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U.S. DISTRICT COURT
DISTRICT OF NEVADA
BY _____ DEPUTY

**UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

L'OREAL USA S/D, INC., a Delaware corporation, as successor-in-interest to Matrix Essentials, Inc.,

2:09-cv-01484-ECR-LRL

Plaintiff,

v.

COMPLAINT

HAIR CASINO VENTURE, L.L.C., a Nevada limited liability company, NEVADA HAIR VENTURES, L.L.C., a Nevada limited liability company, and DOES 1-50.

Defendants.

Jury trial demanded.

Plaintiff L'Oreal USA S/D, Inc., as successor-in-interest to Matrix Essentials, Inc. ("L'Oreal"), by its undersigned counsel, complains of Defendants Hair Casino Venture, L.L.C. ("Hair Casino"), and Nevada Hair Ventures, L.L.C. ("Nevada Hair Ventures"), as follows:

JURISDICTION AND VENUE

1. Jurisdiction is proper under 28 U.S.C § 1332 because the parties are diverse and the amount in controversy exceeds \$75,000.
2. This Court is the proper venue under 28 U.S.C. §§ 1391(a) because

Defendants reside in this judicial district, and a substantial part of the events comprising the claims asserted herein took place in this district.

PARTIES

3. L'Oreal is a corporation organized and existing under the laws of the State of Delaware and having its principal place of business in New York, New York.

4. Hair Casino was formerly a limited liability company organized and existing under the laws of the state of Nevada and having its principal place of business in Las Vegas, Nevada.

5. Nevada Hair Ventures is a limited liability company organized and existing under the laws of the state of Nevada and having its principal place of business in Las Vegas, Nevada.

6. Plaintiff is ignorant of the true names and capacities of the Defendants sued herein as DOES 1-50, inclusive, and therefore sues these Defendants by such fictitious names. Plaintiff will amend its complaint to allege their true names and capacities when ascertained. In the meantime, Plaintiff is informed and believes that each of the fictitious named Defendants is legally responsible in some manner for the occurrences herein alleged, and subject to and liable for the relief prayed for below.

7. Plaintiff is informed and believes that all of the Defendants, including those Defendants sued in the name of DOE, were agents, servants and employees of their co-Defendants, and in doing the things hereinafter mentioned, were acting within the scope of their authority as such agents, servants and employees with the permission and consent of their co-Defendants.

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FACTS COMMON TO ALL COUNTS

8. L'Oreal, the successor-in-interest to Matrix Essentials, Inc., is engaged in the business of manufacturing and distributing hair care products under the "Matrix" brand name for the professional hair care market. These products include colorings, dyes, shampoos, conditioners, and styling products exclusively for sale to professional salons. All Matrix products bear Matrix's name and trademarks.

9. L'Oreal labels its Matrix hair care products for "professional" use by trained and licensed hair stylists in salons. L'Oreal produces Matrix hair care products exclusively for use and sale in beauty salons and beauty schools. Licensed hair stylists use Matrix products while providing hair styling services, and recommend Matrix products to patrons. Matrix adopted a system of salon-only distribution, which relies on professional hair stylists' use and recommendation, as an alternative to the elaborate and expensive advertising and marketing campaigns that mass-market manufacturers use to promote hair-care products sold in grocery and drug stores. L'Oreal's years of providing quality Matrix products, education, and service to its customers has created strong professional demand. This demand is further fostered by L'Oreal's pledge to allow its Matrix products to be sold only to professional salons and contracts promising to sell only via L'Oreal's professional salon distribution system.

10. L'Oreal uses a system of authorized distributors to supply its Matrix products to salons. Each distributor must sign a written contract with L'Oreal. These contracts are valuable to L'Oreal, forming the backbone of L'Oreal's Matrix products' distribution system. Each L'Oreal distributor agrees to distribute and sell Matrix products in accord with L'Oreal's salon-only resale restrictions and to promote and develop

valuable professional salon business for L'Oreal and its distributors. Direct or indirect sales by distributors or salons to general merchandisers, drug stores and warehouse stores are prohibited. Each Matrix distributor agrees to sell Matrix products only to professional salons located in its territory. Sales by a distributor or its franchises to any entity other than those authorized by contract are called "Diverted." Diverted products are then distributed through a covert channel known as the "grey market."

The Matrix Distribution Agreement

11. On February 12, 1981, L'Oreal's predecessor in interest entered into a Distributor Agreement ("1981 Matrix Agreement") with AMCO Warehouse, Inc. ("AMCO") pursuant to which AMCO (now known as "Armstrong McCall, L.P." or "AMLP") agreed to sell Matrix products to "licensed professional beauticians" throughout its territory, which includes southern California and the State of Nevada ("Matrix Agreement"). Matrix Agreement, ¶ 2(a), Exhibit 1. The 1981 Matrix Agreement prohibits AMCO and its franchisees from diverting Matrix products intended for sale and use by salons and other licensed professional beauticians to drug stores, supermarkets, and other unauthorized retailers. Matrix Agreement, ¶ 2(a), Exhibit 1.

12. On May 12, 1993, L'Oreal's predecessor-in-interest and AMLP's predecessor-in-interest executed the "Matrix Essentials Policy Statement and Agreement" ("Matrix Amendment"), amending the Matrix Agreement, attached hereto as Exhibit 2. The Matrix Amendment reaffirmed AMCO's restriction to sell Matrix products only to salons and licensed hair care professionals and obligation to prevent diversion of Matrix products to unauthorized grey-market retail outlets. The 1993 Matrix Amendment prohibits AMCO and its franchises from selling Matrix products "to any salon or

individual who has in the past diverted or reasonably has been suspected of diverting MATRIX ESSENTIALS products or the products of any other professional hair care manufacturer.” Matrix Amendment, p. 1, Exhibit 2.

13. The terms of the 1993 Matrix Amendment prohibit AMLP and its franchisees from diverting professional Matrix product intended for sale and use by only salons and other licensed beauticians to drug stores, supermarkets, and other unauthorized retail outlets:

[Matrix] products are sold to you and designed ONLY for distribution to, and use by, licensed professionals. . . . A professional salon is one which performs either hair care, skin care, or nail care services by licensed hair care professional, licensed cosmetologists, licensed estheticians or licensed manicurists. It is understood that professional salons, by definition, are salons whose greater percentage of gross sales are from revenues for hair care, cosmetology, esthetic or manicure services, other than from the sale of products.

Matrix Amendment, p. 1, Exhibit 2.

14. AMLP and its franchisees are also prohibited from selling any Matrix product to known or suspected diverters:

[N]o [Matrix] products may be sold to any salon or individual who has in the past diverted or reasonably been suspected of diverting [Matrix] products or the products of any other professional hair care manufacturer.

Matrix Amendment, p. 1, Exhibit 2.

15. Furthermore, AMLP is prohibited from assisting others to divert Matrix products:

Distributor will not engage in any deceptive, misleading or unethical practice or advertising, or knowingly assist anyone in such practices.

