNOVATIONS INC	None
HAIRCONCEPTS GMBH.	Yes, listed at Schedules 7.01(k)(iii), 7.01(p)(i)(2)(e), and 7.01(p)(i)(3)(a)(iv)
AERIAL COMPANY	None
PREMIER SALONS, INC.	None
GULF STATES BEAUTY(owned by Salon Centric)	None
EMILIANI ENTERPRISES	None
BAI STORES	None
BEAUTY SYSTEMS GROUP	None

Schedule 7.01(s)

Employees

(see attached)

Department	Name	2010 SALARY	Other	Permanent Classification	Years of Service	Bonus	Administaff Fees (i.e. Medical, Taxes, Fees, 401k, etc.)	Perks/Benefits	Severance
Accounting	Aguirre, Oscar Guillermo	$41,200.00		Full Time	5.5	0.06	$10,332.26		
Education	Alvarez, Araceli	$33,987.20		Full Time	1	0.06	$9,210.95		
Education	Amezcua, Marlene	$115,000.00	increased to $135k Jan 1	Full Time	4.1	0.1	$16,702.37		
Warehouse	Arias Tamayo, Juan M	$29,120.00		Full Time	0.7	0.06	$5,341.45		
Eastern Regional Sales	Baker, Lisa A	$63,860.00		Full Time	7.1	20% +1% over sales	$16,861.72		
Warehouse	Barrientos, Juan	$22,880.00		Full Time	0.2	0.06	$6,832.09		
Hr	BeltrandelRio, Luisanna	$34,278.40		Full Time	3	0.06	$10,436.60		
Western Regional Sales	Bickar, Cheri	$66,950.00		Full Time	2.2	20% +1% over sales	$13,114.36		
Chain Account Sales	Brandt, Renee M	$72,010.00		Full Time	2.9	20% +1% over sales	$16,705.85		
International Sales	Burnett, Alicia R	$140,000.00		Full Time	16.5	50% +1% over sales	$21,535.18		
Marketing	Camporredondo, Doreen Anne	$86,520.00		Full Time	3.5	0.06	$11,163.26		
Production	Carranza, Horacio O	$45,320.00		Full Time	5.3	0.06	$11,484.75		
Warehouse	Correa, Michael	$24,960.00		Full Time	3.3	0.06	$10,629.57		
International Sales	Costic, Megan	$55,620.00		Full Time	8	10% +1% over sales	$8,874.00		
Marketing	Dart, Cynthia S	$97,020.00		Full Time	2.6	0.06	$16,071.88		
Production	Escamilla, Mario	$63,960.00		Full Time	9.8	0.06	$14,014.89		
Warehouse	Fabian, Rene	$23,920.00		Full Time	3.6	0.06	$10,310.91		
Warehouse	Flores, Homero Rojas	$84,975.00		Full Time	19.8	0.06	$21,839.95		
International Sales	Foss, Scott M	$75,000.00		Full Time	1	20% +1% over sales	$13,203.31		
Western Regional Sales	Frost, Heather A	$51,500.00		Full Time	3.2	20% +1% over sales	$11,769.28		
Warehouse	Garcia, Cipriano	$28,922.40		Full Time	7.1	0.06	$9,885.40		
Warehouse	Garcia, Luis Angel	$22,360.00		Full Time	0.1	0.06	$7,740.87		
Eastern Regional Sales	Geisinger, Jeffrey S	$100,000.00		Full Time	12.5	20% + 1% over sales	$18,741.46		
IT	Gill, Christopher J	$77,250.00		Full Time	5.1	0.06	$17,072.80		
Warehouse	Godinez Cobar, Sergio Giovanni	$22,360.00		Full Time	0.3	0.06	$7,061.25		
Art	Goranson, Stephanie P	$97,000.00		Full Time	3	0.06	$16,300.23		
Education	Graham, Wendy	$48,410.00		Full Time	6	0.06	$11,549.14		
Art	Greaves, Janice	$66,300.00		Full Time	1.9	0.06	$13,548.55		
Accounting	Guiboa, Anjanette Renee	$50,470.00		Full Time	7.8	0.06	$11,855.71		
Marketing	Gulbranson, Keith D	$51,500.00		Full Time	6.9	0.06	$11,947.39		
Education	Hardy, Rafe	$120,000.00	increased to $135k Jan 1	Full Time	3.2	0.1	$16,917.86		
Eastern Regional Sales	Harte, Kathleen	$100,000.00	increased to $125k Jan 1	Full Time	1.6	30% + 1% over sales	$17,200.67		
Hr	Hebron, Heather A	$53,560.00		Full Time	5.2	0.06	$12,130.58		
Warehouse	Hernandez, Esvin	$56,000.00		Full Time	16.2	0.06	$16,402.25		
Chain Account Sales	Hill, Margaret L	$90,846.00		Full Time	3.5	20% +1% over sales	$17,494.09		
Warehouse	Ibarra, Lizeth	$35,992.32		Full Time	3.9	0.06	$11,564.01		
Chain Account Sales	Jacobson, Lisa M	$89,700.00		Full Time	2.4	20% + 1% over sales	$20,500.74		
Production	Jarvi, Stephen	$168,000.00		Full Time	0.5	0.1	$24,075.25		
Warehouse	Jimenez, Jeremias	$22,360.00		Full Time	0.2	0.06	$6,839.70		
