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Form PTO-1594 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005) Tab settings

U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):
 LOCKWORKS USA Inc.
 Sam Brocato

12-23-02

Individual(s) Association
 General Partnership Limited Partnership
 Corporation-State
 Other

Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)
 Name: Neill Corporation
 Internal
 Address:

Street Address: 303 South Pine
 City: Hammond State: LA Zip: 70403

Individual(s) citizenship
 Association
 General Partnership
 Limited Partnership
 Corporation-State Louisiana
 Other

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
 (Designations must be a separate document from assignment)
 Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:

Assignment Merger
 Security Agreement Change of Name
 Other Asset Purchase Agreement

Execution Date: 4/28/2001

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

Additional number(s) attached Yes No

B. Trademark Registration No.(s) 1,377,626

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: James R. Thein
 Internal Address:
 Street Address: 2231 Crystal Drive, Suite 105
 City: Arlington State: VA Zip: 22202

6. Total number of applications and registrations involved: 1

7. Total fee (37 CFR 3.41).....\$ 40.00

Enclosed Authorized to be charged to deposit account

8. Deposit account number:
 500398

DO NOT USE THIS SPACE

9. Signature.

James Thein *[Signature]* 12/23/02
 Name of Person Signing Signature Date

Total number of pages including cover sheet, attachments, and document: 23

Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231

01/08/2003 LNUELLER-00000182 500398 1377626 01 FC:8521 40.00 CH

TRADEMARK REEL: 002645 FRAME: 0302

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "Agreement") is entered into and made effective as of the 5th day of March, 2001 (the "Effective Date") by and among Neill Corporation, a Louisiana corporation with its principal place of business in Hammond, Louisiana ("Buyer"), Lockworks, USA, Inc., a Louisiana corporation with its principal place of business in Baton Rouge, Louisiana ("Lockworks"), and Samuel J. Brocato, a natural person of the full age of majority and a resident of Baton Rouge, Louisiana ("Brocato"). Lockworks and Brocato collectively are the "Sellers" in this Agreement, and the term "Sellers" hereby is deemed to refer both to each separately and to both collectively and solidarily. Buyer, Lockworks and Brocato each are a "Party" to this Agreement and collectively represent all of the "Parties" to this Agreement.

WHEREAS the Sellers own and operate the retail salon and spa locations described in Exhibit A attached hereto and hereby made a part hereof (the "Stores");

WHEREAS, in connection with its operation of the Stores, Sellers have entered into those certain lease agreements described in Exhibit B attached hereto and hereby made a part hereof (the "Leases"); and

WHEREAS, subject to the terms and upon the conditions herein contained, Sellers desire to sell to Buyer, and Buyer desires to purchase from Sellers, those assets of Sellers that are used in the operation of the Stores;

NOW, THEREFORE, pursuant to the foregoing recitals, and in consideration of the mutual obligations, representations, warranties and covenants contained herein, the sufficiency of which is hereby acknowledged, the Parties hereby agree as follows.

1. **PURCHASE AND SALE**. Sellers hereby sell to Buyer, and Buyer hereby purchases from Sellers, all assets owned by Sellers and used in the operation of the Stores (the "Assets"), including, without limitation:
 - A. Lockworks' right, title and interest in, to and under the Leases;
 - B. The entirety of Sellers' inventory of hair care, skin care, cosmetic, fragrance and other beauty supplies and products located in the Stores on the date hereof, including, without reference to the brand name of such products and supplies (the "Inventory");
 - C. Sellers' right, title or interest in all items of furniture, fixtures or equipment owned or leased by Sellers and located in the Stores, including, without limitation, those items listed in Schedule 1(c) attached hereto and hereby made a part hereof (collectively, the "Equipment"), including without limitation the particular items leased by Sellers (the "Leased Equipment") pursuant to certain capital leases (the "Capital Leases") as set forth in Schedule 1(c);