Matrix Agreement, ¶ 3(c), Exhibit 1.

16. In addition to the remedies available under the original Matrix Agreement,

the Matrix Amendment provides the following:

In the event that any [Matrix] products sold to you are discovered to be for sale by any unauthorized person or entity or by any person or entity outside of your authorized Territory, [L'Oreal], in addition to any other rights it may have at law or equity, may acquire such products on such terms and conditions and at such process as may be then available to [L'Oreal], whereupon [L'Oreal] may require you to purchase such products from [L'Oreal] at a price equal to [L'Oreal's] cost of acquiring such products, including the cost of, and all expenses related to, the acquisition of the products by [L'Oreal] and the subsequent resale thereof to you.

Matrix Amendment, p. 2, Exhibit 2.

17. The Matrix Amendment also grants L'Oreal the right to audit sales of

Matrix product:

[AMLP] agrees to reasonably monitor the sale of [Matrix] products and, if necessary, allow [L'Oreal] to audit those sales in order to ensure compliance with [L'Oreal's] distribution policy.

Matrix Amendment, p. 2, Exhibit 2.

The AMLP Franchise Agreements

18. In addition to the prohibition in AMLP's agreements with its distributors, AMLP's contracts with its franchisees (sometimes known as sub-distributors) also restrict those franchisees from selling Matrix products to anyone but professional salons. On information and belief, an entity known as Hair of Nevada, L.L.C., which shares common ownership with Defendants, signed a franchise agreement with AMLP, which provides:

7. **PRODUCT PLACEMENT.** Distributor shall **not** sell the Products to the general public or to or through any other distributor, dealer, manufacturers' representative, wholesaler, or retailer. Distributor shall **only** sell Products to Qualified Buyers that (a) sell Products ancillary to the services they provide to the general public for personal use only, (b) use the Products in providing their services, or (c) use the Products for their own personal use. In the event any Product or Products are offered for sale by any distributor, dealer, manufacturers' representative, wholesaler, or retailer, other than a Qualified Buyer, as a

result of a sale or other transfer of these Products by Distributor, Distributor agrees to (i) immediately purchase these Products at the offered price from any such distributor, dealer, manufacturers' representative, wholesaler, or retailer to remove such Product(s) from commerce, or (ii) fully indemnify AMLP or the manufacturer for all costs associated with any such removal and repurchase undertaken by AMLP or the manufacturer. In the event that AMLP is required by a manufacturer to make repurchases of Product under these circumstances, or to reimburse a manufacturer for the cost of the manufacturer's repurchase as a result, then AMLP shall have the right to charge Distributor's account for its cost of such repurchases or reimbursement. These remedies are in addition to any other remedies provided to AMLP under the terms of this Agreement.

AMLP, on behalf of itself and its distributors, has agreed to abide by certain requirements and prohibitions specified by Product manufacturers pertaining to the training of Product users in the use of the Products, criteria for qualifications for Qualified Buyers and to the marketing, distribution and sale of the Products, among other requirements and prohibitions. Distributor agrees to honor and abide by these requirements and prohibitions between AMLP and each Product manufacturer as identified and specified by AMLP. In addition to AMLP's other rights under this Agreement, including, without limitation, its right to terminate this Agreement for Distributor's failure to abide by a Product manufacturer's requirements and prohibitions, AMLP may, in its sole discretion, cease to distribute any Product to Distributor or terminate Distributor's exclusivity with respect to any Product produced by such manufacturer (emphasis added). Franchise Agreement, ¶ 7, Exhibit 3.

DIVERSION OF L'OREAL'S MATRIX PRODUCT

19. Many large retailers are eager to obtain and sell Matrix products and wish to profit by "free riding" on L'Oreal's sales and promotional efforts within its preferred salon-only distribution chain. These retailers know that L'Oreal's contracts preclude distributors and salons from selling or reselling Matrix products to these retailers. Some retailers therefore scheme to improperly acquire Matrix products from diverters. The Matrix products that retailers sell are obtained by deceptive, fraudulent, and illegal trade practices. The principal method that diverters use is to find or create faithless distributors

or salons who will fraudulently breach its contractual obligations to L'Oreal to limit Matrix sales to only professional customers.

20. L'Oreal places a variety of codes on Matrix's products during manufacturing. To assure authenticity, to improve L'Oreal's ability to identify distributors and salons that might be defrauding it, and to assist in the event of product recalls, L'Oreal has used coding and tracking equipment to mark its products. The equipment also applies a bar code label on each carton into which coded containers are packaged. In addition, a bar-coded pallet label is attached to each pallet of coded products.

21. In an effort to combat diversion, L'Oreal has implemented a "buy back" program through which L'Oreal representatives purchase grey market Matrix products from unauthorized retailers across the country. L'Oreal then scans the coding on the grey market Matrix bottles in order to determine which distributor or sub-distributor originally bought the products.

22. L'Oreal has gathered substantial evidence that large quantities of Matrix products have been illegally and improperly diverted. Through use of codes and other methods, L'Oreal was able to trace the diversion to AMLP, which was selling Matrix products to a number of its franchisees and Defendants. L'Oreal was further able to trace diverted products to Defendants, whose exclusive sales territory included those geographic locations in Nevada. Some of those products sold to Defendants showed evidence that the codes L'Oreal affixed to its packaging had been altered and or removed in an effort to conceal the diversion.

23. L'Oreal has also collected substantial evidence that AMLP and

Defendants illegally and improperly diverted Matrix products to Cadeau Express, Inc. (“Cadeau”), a Nevada corporation owned and operated by Ramon DeSage (“DeSage”), in addition to other known or suspected diverters in the Las Vegas area.

CADEAU DIVERSION SCHEME

Diversion of Matrix Products to Cadeau

24. Cadeau is a wholesaler of gifts and specialty items, including exclusive hair care products, that caters to hotels, casinos, and other hospitality venues in and around Las Vegas, Nevada. These casinos and hospitality venues provide products obtained from Cadeau to selected guests as gifts and complimentary room amenities.

25. Cadeau is neither a Qualified Buyer, as defined by the Franchise Agreements, nor a professional salon, as defined by the Matrix Amendment.

26. Upon information and belief, in or around the Summer of 2005, AMLP and Cadeau began to negotiate a covert distribution agreement whereby Cadeau would acquire exclusive, professional-brand hair care products, including Matrix products, through AMLP, purportedly for resale to casinos and other hospitality venues to provide to their patrons as gifts and complimentary room amenities (“Cadeau Casino Amenity Program”). Neil Riemer (“Riemer”), President of AMLP, negotiated the deal on behalf of AMLP, and Voticky negotiated the deal on behalf of Hair of Nevada, AMLP’s Las Vegas-area franchise. Riemer and Voticky both knew that Cadeau was not an authorized distributor of Matrix products and knew or suspected that DeSage was involved in diversion.