Warehouse	Jimenez, Martha P	$22,880.00		Full Time	3	0.06	$9,691.47		
Accounting	Joya, Anna Lisa	$41,200.00		Full Time	3.8	0.06	$7,396.48		
Western Regional Sales	Judson, Richard Scott	$110,000.00		Full Time	8	20% + 1% over sales	$19,095.97		
Communications	LaMartina, Sloane	$72,000.00		Full Time	4.4	0.06	$15,223.59		
Show	Laurutis, Jodi L	$59,556.00		Full Time	9	0.06	$12,696.32		
Warehouse	Lope, Xarlin Ronald	$60,000.00		Full Time	17.3	0.06	$17,341.86		
Production	Lopez, Chona L	$103,000.00		Full Time	13.4	0.06	$16,481.81		
Production	Lopez, Josefina	$33,579.00		Full Time	4.6	0.06	$10,349.30		
Western Regional Sales	Lucht, Heather	$62,400.00		Full Time	3.3	20% +1% over sales	$13,939.91		
Marketing	Lutzy, Karina	$104,030.00		Full Time	4.2	0.06	$15,892.17		
Warehouse	Martinez, Aljanaro	$25,688.00		Full Time	3.2	0.06	$10,186.24		
IT	Martinez, Carlos Roberto	$37,440.00		Full Time	3.7	0.06	$11,573.68		
Bai Group	McKee, Kimberly P	$60,000.00		Full Time	0.9	20% +1% over sales	$14,516.38		
Warehouse	Medina Juarez, Silvino	$26,780.00		Full Time	8.2	0.06	$10,176.69		
Exec	Milner, Mark	$275,000.00		Full Time	1.9	0.25	$32,329.32	Car allowance plus Gas	See Contract
Warehouse	Montero Mendez, Luis Eduar	$26,520.00		Full Time	11.8	0.06	$10,203.55		
Communications	Mundell, Lindsay M	$35,000.00		Full Time	3	0.06	$10,530.23		
Warehouse	Munguia, Daniel	$26,728.00		Full Time	4.2	0.06	$10,571.56		
Education	Nixon, Nicole	$50,000.00		Full Time	3.2	0.06	$12,697.56		
Chain Account Sales	Ottomanelli, Denise J	$85,680.00		Full Time	3.6	20% +1% over sales	$17,005.91		
Chain Account Sales	Parks, Jennifer	$175,000.00		Full Time	9.4	50% +1% over sales	$22,475.40		
Warehouse	Pineda, Nelson	$24,440.00		Full Time	4.2	0.06	$11,323.52		
Exec	Pitsch, Karl Heinz	$400,000.00		Full Time	2.1	See Contract	$43,255.42	Car allowance plus Gas	See Contract
Accounting	Reyes, Liza Genoveva Sant	$70,040.00		Full Time	11.3	0.06	$17,287.81		
Accounting	Rivera, Maria Edelmira	$61,800.00		Full Time	1.1	0.06	$12,827.08		
Production	Robinson, Alison	$63,240.00		Full Time	1.8	0.06	$9,000.14		
Warehouse	Rogue, Antonio	$22,880.00		Full Time	3.3	0.06	$8,972.44		
Warehouse	Sanchez, Alberto	$28,922.40		Full Time	5.5	0.06	$10,158.17		
Customer Service	Snyder, Jillynn Victoria	$63,860.00		Full Time	5.1	0.06	$13,046.85		
Customer Service	Still, Denise R	$41,205.00		Full Time	4.3	0.06	$13,450.58		
Bai Group	Strickland, Leslie M	$74,000.00		Full Time	3.6	20% +1% over sales	$10,263.02		
Customer Service	Tanjuaquio, Jane	$41,200.00		Full Time	11.5	0.06	$11,733.52		
Bai Group	Teasley, Kendra Denise	$80,000.00	increased to $105k Jan 1	Full Time	0.9	30% + 1% over sales	$13,972.02		
Art	Themaras, Erika	$52,250.00		Full Time	3.1	0.06	$11,882.12		
Marketing	Townsend, Rachel R	$48,000.00		Full Time	2.7	0.06	$13,311.66		
Warehouse	Urias, Mark James	$22,360.00		Full Time	0.3	0.06	$7,803.70		
Communications	Vasquerano, Glenda	$54,000.00		Full Time	0.2	0.06	$8,180.00		
International Sales	Venegas, Maria	$59,737.60		Full Time	7.3	10% +1% over sales	$14,096.24		
Warehouse	Vides, Francisco	$29,993.60		Full Time	9.9	0.06	$8,711.34		
Education	Villalobos, Monique	$29,994.00		Full Time	0.2	0.06	$7,990.45		
Eastern Regional Sales	Westlind, Trica	$55,825.00		Full Time	4.2	20% +1% over sales	$15,844.85		
Marketing	Wiener, Ashley J	$60,000.00		Full Time	0.5	0.06	$10,074.48		
Accounting	Yaeger , David	$154,500.00		Full Time	6.3	0.1	$13,691.49	Gas	
Production	Zavala, Christina	$38,450.25		Full Time	4.9	0.06	$11,724.01		
Communications	ONESTO, CHRISTA	$49,858.00		Temp	0.2	0	$8,037.40		