- D. All leasehold improvements made to the Stores by or for Sellers, subject, however, to the terms of the Leases;
- E. Except as permitted under the provisions of Section 11 of this Agreement, all of Sellers' right, title or interest in trade secrets, know-how, technology, computer software, source code and information systems used in the operation of the Stores and all proprietary rights and general intangibles relating to the operation of the Stores, including without limitation the trademark and trade name rights of Sellers in and to the names "Lockworks", "Lockworks, USA", "Lockworks Academie" and any derivations of those names or marks;
- F. All of Sellers' books and records, of whatever type, nature or description and in whatever form, relating to Sellers' operation of the Stores, including, without limitation, employee records, customer information, vendor and supplier lists, equipment purchase invoices, general ledgers, receipts and disbursements journals, invoices and accounts payable records, financial statements, sales tax permit numbers and federal, state and local income, sales and personal property tax returns (the "Books and Records"), excluding, however, the personal financial, tax and personnel records of Brocato;
- G. All goodwill relating to the Stores;
- H. Sellers' right, title and interest in and to all telephone numbers relating to the Stores (excluding herefrom any telephone numbers related to the headquarters operations of Sellers not located in the Stores);
- I. To the extent assignable by Sellers, all licenses and permits held by Sellers in connection with Sellers' operation of the Stores; and
- J. All warranties, guarantees, claims and causes of action, however characterized or arising, relating to the acquisition, construction, design, use, operation or maintenance of any Asset which is in tangible form.
- K. The entirety of Sellers' Assets (owned or leased) used in connection with the Sellers' operation of two Lockworks Academie cosmetology schools (the "Schools"), are to be transferred on or before April 10, 2001, upon the terms and in exchange for the additional stated consideration set forth in Schedule 1(k), a draft Beauty Basics Asset Purchase Agreement, which has been approved in form and substance by the Parties, and which forms part of the consideration for this Agreement. The benefits and burdens associated with the ownership of the Assets attributed to and located in the Schools shall not pass title until the Closing as defined in Schedule 1(k).

2. **EXCLUDED ASSETS.** Notwithstanding anything contained or implied herein to the contrary, the Assets do not include, and Sellers are not selling to Buyer and Buyer is not

purchasing from Sellers those items of personal property listed in Schedule 2 attached hereto and hereby made a part hereof (the "Excluded Assets"):

3. **PURCHASE PRICE.**

A. The purchase price of and for the Assets transferred hereunder (the "Purchase Price") shall be: \$900,000 (which includes a pre-payment of \$50,000 prior to closing) less the sum of \$45,149.64, which amount represents sixty percent (60%) of the total value of unredeemed gift certificates sold by any of the Stores between January 1, 2000 and the Effective Date (the "Purchase Price"). Schedule 3(a) attached hereto and hereby made a part hereof is a true and complete summary (on a door by door basis) of all unredeemed gift certificates sold by any of the Stores between January 1, 2000 and the Effective Date. As part of the Purchase Price, Buyer agrees to assume and to indemnify and hold Sellers harmless from the obligations of Sellers set forth in the Leases (excluding the Jefferson Location Lease entered contemporaneously herewith between Buyer and Brocato) and the Capital Leases. Also as part of the Purchase Price, Buyer agrees to assume Sellers' obligations on all unredeemed gift certificates listed on Schedule 3(a).

B. The Purchase Price shall be allocated among the Assets in the manner set forth in Schedule 3(b) attached hereto and hereby made a part hereof (the "Allocation"). Sellers and Buyer hereby acknowledge that the Allocation has been determined in good faith and on the basis of what they believe to be the fair market value of each of the Assets, at arms length, and so as to be consistent with Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code"). Each of Sellers and Buyer shall report the transactions contemplated by this Agreement for income tax purposes in accordance with the Allocation and neither Sellers nor Buyer shall report such transactions in any tax related filing or return in a manner which is inconsistent with the Allocation. Upon request of any Party, Buyer or Sellers shall furnish the requesting Party a true and correct copy of that portion of its federal and state income tax returns pertaining to the allocation of the Purchase Price among the Assets in order that the requesting Party may verify compliance with this Paragraph 3(b).

4. **CLOSING.** The closing (the "Closing") of the purchase and sale of the Assets transferred hereunder may occur via facsimile, overnight courier and/or the mails, contemporaneously with the execution of this Agreement, and shall take place on March 5, 2001, at the office of the Sellers' counsel, or such other date and place as the Parties may agree upon in writing.