27. Upon information and belief, in return for arranging for AMLP to improperly sell professional-brand hair care products to Cadeau, at a deep discount,

Cadeau paid Voticky a kickback payment of tens of thousands of dollars in cash on July 28, 2005, and paid Riemer kickback payment of tens of thousands of dollars in cash on August 15, 2005. Cadeau continued paying large cash kickbacks to Voticky and Riemer throughout 2005, 2006, and 2007.

28. Unbeknownst to L'Oreal, on September 22, 2005, Cadeau, AMLP, and Hair of Nevada, executed a Distribution Agreement, which governed the distribution of hair care products from AMLP to Hair of Nevada to Cadeau. "Cadeau Distribution Agreement," Exhibit 4.

29. The Cadeau Distribution Agreement nominally provides:

Hair of Nevada and Cadeau shall not sell the Products to the general public or to or through any other distributor, dealer, manufacturers' representative, wholesaler, or retailer. Hair of Nevada and Cadeau shall only sell Products to the Hospitality Venues and then not for resale but only for services they provide to their patrons for personal use only.

Cadeau Distribution Agreement, Ex. 4, at ¶ 5.

30. None of the parties to the Cadeau Distribution Agreement, however, intended to adhere to these and other anti-diversion provisions. Voticky and Riemer each told DeSage to "do whatever you want with the [Matrix] product. I don't care." Indeed, AMLP, Hair of Nevada, and Defendants never investigated whether Cadeau abided by the Agreement's sales restrictions and never attempted to enforce the anti-diversion provisions. When confronted with evidence of Cadeau's intent to divert Matrix products into the grey market, Voticky and Riemer told DeSage that they would "rather not know too much" about where the Matrix products that AMLP, Hair of Nevada, and Defendants sold to Cadeau ended up.

31. In 2005, 2006, and 2007, Voticky and Riemer traveled to Las Vegas to meet with DeSage in order to arrange AMLP's unauthorized Matrix sales to Cadeau. At these meetings, DeSage informed Voticky and Riemer of the types and quantities of Matrix products Cadeau wished to purchase. Voticky and Riemer also informed DeSage of the Matrix products available and in-stock at AMLP's warehouse for sale to Cadeau. DeSage, Voticky, and Riemer, frequently spoke by telephone to finalize details of the unauthorized Matrix sales.

32. When Cadeau placed orders for Matrix products with AMLP, Reed Boyd, AMLP's Promotions Manager, e-mailed Matrix shipment confirmations to Cadeau. In order to conceal the unauthorized transactions, AMLP, Cadeau, and Voticky used code words, such as "flashlights," to discuss diverted products.

33. On October 25, 2005, AMLP and Hair of Nevada sold almost \$98,000 of Matrix product to Cadeau, without L'Oreal's knowledge or consent and in breach of the Matrix Agreement and Matrix Amendment. Throughout 2006, AMLP shipped and Hair of Nevada invoiced at least fifty orders of Matrix products to Cadeau. These purchases included both trial-sized (2 oz. - 5 oz.) and full-size (8 oz. - liters) bottles of Matrix products.

34. By 2006, AMLP's officers and directors, including Stacy Gaspard and Mellissa Martin, were aware of AMLP's Matrix sales to Cadeau.

35. In January, 2007, Voticky formed Hair Casino, in order to handle the invoicing of AMLP's sales to Cadeau. From January, 2007, through August, 2007, AMLP shipped and Hair Casino invoiced at least ten shipments of Matrix products to

Cadeau, without L'Oreal's knowledge or consent and in breach of the Matrix Agreement and Matrix Amendment.

36. AMLP sold Cadeau millions of dollars worth of Matrix products from October, 2005, through August, 2007. Substantially all of the Matrix products sold by AMLP, Hair of Nevada, and Defendants to Cadeau were diverted into the grey market for resale by mass-market retailers. AMLP, Hair of Nevada, and Defendants knowingly and willingly participated in this covert Matrix diversion operation.

Cadeau's Kickback Payments to Voticky and Riemer

37. In return for arranging and authorizing these improper Matrix sales, Cadeau paid Voticky and Riemer millions of dollars in cash kickbacks. Additionally, Cadeau provided Voticky, Riemer, and other AMLP personnel with thousands of dollars worth of hotel accommodations, gifts, merchandise, and other valuable services.

38. Throughout 2005, 2006, 2007, Cadeau shipped via Federal Express cash kickback payments to Voticky's and Riemer's homes and offices in Austin, Texas, and Riemer's home in Austin, Texas. In total, Cadeau shipped at least 138 Federal Express packages containing substantial amounts of cash to Voticky and Riemer. After Cadeau scheduled each Federal Express shipment, a Cadeau employee e-mailed the tracking information to Voticky or Riemer. In order to conceal the kickback payments, Voticky and Riemer referred to the shipments as "chocolate orders."

39. Voticky and Riemer also traveled to Las Vegas, Nevada, to retrieve cash kickback payments from Cadeau.

40. In 2006, Cadeau wire transferred hundreds of thousands of dollars in kickback money to Riemer. Cadeau also gave Riemer thousands of dollars worth of furniture and art.

41. In 2007, Cadeau gave Voticky a \$20,000 Rolex watch as a kickback. Cadeau also gave Voticky other gifts and merchandise, including a set of golf clubs.

42. Cadeau paid for Voticky's and Riemer's hotel accommodations at the Wynn Resort and Casino when they visited Las Vegas. Cadeau also provided other AMLP employees, including Reed Boyd and Stacy Gaspard, with free rooms at the Wynn hotel.

CASINO DEAL

43. In July, 2006, Riemer, on behalf of AMLP, began to broker an agreement ("Casino Deal") whereby AMLP would sell Matrix products through Cadeau for inclusion in guest amenity packages at upscale Las Vegas casinos. At that time, L'Oreal emphasized its concern about diversion of Matrix products and sought assurances that Matrix products purchased pursuant to the Casino Deal would only be resold to casinos as part of the Cadeau Casino Amenity Program and not diverted to unauthorized retailers and distributors. Initial proposals involved only the sale of travel-size (4.2 oz.) bottles of Matrix products to Cadeau because hotel guests would likely use only a small amount of the products while staying at the hotels and because travel-size bottles are less valuable in the grey market.

44. From April, 2006, through November, 2006, L'Oreal and AMLP negotiated the terms of the Casino Deal. Throughout the negotiation of the Casino Deal, L'Oreal insisted on AMLP's guarantee that the Matrix products that AMLP sold to

Cadeau for the Casino Deal would not be diverted into the grey market. Riemer also represented to L'Oreal that Cadeau would use these Matrix products solely for resale to casinos as part of the Cadeau Casino Amenity Program.

45. Throughout these negotiations, AMLP concealed from L'Oreal the fact that it had already sold millions of dollars worth of Matrix products, including full-size bottles, to Cadeau. Voticky and Riemer also concealed from L'Oreal the cash kickback payments that Cadeau paid them in return for approving and arranging the diversion of Matrix products from AMLP to Cadeau.