Schedule 7.01(t)

Litigation

1. The Debtor received a letter from the California Air Resources Board (CARB) dated October 6, 2009 requesting information as part of an ongoing investigation of hair care products and compliance with CARB requirements. The letter focused on the volatile organic compound (VOC) content of Big Sexy Hair What a Tease, Big Sexy Hair Dense, and Short Sexy Hair Slept in Texture Crème, as well as date of manufacture coding on packages of Short Sexy Hair Control Maniac Wax, Short Sexy Hair Slept in Crème, and Big Sexy Hair Blow Dry Volumizing Gel. The Debtor responded to the information request and has met with CARB enforcement staff. The Debtor takes the position that CARB has misclassified the What a Tease and Dense products, and that these products comply with the 55% VOC limit to which they are subject in California. The Debtor further asserts that CARB mis-analyzed the VOC content of the Creme product, and that, had CARB properly analyzed this product, it would have determined that the product complies with the 2% VOC limit to which it is subject. The Debtor is not aware of any notice of violation or complaint having been issued by CARB in connection with the matters at issue in its October 6, 2009 letter, or of any potential for CARB to initiate a similar investigation or take any enforcement action with respect to any other of the Debtor's products that are marketed in California.

   The date of manufacture coding issues appears to be the result of two separate alleged violations: (1) failure to provide the CARB with required information regarding the decoding of the information provided on the packaging; and (2) failure to provide legible date of manufacture coding on the packaging. With respect to the submission of information relating to the date of manufacture coding, the Debtor learned that one of its manufacturers had not provided the necessary paperwork to CARB. This paperwork has since been submitted. With respect to the failure to provide legible date of manufacture coding on certain products, the Debtor learned that the contract filler of one product -- Control Maniac -- has been placing a label over the date of manufacture coding information on the package. The Debtor has instructed this contract filler to change this practice and the contract filler has agreed to this request. CARB has also raised questions about the legibility of the date of manufacture coding on the edges of packaging (i.e. the Slept In product with crimped edges). As of the date hereof, to the Debtor's knowledge, there are no threatened or pending actions by CARB in respect of such questions.