5. **CLOSING DELIVERIES.**

- A. At the Closing, subject to Paragraph 17 of this Agreement, Buyer shall pay the sum of \$774,439.91 to Lockworks or Brocato, as directed by Sellers, in cash or other certified or immediately available funds, or by wire transfer.
- B. At the Closing, Sellers shall deliver to Buyer:
 - 1. Possession of all of the Assets transferred which are in tangible form;
 - 2. A Warranty Bill of Sale concerning the Assets transferred, other than the Leased Equipment, which Warranty Bill of Sale shall be in the form of **Schedule 5(b)** attached hereto and hereby made a part hereof;
 - 3. Certified copies of Lockworks' Articles of Incorporation and a Secretary's Certificate regarding resolutions duly adopted by the shareholders and directors of Lockworks with regard to this Agreement and the performance of the transactions contemplated hereby, as well as a Certificate of Good Standing regarding Lockworks from the Louisiana Secretary of State; and
 - 4. Such other documentation as Buyer may reasonably request in connection with the consummation of the purchase and sale of the Assets hereunder.
- C. At the Closing, Buyer shall deliver to Sellers certified copies of Buyer's Articles of Incorporation and a Secretary's Certificate regarding resolutions duly adopted by the shareholders and directors of Buyer with regard to this Agreement and the performance of the transactions contemplated hereby, as well as a Certificate of Good Standing regarding Buyer from the Louisiana Secretary of State.
- D. At the Closing, Sellers and Buyer shall execute and enter into assignment and assumption agreements for the LSU and Country Club Leases, which assignment and assumption agreements (the "Assignment and Assumption Agreements") shall be reasonably acceptable in form and substance to each of Buyer and Sellers.

6. **REPRESENTATIONS AND WARRANTIES OF SELLERS.** In order to induce Buyer to enter into this Agreement and to purchase the Assets hereunder, Sellers hereby represent and warrant to Buyer:

- A. Lockworks is a corporation duly organized, validly existing and in good standing under the laws of the State of Louisiana and has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted. Lockworks is the assignee, transferee or successor in interest to any and all rights, title and interest of Sam Brocato's Lockworks for Hair, Inc., Lockworks at Cortana, Inc., Lockworks Academie of

Hairdressing, Inc., ICTE, Inc. and Sam Brocato Companies, Inc., as such rights, title and interest relate to the Stores, the Leases or any of the Assets transferred under this Agreement or the Assignment and Assumption Agreements.

- B. Sellers have the full power and authority to enter into, execute and deliver this Agreement and any documents or instruments required hereunder or contemplated hereby, and to consummate and perform their respective obligations hereunder.
- C. This Agreement has been duly and validly executed and delivered by Sellers and constitutes a valid and binding obligation of the Sellers enforceable against the Sellers in accordance with its terms.
- D. Sellers have good and marketable title to all of the transferred Assets other than the Leases and the Leased Equipment, and title to all of the transferred Assets (and possessory rights to the Leases and the Leased Equipment) will be transferred to Buyer hereunder free and clear of all mortgages, pledges, liens, conditional sales agreements or other encumbrances of any kind or nature whatsoever, with the sole exception of the Leased Equipment which is subject only to the terms of the Capital Leases, and those encumbrances listed on Schedule 6(d) attached hereto. Schedule 6(d) also lists all other encumbrances on the Assets known to exist by Sellers and to be paid directly at Closing and in due course released, excluding the encumbrances associated with the Capital Leases.
- E. All of the Equipment (including without limitation the Leased Equipment) is in good order, working condition and repair, reasonable wear and tear excepted. Excluded from this representation and warranty is any such Equipment as may be located in storage. Sellers do not have and do not assume any responsibility to take any action with respect to any Equipment, including the Leased Equipment.
- F. The Inventory (other than backbar) is in a good and saleable condition and none of the Inventory is adulterated or contaminated. No individual saleable unit of the Inventory has been opened.
- G. The copies of the Leases provided to Buyer by Sellers are true, correct and complete in all respects. There is, however, no current written lease covering the Sherwood location.
- H. Each of the Leases is in full force and effect and none of the Leases have been assigned, amended, modified or changed in any way, whether in writing or orally, by operation of law or otherwise. The Jefferson Lease, however, has been assigned to Bank One, N.A., which assignment will be cancelled in due course after Closing.