46. On April 11, 2006, in an attempt to convince L'Oreal that Cadeau's Casino Amenity Program was legitimate, Riemer e-mailed L'Oreal and represented that AMLP "audited the [Cadeau] twice and ha[s] been perfectly satisfied with the results." In or around August, 2006, Riemer again misrepresented to L'Oreal that he had inspected Cadeau's operations, witnessed Cadeau's gift program at casinos, and did all of the appropriate due diligence to ensure that Defendants would abide by the terms of the Cadeau Distribution Agreement.

47. Beginning in July or August, 2006, Riemer repeatedly represented on behalf of AMLP that the Matrix products that AMLP sold to Cadeau would be exclusively resold to casinos as part of the Cadeau Casino Amenity Program and would not be diverted to unauthorized retailers. Riemer also concealed that some Matrix products sold to Cadeau would be distributed outside of AMLP's authorized distribution territory. In reliance on those representations, L'Oreal agreed to make various Matrix products, including full-size (13.5 oz.) bottles of Color.smart shampoo and conditioner,

available to Cadeau for purchase and resell to casinos exclusively for use in the Cadeau Casino Amenity Program.

48. On or about November 21, 2006, L'Oreal informed Riemer that it would make approximately \$3.2 million of Matrix products, including 110,000 full-size bottles of each Color.smart shampoo and conditioner and a variety of travel-size bottles of Matrix products, available to Cadeau for purchase for the Cadeau Casino Amenity Program.

49. On November 28, 2006, and December 14, 2006, L'Oreal shipped a variety of Matrix products, including the 110,000 full-size bottles of each Color.smart shampoo and conditioner and over 42,000 travel-size bottles of various Matrix products, to Cadeau's warehouse, located at 3494 East Sunset Road in Las Vegas, Nevada.

50. Through June, 2007, Cadeau purchased multiple millions of dollars worth of Matrix products for the Cadeau Casino Amenities Program, in addition to multiple millions of dollars worth of Matrix products through transactions invoiced by Hair of Nevada and Defendants, unbeknownst to L'Oreal.

51. Upon information and belief, Cadeau unlawfully resold the Matrix products that it obtained under the guise of the Casino Deal, and surreptitiously from AMLP, Hair of Nevada, and Defendants, to Classic Design, a San Antonio, Texas, wholesaler. Classic Design sold the Matrix products to Quality King/Pro Choice, a grey-market collector and distributor of diverted hair care products, who then sold the Matrix products to unauthorized mass-market retailers, such as Target and CVS Pharmacies.

52. In March, 2007, full-size bottles of Color.smart conditioner purchased from various unauthorized mass-market retailers around the county through L'Oreal's

“buy back” program were traced back to the Casino Deal. Through August 27, 2008, L’Oreal decoded and traced 1,081 bottles of Color.smart conditioner back to its November 28, 2006 and December 14, 2006 shipments to Cadeau. L’Oreal repurchased the 1,081 bottles at twenty-four different grey-market retailers, including 182 different Target stores in thirty-two states. Upon information and belief, these 1,081 bottles constitute a small sample that represents tens of thousands of full-size bottles of Matrix products that AMLP, Hair of Nevada, Defendants, and Cadeau ultimately diverted into the grey market. Upon information and belief, AMLP, Hair of Nevada, Defendants, and Cadeau also diverted tens of thousands of travel-size bottle of Matrix products into the grey market.

COUNT I – CIVIL CONSPIRACY TO COMMIT FRAUD

53. L’Oreal incorporates herein by reference all of the allegations of paragraphs 1 through 54, inclusive, of this Complaint as if fully set forth herein.

54. Before L’Oreal shipped Matrix products to Cadeau on November 28, 2006, and December 14, 2006, pursuant to the Casino Deal, AMLP, through its president, Neil Riemer, represented that AMLP wished to sell Matrix products to Cadeau exclusively for resale to casinos to provide to their guests as complimentary room amenities. AMLP, through Riemer, further represented that Cadeau would not sell or transfer the Matrix products to the general public or any other unauthorized distributors, wholesalers, and retailers.

55. Beginning in October, 2005, and continuing through August, 2007, AMLP intentionally concealed from L’Oreal its unauthorized Matrix sales to Cadeau. AMLP

also concealed its franchisees' sales of Matrix products to Cadeau. AMLP had a duty to disclose this material information to L'Oreal.

56. Each of the misrepresentation and omissions that AMLP made regarding acquiring Matrix products exclusively for resale to casinos as part of the Cadeau Casino Amenity Program was false at the time it was made and was known or believed to be false by AMLP.

57. AMLP, Hair of Nevada, and Defendants knowingly diverted Matrix product to unauthorized retailers and distributors, and, as a result, diverted products have been offered for sale on the grey market. AMLP, Hair of Nevada's, and Defendants' fraudulent conduct as set forth herein was willful, deliberate, and/or reckless and was undertaken as part of a fraudulent scheme to obtain Matrix products for unauthorized resale on the grey market.

58. AMLP intended for L'Oreal to rely on its misrepresentations, false assurances, and omissions in order to induce L'Oreal to agree to the sale of Matrix product to Cadeau. AMLP's sole motivation for its false representations and omissions was to dupe L'Oreal into approving the sale of Matrix products to Cadeau. Without AMLP's false and misleading statements, L'Oreal would never have agreed to provide Matrix products to AMLP for sale to Cadeau and would not have shipped any Matrix products to Cadeau in 2006 and 2007.

59. L'Oreal justifiably relied on AMLP's misrepresentations and omissions that AMLP would sell the Matrix products to Cadeau only for resale to casinos as part of the Cadeau Casino Amenity Program and not to the general public or any other

distributor, dealer, manufacturers' representative, wholesaler, or retailer when it agreed to the Casino Deal.

60. L'Oreal's reliance on AMLP's representations and omissions was justifiable because AMLP was contractually obligated to sell Matrix products only to professional salons and other licensed hair care professionals, AMLP's franchisees were contractually obligated to sell Matrix products only to Qualified Buyers, and Cadeau was contractually obligated to sell products purchased through AMLP only to casinos and hospitality venues. Based on these terms in the Matrix Agreement and Matrix Amendment, the Franchise Agreement, and the Cadeau Distribution Agreement, and on AMLP's additional assurances that Matrix product would not be diverted, AMLP knew or had reason to know that L'Oreal would rely on AMLP's repeated false representations and omissions.

61. In reliance upon AMLP's misrepresentations, assurances, omissions, and fraudulent conduct, L'Oreal agreed to make Matrix products available for Cadeau's purchase, including the full-size bottles of Color.smart conditioner and travel-size bottles of Matrix products that AMLP and Cadeau ultimately diverted into the grey market.

62. AMLP, Hair of Nevada, and Defendants knowingly and willfully conspired to unlawfully and improperly divert Matrix product into the grey market. Each of these co-conspirators committed overt acts in furtherance of the fraudulent scheme to divert Matrix products.