2. On June 18, 2010, a complaint of discrimination was filed against the Debtor with the Massachusetts Commission Against Discrimination by Deborah M. St. Rose, MCAD Docket Number 10BEM01499, EEOC/HUD Number 16C-2010-01764.

3. A class action lawsuit, Salon Fad et al., v. L'oreal USA, Inc. et al., was initiated on July 1, 2010, Case No. 10-CV-5063, in the U.S. District Court of the Southern District of New York.

Schedule 7.01(u)(ii)

Employee Plans

1. Sexy Hair Concepts, LLC 401(k) Retirement Plan

2. Sale Bonus (pursuant to Stay and Sale Bonus letters, dated January 14, 2010). For both Pitsch and Milner. Milner and Pitsch sale bonuses are calculated based on a percentage of the transaction consideration.

3. Stay Bonus (pursuant to Stay and Sale Bonus letters, dated January 14, 2010). For both Pitsch and Milner. Pitsch Stay Bonus is $200,000. Milner Stay Bonus is $100,000.

4. Annual Bonus pursuant to the Employment Agreement by and between Karl-Heinz Pitsch and Luxe Beauty Holdings Corporation, dated November 7, 2008, as amended by resolution of the Board of Directors of Ecoly International, Inc., dated October 9, 2009, as assumed by the Company in that certain Assumption Agreement, dated February 2, 2010, by and between Karl-Heinz Pitsch and the Company, as amended by that certain letter agreement by and between the Debtor and Karl-Heinz Pitsch, dated July 13, 2010, as amended by that certain letter agreement by and between the Debtor and Karl-Heinz Pitsch, dated September 14, 2010, and as amended by that certain letter agreement by and between the Debtor and Karl-Heinz Pitsch, dated December 20, 2010.

5. Annual Bonus pursuant to the Employment Agreement by and between Mark Milner and Luxe Beauty Holdings Corporation, dated January 12, 2009, as assumed by the Company in that certain Assumption Agreement, dated February 2, 2010, by and between Mark Milner and the Company, as amended by that certain letter agreement by and between the Debtor and Mark Milner, dated July 13, 2010, as amended by that certain letter agreement by and between the Debtor and Mark Milner, dated September 14, 2010, and as amended by that certain letter agreement by and between the Debtor and Mark Milner, dated December 20, 2010.

6. David Yaeger's annual bonus in an aggregate amount equal to $15,450, pursuant to a May 20, 2010 letter from Mark Milner to David Yaeger.

7. Rafe Hardy's bonus program providing for a bonus of up to ten percent of base salary ($120,000) with a guaranteed minimum bonus of $7,500 for 2010.

8. Marlene Amezcua's bonus providing for a payment of ten percent of base salary ($115,000), pursuant to a March 10, 2010 email from Karl Heinz Pitsch to Marlene Amezcua.

9. 2010 Sales Bonus Program for sales employees.

10. Discretionary 6% bonus plan for all employees not otherwise covered under a bonus plan.

11. Administaff maintains the following plans that Debtor contributes to:

a) Group health insurance plan – Medical, Dental, Vision

b) Life insurance plan

c) Flexible Spending Account

d) Direct Deposit

e) College Savings Plan

f) Adoption Assistance

g) Credit Union

h) Access to Administaff Marketplace – Savings on multiple company products and services (example – AT&T, Dell, Staples, Turbo Tax)

Schedule 7.01(v)

Product Warranties

It is the Debtor's understanding that Liquid Art and Color Me Sexy products contained a dye that was not compliant with European and Canadian regulations. The Debtor has no further information regarding why the products were in violation or which regulations they violated. Upon learning this information, the Debtor discontinued selling the products in the aforementioned locations.