- I. Sellers are not in breach of or default under any Lease, and no event has occurred which, with the giving of notice or the passage of time, or both, would place Sellers in breach of or default under any Lease.
- J. To the best of Sellers' knowledge, the landlords/lessors under the Leases (the "Lessors") are not in breach of or default under their respective Leases, and no event has occurred which, with the giving of notice or the passage of time, or both, would place any Lessor in breach of or default under its Lease.
- K. There are no unsatisfied judgments of record against any of the Sellers.
- L. Except as listed on Schedule 6(I) attached hereto and hereby made a part hereof, neither the Sellers nor any of their assets or properties (including, without limitation, the Assets) are subject to any litigation, action, suit or proceeding by or before any court, arbitrator or federal, state or other governmental commission, board or other agency, or by any private party, and to the best of the Sellers' knowledge, no such litigation, action, suit or proceeding is threatened.
- M. There are no actions, suits, proceedings or investigations pending, or to the best of the Sellers' knowledge, threatened against any of the Sellers which question the validity of this Agreement or of any action taken or to be taken in connection herewith or which would threaten the consummation of the transactions contemplated hereby.
- N. Except as specifically provided in this Agreement and in any Assignment and Assumption Agreement, Buyer shall not, as a result of the transactions contemplated by this Agreement, acquire, assume or in any manner become responsible for any debt, obligation, liability, responsibility or duty of Sellers, of any type, nature or description whatsoever.
- O. Neither the execution nor the performance of this Agreement by any of the Sellers will:
1. violate or conflict with any provision of the Articles of Incorporation of Lockworks;
 2. violate or constitute a default under or give rise to any right of termination, cancellation or acceleration under the terms, conditions or provisions of any agreement or instrument to which any of the Sellers is a party or by which the properties or assets of Sellers are bound;
 3. result in the creation or imposition of any security interest, lien or other encumbrance upon any of the Assets; or

4. violate any law, statute or any judgment, order, decree, regulation or rule of any court or governmental authority applicable to Sellers, the operation of any Store or any of the Assets.
- P. To the best of Sellers' knowledge, all accounts, books, ledgers and other records of whatever kind included within the Books and Records have been fully, properly and accurately kept and completed in all material respects and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.
- Q. Sellers have maintained those policies of insurance described in Schedule 6(g) attached hereto and hereby made a part hereof through and including the effective date of this Agreement. All of such policies are in full force and effect. All premiums due under such policies have been paid or will be paid when due. Sellers have complied in all material respects with the provisions of each such policy. Sellers have not received any notice of cancellation, termination or non-renewal of any such policy.
- R. To the best of Seller's knowledge, Sellers are in compliance in all material respects with all applicable laws, regulations, rules, orders, judgments and decrees, including, without limitation, those which relate to anti-pollution or environmental protection, waste disposal, occupational safety and health standards and employment practices. Sellers hold all permits and licenses required from any governmental authority to operate the Stores.
- S. At the next regularly scheduled payroll date of Sellers following the Closing, Sellers shall have paid all compensation due its employees through the date hereof, including all vacation and sick leave pay. Sellers have paid all FICA and FUTA taxes or contributions, all federal or state withholding taxes, all unemployment compensation insurance premiums or claims and all other employee related obligations or claims when due relating to its employees and periods prior to and including the Effective Date hereof.
- T. Except as set forth in Schedule 6(t) attached hereto and hereby made a part hereof:
1. Sellers do not maintain, contribute to or have any liability under (or with respect to) any plan or arrangement providing benefits to any current, former or retired employee or independent contractor or any dependent of any such employee or independent contractor, including any bonus or incentive plan, severance plan, plan for deferred compensation, profit sharing plan, defined benefit plan, employee health plan or other employee welfare benefit plan, whether or not terminated (all such plans or arrangements listed in Schedule 6(t) are referred to herein as the "Plans");

2. With respect to all Plans, all required or recommended (in accordance with historical practices) payments, premiums, contributions, reimbursements or accruals for all periods ending prior to or as of the date hereof have been made or will be made when due;
3. None of the Plans have any unfunded liabilities;
4. All of the Plans and all related trusts, insurance contracts and funds have been maintained, funded and administered in compliance in all material respects with the applicable provisions of the Employment Retirement Income Security Act of 1974, as amended ("ERISA"), the Code and all other applicable laws;
5. Sellers have timely complied in all material respects with all reporting and disclosure obligations relating to any Plan;
6. No actions, suits or claims with respect to any Plan or the assets of any Plan (other than routine claims for benefits) are pending or, to the best knowledge of the Sellers, threatened which could result in or subject Sellers to any liability, and, to the best knowledge of the Sellers, there are no circumstances which might reasonably be expected to give rise to any such actions, suits or claims;
7. No Plan has incurred any "accumulated funding deficiency" as such term is defined in ERISA or the Code, whether or not waived; and
8. No liability (except for the payment of premiums) has been incurred by Sellers with respect to any of the Plans, no reportable event within the meaning of Section 4043 of ERISA has occurred with respect to any Plan, and no termination of any Plan has been threatened.

U. Except as set forth in Schedule 6(u) attached hereto and hereby made a part hereof, and with the exception of the Leases, Sellers are not a party to, nor are the Assets bound by or subject to, any agreement, contract or instrument, however titled, characterized or described, whether oral or written, which is material to the operation of the Stores.