63. Defendants' fraud has damaged L'Oreal by causing a loss of goodwill and injury to the Matrix brand name. Additionally, L'Oreal has suffered monetary damage in an amount that increases daily. L'Oreal has suffered specific economic injury to its

business in the form of lost sales, decreased revenues, and increased costs in an amount according to proof. L'Oreal is presently unaware of the full extent and amount of its damages as a result of Defendants' conduct. L'Oreal will amend its pleadings, at or before trial, to conform to proof of the amount of such damages when they are ascertained. L'Oreal also seeks an award disgorging Defendants of any profit they received by their wrongful acts.

64. Defendants' misconduct was fraudulent, malicious, and oppressive. Defendants fraudulently obtained and sold Matrix products to unauthorized grey-market distributors and retailers. Defendants' misconduct subjected L'Oreal to unwarranted and unjust hardship by which its rights were brazenly disregarded. Defendants' misconduct was willful and Defendants engaged in their misconduct in conscious disregard of the rights of L'Oreal. Punitive damages should be awarded to punish Defendants and deter similar future misconduct.

COUNT II – INTENTIONAL INTERFERENCE WITH CONTRACT

65. L'Oreal incorporates herein by reference all of the allegations of paragraphs 1 through 65, inclusive, of this Complaint as if fully set forth herein.

66. L'Oreal and AMLP have a valid contract governing the sale and distribution of Matrix product, the Matrix Agreement, together with its 1993 Amendment. L'Oreal has similar contracts with a network of distributors.

67. Defendants had knowledge of the Matrix Agreement and AMLP's legal obligations under the Matrix Agreement, which are specifically described in the Franchise Agreement, as well as the legal obligations of other distributors with agreements similar to AMLP's.

68. Defendants, with full knowledge of L'Oreal's contractual relationships with AMLP and its other distributors and intending to induce breach of or otherwise interfere with those relationships, have conspired to and are intentionally, willfully and without justification or privilege, inducing and purposely causing, and continuing to induce or purposely cause, L'Oreal's distributors or salons carrying L'Oreal products to breach their contractual relationships with L'Oreal.

69. As a direct and proximate result of the conduct of Defendants, L'Oreal's contractual relationships with the authorized distributors and salons which resell its products have been harmed, breached and disrupted. L'Oreal has suffered increased costs and reduced revenues and its authorized distributors and salon customers have purchased less Matrix products than they otherwise would have purchased and will purchase. L'Oreal cannot presently ascertain the full nature, extent and amount of its damages. L'Oreal will seek leave to amend its Complaint to state the full amount of its damages when ascertained or according to proof at the time of trial.

70. Defendants' conduct is fraudulent, malicious and oppressive. Defendants fraudulently obtain, market and sell Matrix products. Defendants' conduct subjects L'Oreal to unwarranted and unjust hardship by which its rights are brazenly disregarded. Defendants' conduct is willful and Defendants engage in their misconduct in conscious disregard of the rights of L'Oreal. Punitive damages should be awarded to punish Defendants and deter similar conduct in the future.

**COUNT III – INTENTIONAL INTERFERENCE WITH PROSPECTIVE
ECONOMIC ADVANTAGE**

71. L'Oreal alleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 71, as if fully set forth herein.

72. L'Oreal is informed and believes that Defendants, with full knowledge of L'Oreal's existing and prospective economic advantage resulting from its relationships with distributors and professional salons who use its products and recommend them to salon patrons who buy them from salons, relationships that contain the probability of future economic benefit to L'Oreal, and intending to injure, destroy and otherwise interfere with those relationships, have intentionally, willfully and without justification or privilege, interfered with and caused disruption to such relationships, through wrongful means including fraud, deceit and unfair competition and trade practices.

73. L'Oreal's prospective contracts and/or economic advantage have been disrupted as follows:

- (a) Salons – reduce purchases or choose not to contract with L'Oreal distributors and/or buy or resell Matrix products because these products appear available to consumers through other channels, e.g. retail sale at supermarkets;
- (b) Consumers – choose not to buy Matrix products because they have lost their “premium” or “salon” appeal when they are generally available at retail outlets;
- (c) Consumers – purchase fewer Matrix products because these products are purchased without the interaction with, advice and salesmanship of a licensed stylist or salon employee;
- (d) Distributors – choose not to contract with L'Oreal and/or buy or resell Matrix for distribution because there is no longer a clean “salon only” niche for these products when they are generally available at retail outlets;
- (e) Distributors – face increased difficulties in obtaining new salon account contracts, and expend extra time and effort in an attempt to overcome salon owners' objections that the products are not exclusive to salons; and
- (f) Other disruption to L'Oreal's prospective economic advantage.

74. As a result of Defendants' conduct, L'Oreal's economic relationships with

and prospective economic advantage from its distributors, with professional hair salons who purchase L'Oreal products and with consumers have been harmed and disrupted and L'Oreal has suffered damages which continues to grow from day to day.

75. L'Oreal cannot presently ascertain the full nature, extent and amount of its damages and accordingly alleges it to be within the jurisdiction of this Court. L'Oreal will seek leave to amend its Complaint to state the full amount of its damages when ascertained or according to proof at the time of trial.

76. Defendants' conduct is fraudulent, malicious and oppressive. Defendants fraudulently obtain, market and sell Matrix products. Defendants' conduct subjects L'Oreal to unwarranted and unjust hardship by which its rights are brazenly disregarded. Defendants' conduct is willful and Defendants engage in their misconduct in conscious disregard of the rights of L'Oreal. Punitive damages should be awarded to punish Defendants and deter similar conduct in the future.

COUNT IV – UNJUST ENRICHMENT

77. L'Oreal alleges and incorporates by reference each and every allegation contained in Paragraphs 1 through 77 as if fully set forth herein.

78. Defendants have knowingly received profits from their sales of diverted Matrix products, which benefits have been unjustly retained by Defendants.

79. Defendants have engaged in unfair and inequitable acts and practices to L'Oreal's detriment and injury. Such acts by Defendants include willful interference with contract, willful interference with prospective economic advantage, and intentional removal or alteration of manufacturer's product codes. Additionally, Defendants caused L'Oreal to be fraudulently misinformed about the true use and destination of Matrix

products ordered from L'Oreal.

80. Defendants have retained the benefits of their unfair conduct, while L'Oreal has suffered the detriment of Defendants' acts. It would be unjust for Defendants to retain their profits, and such an outcome would result in Defendants' being unjustly enriched. L'Oreal is entitled to restitution, disgorgement of Defendants' profits, and other equitable relief.