Schedule 7.01(w)

Insurance

1. Insurance Policy between Sexy Hair Concepts, LLC, and Chartis Specialty Insurance Company, numbered 01-423-78-37, effective December 17, 2009 to December 17, 2010.

2. Insurance Policy between Sexy Hair Concepts, LLC, and OneBeacon America Insurance Company, numbered 719-01-20-68-0000, effective March 11, 2010 to March 11, 2011.

3. Insurance Policy between Sexy Hair Concepts, LLC, and The St. Paul Travelers Companies, Inc., numbered GB09400794, effective March 11, 2010 to March 11, 2011.

4. Insurance Policy between Sexy Hair Concepts, LLC, and Mt. Hawley Insurance Company, numbered MQE0201593, effective March 11, 2010 to March 11, 2011.

5. Insurance Policy between Sexy Hair Concepts, LLC, and Illinois Union Insurance Company, numbered PPL G24878600 001, effective March 11, 2010 to March 11, 2011.

6. Insurance Policy between Sexy Hair Concepts, LLC, and United Financial Casualty Company, numbered 07734621-0, effective November 24, 2010 to November 24, 2011.

Schedule 7.02(c)

Authorization of Governmental Authorities

None.

Schedule 7.02(d)

Noncontravention

None.

Schedule 8.04(d)

(B)

(v)

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Dept. Of Treasury

Internal Revenue Service Acs Support
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(x)

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(z)

[None.]

Exhibit 3

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Proposed Attorneys for Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

SAN FERNANDO VALLEY DIVISION

In re: ECOLY INTERNATIONAL, INC., a California corporation, SEXY HAIR CONCEPTS, LLC, a California limited liability company, and LUXE BEAUTY MIDCO CORPORATION, a Delaware corporation, Debtors and Debtors-in-Possession.	Case No. _____ Chapter 11 (Jointly Administered with Case Nos.: _____, _____, _____) **ORDER APPROVING DISCLOSURE STATEMENT AND SOLICITATION, VOTING, AND CONFIRMATION PROCEDURES**
Check One or More as Appropriate: Affects All Debtors: ☐ Affects Ecoly International Inc. only: ☐ Affects Sexy Hair Concepts, LLC only: ☒ Affects Luxe Beauty Midco Corporation only: ☐	Disclosure Statement Hearing: Date: [] Time: [] [].m. Place: Courtroom [] 21041 Burbank Blvd. Woodland Hills, CA 91367

The Motion Of The Debtor For Order Approving Disclosure Statement And Solicitation, Voting, And Confirmation Procedures (the "Motion"), filed by Sexy Hair Concepts, LLC (the "Debtor"), came on for hearing before the Honorable _____, United States Bankruptcy Judge, on _____, 20__, at _____ __.m. (the "Hearing"). Appearances were made as reflected in the Bankruptcy Court's record. Capitalized terms used herein shall have the meaning ascribed to them in the Motion, unless otherwise defined.

Pursuant to the Motion, the Debtor is moving for an order approving the Disclosure Statement For Plan Of Reorganization Pursuant To Chapter 11 Of The Bankruptcy Code For Sexy Hair Concepts,

LLC (the "Disclosure Statement") and certain specified solicitation, voting, and confirmation procedures concerning the Disclosure Statement and the Debtor's Plan Of Reorganization Pursuant To Chapter 11 Of The Bankruptcy Code For Sexy Hair Concepts, LLC (the "Plan").

After consideration of the Motion and accompanying supporting papers, the Disclosure Statement and the Plan, the arguments of counsel, the files and records in this chapter 11 case, it is hereby

FOUND THAT:

1. The Disclosure Statement contains adequate information within the meaning of section 1125 of the Bankruptcy Code.

2. Actual notice of the Hearing and the deadline to file objections to the Disclosure Statement (the "Disclosure Statement Notice") was provided to the Notice Parties, and such notice constitutes good and sufficient notice to all interested parties.

3. The form and manner of notice of the time set for filing objections to, and the time, date, and place of, the Hearing was adequate and comports to due process.

4. The form of ballot, substantially in the form attached to the Motion as Exhibit 3 (the "Ballot"), adequately addresses the particular needs of this chapter 11 case and is appropriate for each class of claims entitled to vote to accept or reject the Plan.