V. Schedule 6(v) attached hereto and hereby made a part hereof contains a complete list of all software owned, used, licensed or assigned by or to Sellers which is used in or is necessary to the operation of any or all of the Stores (the "Software"). As to any Software which is not owned by Sellers, the license under which such Software is used is described in Schedule 6(v). No Software owned by Sellers has been licensed to any other person. All of the Software is fully operative and sufficiently developed and is currently capable of performing its

intended applications and functions, subject to the Software's own operating limits.

- W. No proceedings, whether voluntary or involuntary, are pending or, to the best of Sellers' knowledge, threatened against Sellers under any bankruptcy or similar law of the United States or any state.
- X. Sellers have not retained any broker or finder in connection with the transactions contemplated hereby and are not obligated and have not agreed to pay any brokerage or finders commission, fee or similar compensation to any person in connection with the transactions contemplated hereby.
- Y. Sellers have duly prepared and filed all tax returns and reports required by any federal, state or local taxing authority relative to Sellers' business, and Sellers have paid any and all taxes (except for year 2000 property taxes on the Jefferson Location, which will be paid by Sellers in due course after Closing), license fees or other charges levied, assessed or imposed upon the business (including payroll withholding or other employment related taxes) or properties of Sellers, other than those which are not yet due and payable. Except as set forth in Schedule 6(y), no federal, state or local income or other tax return of Sellers has been audited by the relevant taxing authority and no federal, state or local tax audits of Sellers are pending, or to the best knowledge of the Sellers', threatened. To the best of the Sellers' knowledge, no claim has ever been made by a taxing authority in a jurisdiction where Sellers do not file tax returns that Sellers are or may be subject to taxes assessed by such jurisdiction.
- Z. The transfer of Assets, including the transfer contemplated in Section 1(k) to take place by April 10, 2001, will transfer all of the Assets used in connection with the business of the Stores transferred herein and the two Schools to be transferred under Section 1(k).
- AA. No representation or warranty by the Sellers in this Agreement, and no statement of Sellers contained in this Agreement or any document delivered or to be delivered with or under this Agreement, contains or will contain any untrue statement of material fact or omits or will omit to state any material fact necessary to make any such statement, in light of the circumstances under which it is/was made, not misleading.

The foregoing representations and warranties are made by the Sellers with the knowledge and expectation that Buyer will rely thereupon. The entirety of such representations and warranties shall survive the Closing and the consummation of the purchase and sale of the Assets hereunder for a period of 18 months from the date of the Closing, except for those representations and warranties in Section 6(K), 6(L), 6(M) and 6(Y), which shall survive the Closing for a period of three years from the date of the Closing.

7. **REPRESENTATIONS AND WARRANTIES OF BUYER.** In order to induce Sellers to enter into this Agreement, Buyer hereby represents and warrants to Sellers as follows.

- A. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Louisiana and has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted.
- B. Buyer has the full power and authority to enter into, execute and deliver this Agreement and any documents or instruments required hereunder or contemplated hereby, and to consummate and perform its obligations hereunder.
- C. This Agreement has been duly and validly executed and delivered by Buyer and constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.
- D. There are no actions, suits, proceedings or investigations pending, or to the best of Buyer's knowledge, threatened against Buyer which question the validity of this Agreement or of any action taken or to be taken in connection herewith or which would threaten the consummation of the transactions contemplated hereby.
- E. Neither the execution nor the performance of this Agreement by the Buyer will: (1) violate or conflict with any provision of the Articles of Incorporation of the Buyer, or (2) violate any law, statute or any judgement, order, decree, regulation or rule of any court or governmental authority applicable to Buyer.
- F. No proceedings, whether voluntary or involuntary, are pending or, to the best of Buyer's knowledge, threatened against Buyer under any bankruptcy or similar law of the United States or any state.
- G. Buyer has not retained any broker or finder in connection with the transactions contemplated hereby and is not obligated and has not agreed to pay any brokerage or finders commission, fee or similar compensation to any person in connection with the transactions contemplated hereby.
- H. No representation or warranty by the Buyer in this Agreement, and no statement of Buyer contained in this Agreement or any document delivered or to be delivered with or under this Agreement, contains or will contain any untrue statement of material fact or omits or will omit to state any material fact necessary to make any such statement, in light of the circumstance under which it is made, not misleading.