WHEREFORE, Plaintiff L'Oreal USA S/D, Inc., as successor-in-interest to Matrix Essentials, Inc, prays for an award as follows:

1. Preliminary and permanent injunctive relief against Defendants, and their officers, agents, attorneys, representatives and assigns, and all persons acting in active concert or participation with them, from doing any of the following acts, either directly or indirectly, and from doing any act prefatory to the prohibited acts:

- (a) Acquiring, transporting, transferring, selling or offering to sell any Matrix product that does not bear L'Oreal's manufacturer's codes;
- (b) Acquiring, transporting, transferring, selling or offering to sell any Matrix products whose manufacturer's codes, numbers or other information has been removed, defaced, concealed or changed;
- (c) Acquiring, transporting, transferring, selling or offering to sell any Matrix product whose container or package is altered or defaced;
- (d) Acquiring, transporting, transferring, selling or offering to sell any Matrix product in any condition except the condition it left L'Oreal;
- (e) Acquiring, transporting, transferring, selling or offering to sell any Matrix product except for use in a salon or for sale to a consumer in a salon;
- (f) Any acts of unfair competition or unfair practice affecting L'Oreal or any Matrix product; and
- (g) Any interference with L'Oreal's contracts, contractual

relationships, economic advantage or prospective economic advantage;

2. For an order directing Defendants to file with this Court and serve on L'Oreal within thirty days after service of an injunction, a report in writing under oath, setting forth in detail the manner and form in which Defendants have complied with the injunction;

3. For an order enforcing the rights L'Oreal created by its contracts prohibiting certain conduct with its products;

4. For damages and remedies based on the Defendants' civil conspiracy to commit fraud, interference with contractual relationships, and interference with prospective economic advantage, according to proof;

5. For punitive and exemplary damages;

6. For attorneys' fees;

7. For costs; and

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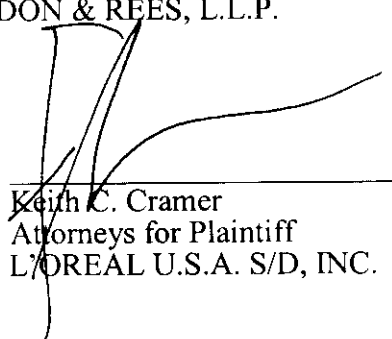
8. For such other and further relief as the Court deems just and proper.

Plaintiff demands a jury trial.

Dated: August 4, 2009

GORDON & REES, L.L.P.

By:



Keith C. Cramer
Attorneys for Plaintiff
L'OREAL U.S.A. S/D, INC.

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June

DISTRIBUTOR AGREEMENT

THIS AGREEMENT is made this 12th day of Feb. - 1981, 1981, by and between MATRIX ESSENTIALS, INC., an Ohio corporation ("Company") and ANCO WAREHOUSE, INC., a Texas corporation ("Distributor").

W I T N E S S E I H:

In consideration of the mutual covenants hereinafter contained and for the purpose of promoting the sale within the geographic area described in Exhibit A (the "Territory") of Socolor and Matrix products (the "Products"), it is hereby agreed as follows:

1. Agreement to Buy and Sell. The Company will sell to Distributor and Distributor will buy from the Company such Products as Distributor shall order in accordance with this Agreement.

2. Area of Primary Responsibility.

(a) Distributor will diligently develop and maintain the market for the Products, including newly-introduced products, in beauty salons throughout the Territory, which shall be Distributor's area of primary responsibility. Distributor will devote its best efforts to the adequate promotion and sale of the Products to licensed professional beauticians throughout the Territory and will educate such beauticians in the safety and efficacy of the Products and the economy and use thereof by regular shows, clinics, seminars and other promotional and educational activities.

(b) Distributor agrees to order or purchase the minimum dollar amount of Products per year set forth on Exhibit B. If Distributor fails to order or purchase the minimum dollar amount of the Products in any year, the Company, in addition to its other rights under this Agreement, may reduce or otherwise change Distributor's Territory or add other distributors in the



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Territory by giving Distributor thirty (30) days' notice thereof, in writing.

(c) So long as Distributor complies with this Agreement, the Company will refer to the Distributor all inquiries for the Products received from customers located within the Territory. Company agrees that no other distributor, or subsidiary or companies affiliated with any such other distributor, shall be permitted to offer to sell or sell the Products in the Territory. This prohibition shall not apply to distributors of the Company presently distributing the Products in the Territory as of the date of the execution of this contract by Distributor, but any such distributor shall not be permitted to sell the Company's Products in any new or additional locations other than those in existence on the date of the execution of this contract. It is agreed by Company and Distributor that distributors with locations outside the Territory may call on and deliver to salons in the Territory from those locations outside the Territory. The Company agrees that it will not make direct sales of the Products in the Territory other than to its distributors.

3. Distributor's Business. Distributor agrees that at all times during the term of this Agreement:

(a) Distributor will not move to or establish a new or different location, branch, office or other place of business at or from which the Products are sold, outside the Territory, without the prior written approval of the Company. X

(b) Distributor shall maintain, at all times, an organization, including salesmen, sufficient to carry out Distributor's responsibilities hereunder. "Salesmen" is defined as a person calling on fifty (50) or more beauty salons per month. X

(c) Distributor will conduct its business in a manner that reflects favorably on the Company, its good will and

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reputation. Distributor will not engage in any deceptive, misleading or unethical practice or advertising, or knowingly assist anyone in such practices.

(d) Distributor will educate and instruct licensed professional beauticians in the territory in the correct use of the Products, their safety and efficacy, and the economy in the use thereof and will alert said beauticians to the danger involved in the improper use of Restricted Use Products as defined in paragraph 4 hereof.

(e) Distributor will perform such other responsibilities related to the distribution of the Products as the Company may reasonably require from time to time, including participating in and cooperating with promotional programs.

4. Restricted Use Products. "Restricted Use Products" shall be those which the Company, in its sole discretion, determines might be injurious to health or might be ineffective except when applied by licensed professional beauticians who have been instructed as to the proper use of such Products. As of the date hereof, the Company has classified as Restricted Use Products all hair coloring products (i.e. bleaches, tints or toners) and permanent wave products. The Company, in its sole discretion, from time to time may designate additional Products or Product categories as Restricted Use Products or delete Products or Product categories from this classification by giving Distributor written notice of such changes. Distributor shall sell Restricted Use Products only to his associated Distributors who shall sell to (a) those beauty salons that employ licensed professional beauticians, and (b) approved non-salon customers in accordance with written authorization in response to Distributor's request setting forth the name and address of the non-salon customer, and the precautions taken and to be taken by Distributor to insure that Restricted Use Products

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resold only to qualified beauty salons, and where the Company in its sole discretion determines such precautions to be satisfactory. Failure of any approved non-salon customer to resell Restricted Use Products only to qualified beauty salons shall entitle the Company, by written notice to Distributor, to revoke the Company's previous authorization for sales of Restricted Use Products to such non-salon customer. Distributor shall preserve for at least two (2) years all documents and business records relating to sales of Restricted Use Products which shall be subject to review by the Company upon reasonable notice from the Company, during Distributor's usual business hours.

5. Orders. The Company shall make reasonable efforts to fill, or cause to be filled, each order of Distributor.

6. Force Majeure. Notwithstanding anything to the contrary contained herein, neither party shall be liable to the other for loss, injury, delay, damage or other casualty suffered by such other party due to strikes, storms, fires, acts of God, flood, explosion, casualty or governmental regulations, orders or restrictions, or any other cause beyond the reasonable control of such party.