5. Holders of claims in Class A-2 (Other Secured Claims), Class B (Priority Non-Tax Claims) and Class C (Trade Claims) under the Plan (collectively, "Unimpaired Classes") are unimpaired and, thus, are conclusively presumed to accept the Plan. Accordingly, holders of claims in the Unimpaired Classes shall not be provided with a Ballot.

6. Holders of claims in Class E (Old Equity Interests) will not receive or retain any property under the Plan and, thus, is deemed to reject the Plan. Accordingly, holders of claims in Class E (Old Equity Interests) shall not be provided a Ballot.

7. The period, set forth in the motion, during which the Debtor may solicit acceptances to the Plan is a reasonable period of time for entities entitled to vote on the Plan to make an informed decision whether to accept or reject the Plan.

8. The procedures for the solicitation and tabulating of votes to accept or reject the Plan (as set forth in the Motion) provide a fair and equitable voting process and are consistent with section 1126 of the Bankruptcy Code.

9. The procedures set forth in the Motion regarding notice to all parties in interest of the time, date, and place of the Confirmation Hearing and the distribution and contents of the Solicitation Package comply with Bankruptcy Rules 2002 and 3017 and constitute sufficient notice to all interested parties.

ORDERED THAT:

A. The Motion is **GRANTED.**

B. Notice of the Motion, setting forth the objection deadline and the Disclosure Statement Hearing date, was proper, adequate, and sufficient notice of thereof and of all proceedings in connection therewith.

C. The Disclosure Statement is approved.

D. All objections to the Disclosure Statement that have not been otherwise resolved are hereby overruled.

E. For purposes of determining which creditors will be entitled to vote on the Plan, January [ ], 2010 is hereby established as the record date (the "Record Date").

F. The Record Date will also be used to determine which creditors and equity interest holders in non-voting classes are entitled to receive an appropriate notice of non-voting status.

G. The Debtor is authorized to immediately distribute the Plan and Disclosure Statement and to solicit acceptance of the Plan.

H. The procedures set forth in the Motion for the solicitation and tabulation of votes on the Plan are approved. Kurtzman Carson Consultants LLC ("KCC") is designated as the entity that will tabulate the ballots and prepare and file the ballot summary.

I. The form of ballot and the related instructions attached to the Motion as Exhibit 3 is approved and shall be used for voting to accept or reject the Plan.

J. The Form of Confirmation Hearing Notice to be mailed to all creditors, equity security holders and other parties in interest in the form attached to the Motion as Exhibit 4 is

approved.

K. The Confirmation Hearing shall take place before the Bankruptcy Court on _____ , 2011, at _____ __.m.

L. The last day and time to deliver ballots to KCC is _____, 2011, at 5:00 p.m., Los Angeles time. The ballots must be delivered so as to be received by KCC no later than _____, 2011, at 5:00 p.m., Los Angeles time.

M. The last day and time to file with the Bankruptcy Court and deliver to the Debtor's counsel, counsel for the Plan Sponsor, counsel for the Agent, counsel for any official committee appointed by this Court and the United States Trustee any objections to confirmation of the Plan is _____, 2011.

N. The Debtor shall file any reply memorandum of points and authorities or other papers in support of confirmation of the Plan, including any response to any timely filed and served objection to confirmation of the Plan, on or before _____, 20__, and shall serve a copy on each objecting party. The Debtor shall file with the Bankruptcy Court and serve on the United States Trustee, counsel for the Plan Sponsor, counsel for the Agent, counsel for any official committee appointed by this Court and any objecting party a ballot summary on or before _____, 20__.

O. In accordance with section 1125(e) of the Bankruptcy Code, any person that solicits acceptance of the Plan in accordance with the procedures set forth in the Motion, or that participates in the offer, issuance, sale or purchase of any securities offered or sold under the Plan of the Debtor, shall not be liable, on account of such solicitation or participation, for violation of any applicable law, rule or regulation governing solicitation of acceptance of a plan or the offer, issuance, sale or purchase of securities.

Dated:

_____

United States Bankruptcy Judge