7. Terms of Payment. Purchases hereunder shall be at the Company's then current suggested list price, less discounts as reflected on Exhibit C. All orders shall be payable in accordance with such credit terms as are reflected on Exhibit C.

8. Terms of Shipping. All deliveries of the Products shall be in accordance with the shipment and freight policies as reflected on Exhibit C. The Distributor shall bear risk of damage, loss or delay in transit occurring after the Products it purchases hereunder are in the possession of any common carrier for shipment to Distributor and the Company shall not be liable therefor. Distributor shall be solely responsible for making claims against any common carrier for any damage, loss or delay.

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9. Product or Other Changes. Distributor acknowledges that changes in the Products, or their packaging, labeling, promotional material or techniques, or suggested list price may be made by the Company in its sole discretion from time to time without prior notice and without obligation to Distributor. It is agreed that discounts, terms of sale, and freight or shipping policy, shall be as reflected on Exhibit C, and shall not be changed except by the mutual agreement of the parties.

10. Warranties. The Company warrants its authority to convey title of the Products sold hereunder, and that the transfer thereof to Distributor shall be rightful; provided, however, that the Company does not warrant that the Products sold hereunder are delivered free of any claim by any person in the nature of infringement or the like. The Company further warrants that the Products sold hereunder shall be free from defects in materials and workmanship. It is expressly agreed and understood that the Company's sole obligation and Distributor's exclusive remedy under this warranty is the Company's replacing defective Products, freight pre-paid to Distributor. Claims under this warranty must be made in writing within a reasonable time after the defect is discovered, and the Company reserves the right to require substantiation of such claims. The Company may require the return of alleged defective goods, transportation collect, to establish a claim under this warranty. The period of limitation arising out of, based upon or relating to this warranty shall be one (1) year from the date goods are shipped by the Company.

THE COMPANY HEREBY EXCLUDES ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PURPOSE, AND ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, ON ITS PRODUCTS, OTHER THAN THE WARRANTIES STATED ABOVE.

11. Distributor's Remedies. In the event of any defect or nonconformity in Products sold hereunder, Distributor's sole

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and exclusive remedy shall be to elect to either (a) cancel its order therefor, or (b) accept replacement goods. Notwithstanding any other provisions of this Agreement, Company agrees to hold Distributor harmless from any and all costs, damages, liabilities and expenses, including attorneys fees, resulting from claims of third parties that arise from the use of the Products. Company agrees to provide Distributor, at Company's expense, with products liability insurance in the minimum amount of one million dollars.

12. Trademarks and Trade Names. The Company grants to Distributor for the term of this Agreement, the non-exclusive, non-transferable right to use, solely in the sale and marketing of the Products, the trademarks and trade names listed in Exhibit D attached hereto, as supplemented or amended from time to time. Distributor recognizes the validity of said trademarks and trade names and acknowledges that the same are the property of the Company. Distributor shall:

(a) Not infringe upon, harm, contest or in any way diminish the Company's rights in any such trademark or trade name; and

(b) Not use any such trademark or trade name on any products other than the Products.

13. Copyrights. Distributor shall not copy or reproduce any material which the Company has copyrighted under the copyright laws of the United States without the Company's prior written approval, except that same shall be permitted in those sales, promotional, and educational activities set out in paragraph 2(a), above.

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14. Dilution, Adulteration, Repackaging. Distributor shall not dilute, adulterate or repackage any Products sold hereunder without the Company's prior written approval.

15. No Agency. Distributor shall not act as or be considered an agent for or an employee of the Company, nor shall the Distributor have any right or authority to act for or bind the Company to any contract or sales agreement or to pledge the Company's credit. Distributor shall indemnify and hold the Company harmless from any claim asserted against the Company as a result of any alleged acts prohibited by the terms of this paragraph.

16. Term of Agreement. This Agreement shall become effective on the day and year first above written, and shall remain continuously in effect until the date of termination or cancellation pursuant to paragraph 17 or paragraph 18 hereof.

17. Termination by Distributor. Distributor may terminate this Agreement at any time by giving thirty (30) days' prior written notice to the Company.

18. Termination by Company. The Company may terminate this Agreement upon thirty (30) days' prior written notice to Distributor:

(a) If Distributor violates or fails to discharge any of the obligations or requirements under this Agreement including, but not limited to those set forth in paragraph 2(b) hereof;

(b) If Distributor fails to observe any credit terms or conditions extended by the Company or otherwise fails to pay for the Products in a timely manner;

(c) If Distributor is the subject of any formal or informal receivership or bankruptcy proceeding.

19. Effect of Termination. Upon termination or cancellation of this Agreement by either party, Distributor shall cease

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to be, or to represent that it is, a distributor for the Company and shall:

- (a) Pay all sums then owing to the Company;
- (b) Be deemed to have cancelled all outstanding and unshipped orders with the Company;
- (c) At its own expense, remove, erase or obliterate all Company trademarks, trade names and brand names from its signs, premises, stationery, supplies, advertisements, displays, posters and the like; and
- (d) At its own expense, destroy any material which is then in its possession and which the Company has copyrighted under the copyright laws of the United States.

Termination or cancellation shall not release Distributor from any then existing liability or debt to the Company.

20. Company's Obligations on Termination. For thirty (30) days following termination or cancellation of this Agreement, the Company shall have the option to repurchase from Distributor (f.o.b. Distributor's place of business, at prices fifteen percent (15%) less than the prices paid by Distributor to the Company in order to cover the Company's expenses in handling or refurbishing for resale) any or all of the Products in the possession or control of the Distributor at the date of the exercise of such option. Upon demand by the Company within such thirty (30) day period, the Distributor shall ship such Products to the Company forthwith; provided, however, that the Company reserves the right to reject or revoke acceptance of any such Products whose condition has deteriorated. The Company shall pay for the Products repurchased or credit the value of the repurchased Products against any outstanding balance due from Distributor.

21. Changes. This Agreement is the sole Agreement between the Company and the Distributor and no modification thereof shall be binding on either party unless such modification shall

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be in writing signed by the parties hereto, and made a part of this Agreement. Any terms and conditions of sale printed on the Company's standard price lists to be provided hereunder are incorporated herein and shall be deemed to be a part hereof and shall govern all sales made by the Company to the Distributor, but only to the extent that such terms and conditions are consistent with the other provisions of this Agreement.

22. Modification by Purchase Order. This Agreement may not be amended or modified except in writing by document executed in the same manner as this Agreement, it being expressly understood that the terms contained in any purchase order or acknowledgment form used by either party to this Agreement which is in conflict with the terms of this Agreement shall not be considered an amendment to this Agreement.

23. Prior Agreements. This Agreement supersedes any prior Agreement between the parties with respect to the subject matter hereof. The waiver of any breach or any term or condition of this Agreement shall not be deemed to be a waiver of any other breach of the same or any other term or condition of this Agreement.

24. Notices. Except as otherwise provided in this Agreement, any notice or other communication required or permitted hereunder shall be in writing and sent by first class mail, postage prepaid, to the respective parties stated below, and shall be deemed to have been given when deposited in the United States mail:

If to the Company:

Matrix Essentials, Inc.
30601 Carter Road
Solon, Ohio 44139

If to the Distributor:

AMCO Warehouse, Inc.
501 East Ben White
Austin, Texas 78704

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Either party may by written notice specify a different address for notice purposes.

25. Arbitration. All disputes and controversies of every kind and nature between the parties arising out of or in connection with this Agreement as to its construction, validity, interpretation or meaning, performance or nonperformance, endorsement, operation, breach, continuation or termination shall be finally settled by arbitration. Such arbitration shall be held in ^{at Cleveland, Ohio} ~~Austin, Texas~~, and shall be conducted in accordance with the rules of the American Arbitration Association. Judgment upon the award rendered may be entered in any court having jurisdiction of the subject matter, and which can legally obtain jurisdiction of the parties by personal service of process. The arbitration shall include in the award a determination of responsibility for the expenses of arbitration. Prior to the completion of such an arbitration, neither party may bring an action or proceeding in any court if the same arises from a claim that is subject to arbitration hereunder.

26. Severability. In the event that any part or portion of this Agreement shall be determined to be invalid or unenforceable, it shall be separated from the others and shall not affect the validity of the remaining portions of this Agreement, which shall continue in full force and effect.

27. Governing Law; Headings. This Agreement shall be construed in accordance with the law of the State of Ohio. The paragraph headings of this Agreement are included for convenience and shall not affect the construction and interpretation of this Agreement.

28. Assignability. This Agreement shall not be assigned by Distributor without the prior written approval of the Company.

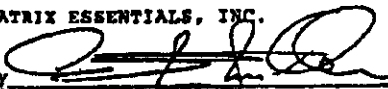
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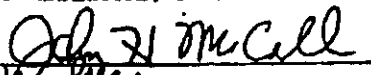
29. Binding Agreement. Except as herein otherwise provided to the contrary, this Agreement shall inure to the benefit of and shall be binding upon the parties signatory hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.

MATRIX ESSENTIALS, INC.

By 
Title pres
"Company"

ANCO WAREHOUSE, INC.

By 
Title District
"Distributor"

9: r/r/r, m/00000

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EXHIBIT B

Year 1	<u>\$15,000⁰⁰</u>
Year 2	<u>\$17,500⁰⁰</u>
Year 3	<u>\$22,500⁰⁰</u>
Year 4	<u>\$25,000⁰⁰</u>
Year 5 and each year thereafter	<u>\$28,000⁰⁰</u>

*OK
m/r
4/16/09*

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EXHIBIT C

Terms of Payment:

Suggested Shop Price--less 40%--less 10%--less 15/10-net30 ROO

or

Dealer billing--less 10%--less 15/10-net 30 ROO

(Select the better for Distributor)

Freight Terms:

Prepaid on minimum orders of \$500.00 or more.

Minimum Order:

\$500.00 with prepaid freight.

(off inv
4/4/81)

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HAIR &
SKIN CARE



Matrix Essentials Policy Statement and Agreement

The promise--

"MATRIX ESSENTIALS is, and always will be, exclusively professional."

This policy is and will continue to be our credo at MATRIX ESSENTIALS. It has been said thousands of times and appears in much of our literature.

You, as a distributor of MATRIX ESSENTIALS products, were chosen to represent our product line because you sell only to licensed hair care professionals, licensed cosmetologists, licensed estheticians and licensed manicurists.

Our products are sold to you and designed ONLY for distribution to, and use by, licensed professionals. In addition, certain retail products are also sold to professional salons with the sole intent that the salons resell such products only to their legitimate clients. These retail sales are based upon the professionals' knowledge of their clients' hair and beauty needs, as well as an appreciation of each client's particular skin condition and requirements. A professional salon is one which performs either hair care, skin care, or nail care services by licensed hair care professionals, licensed cosmetologists, licensed estheticians or licensed manicurists. It is understood that professional salons, by definition, are salons whose greater percentage of gross sales are from revenues for hair care, cosmetology, esthetic or manicure services, rather than from the sale of products.

Additionally, in order to ensure that the MATRIX ESSENTIALS policy is followed, no MATRIX ESSENTIALS products may be sold to any salon or individual who has in the past diverted or reasonably has been suspected of diverting MATRIX ESSENTIALS products or the products of any other professional hair care manufacturer.

As you know, the use of our products without appropriate instruction can result in customer dissatisfaction and in some cases, physical harm. Our policy of continuing education for hairdressers, thereby giving them greater knowledge in the use and application of

our products, will continue to be the backbone of our business--and yours--and by this method, the use and sale of our products will continue to flourish in an environment where the public's needs and requirements are best served through the individualized attention that only a licensed hair care professional, licensed cosmetologist, licensed esthetician or licensed manicurist can give.

MATRIX ESSENTIALS believes that our policy is to the mutual benefit of the hairdresser and the public. Any deviation from this policy is a violation of our agreement. Sales made by distributors to unauthorized locations, to other distributors (unless expressly authorized by MATRIX ESSENTIALS in writing), or shipments to or for salesmen not in their direct employment will not be tolerated. In the event that any MATRIX ESSENTIALS products sold to you are discovered to be for sale by any unauthorized person or entity or by any person or entity outside of your authorized Territory, MATRIX ESSENTIALS, in addition to any other rights it may have at law or in equity, may acquire such products on such terms and conditions and at such prices as may be then available to MATRIX ESSENTIALS, whereupon MATRIX ESSENTIALS may require you to purchase such products from MATRIX ESSENTIALS at a price equal to MATRIX ESSENTIALS cost of acquiring such products, including the cost of, and all expenses related to, the acquisition of the products by MATRIX ESSENTIALS and the subsequent resale thereof to you.

Distributor agrees to reasonably monitor the sales of MATRIX ESSENTIALS products and, if necessary, allow MATRIX ESSENTIALS to audit those sales in order to ensure compliance with our distribution policy.

Distributor agrees that, should its distributorship with MATRIX ESSENTIALS terminate for any reason whatsoever, it will promptly return to MATRIX ESSENTIALS all MATRIX ESSENTIALS products in its possession for credit at the price paid by distributor for the products.

The reconfirmation of this policy is considered to be important to the goodwill of both our companies in order to better serve the professionals who use MATRIX ESSENTIALS products.

We request that this policy statement be signed and returned to MATRIX ESSENTIALS' offices at 30601 Carter Street, Solon, Ohio 44139, within 15 days of receipt. Thank you in advance for your cooperation in this matter.

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It is our sincere belief that the professional industry, your professional distributorship, and the MATRIX ESSENTIALS organization will all benefit by this reconfirmation of our promise--

"MATRIX ESSENTIALS is, and always will be, exclusively professional."

Accepted and agreed to in full
by:

ARMSTRONG M^{SE}CMC INC
Name of Distributor

By: John D. McCall, Pres.
(Signature and Title)

5-12-93
Date

Sydell L. Miller
Sydell L. Miller
President