The foregoing representations and warranties are made by Buyer with the knowledge and expectation that Sellers will rely thereupon. The entirety of such representations and

warranties shall survive the Closing and the consummation of the purchase and sale of the Assets hereunder for a period of 18 months from the Effective Date.

8. **NO ASSUMPTION OF DEBTS.** Except as otherwise provided in this Agreement or the Assignment and Assumption Agreements, Buyer is not assuming, and shall not be deemed to have assumed, any debt, obligation, liability, responsibility or duty of Sellers, of any type, nature or description whatsoever, under or in connection with this Agreement or otherwise, including, without limitation, the following:
- A. Indebtedness to any lender or provider of cash or credit;
 - B. Trade payables;
 - C. Employee compensation, FICA and FUTA taxes or contributions, federal or state withholding taxes, unemployment or worker's compensation insurance premiums or claims, employee sick leave or vacation pay, employee severance pay or any other employee related obligation or claim, including, without limitation, any fee, bonus or incentive payment payable to any employee of Sellers based upon a successful completion of the transactions contemplated by this Agreement;
 - D. Any liability relating to or arising from any termination of Sellers' employees by Sellers in connection with the transactions contemplated hereby;
 - E. Any contract, agreement or instrument, however described, styled or titled, to which Sellers are a party;
 - F. Any federal, state or local taxes; and
 - G. Any obligation for accounting, legal or other professional fees which are related to the consummation of the transactions contemplated by this Agreement.
9. **SELLERS' DEBTS.** Sellers shall, as a covenant to Buyer under this Agreement, pay and discharge all debts, obligations, liabilities, responsibilities and duties of Sellers that relate in any manner to the Stores, however characterized, as and when the same become due, including, without limitation, obligations to pay or remit income, sales, employment or other taxes, unless such debt, obligation, liability, responsibility or duty is contested by Sellers in good faith.
10. **INDEMNIFICATION.**
- A. The Sellers shall, jointly and severally, indemnify Buyer and hold Buyer harmless from and against any and all losses, costs or damages, however characterized or described, including reasonable attorneys' fees, imposed upon, asserted against or incurred by Buyer in connection with, arising from or in any manner relating to:

1. any material breach or violation of, or any failure to perform under, this Agreement by Sellers;
2. any material inaccuracy or failure in any representation or warranty made by Sellers in this Agreement or any document or instrument delivered or to be delivered by Sellers in connection with this Agreement, provided a claim for indemnification is made by Buyer against Sellers within the respective periods set forth in the last paragraph of Section 6 of this Agreement;
3. with the exception of obligations expressly assumed by Buyer in this Agreement or any of the Assignment and Assumption Agreements, any debt, obligation, liability, responsibility or duty of Sellers, of any type, nature or description whatsoever, whether presently or previously existing or hereafter arising;
4. any attempt by any person or entity to characterize the purchase and sale of the Assets hereunder as a so-called "fraudulent transfer" or "fraudulent conveyance" under any applicable law; or
5. the operation of any Store prior to the Effective Date.

B. Buyer shall indemnify Sellers and hold Sellers harmless from and against any and all losses, costs or damages, however characterized or described, including reasonable attorneys' fees, imposed upon, asserted against or incurred by the Sellers in connection with, arising from or in any manner relating to:

1. any material breach or violation of, or any failure to perform under, this Agreement by Buyer;
2. any material inaccuracy or failure in any representation or warranty made by Buyer in this Agreement or any document or instrument delivered or to be delivered by Buyer in connection with this Agreement;
3. any obligations expressly assumed by Buyer in this Agreement or the Assignment and Assumption Agreements, and any debt, obligation, liability, responsibility or duty of Buyer of any nature, type or description whatsoever, occurring subsequent to the Effective Date; or
4. Buyer's operation of any of the Stores after the Effective Date.

C. The \$50,000 of the Purchase Price to be held in escrow by Buyer shall be held in an interest bearing account and shall be forwarded and delivered to the Sellers together with all interest thereon on the date 6 months after the Effective Date, less any sums due Buyer under this Agreement. Within the first five months of

the Effective Date, Buyer shall give Sellers written notice of possible deductions from the escrow amount, so that Sellers may have a reasonable opportunity to cure the cause of deduction. After the end of the six month period, Buyer shall forward a statement of any sums deducted from the escrow account as well as a detailed explanation of the reason or reasons for any such withholding.

COVENANT NOT TO COMPETE.

- A. In order to induce Buyer to enter into this Agreement and purchase the Assets transferred hereunder, and in consideration of and for the obligations of Buyer under this Agreement, the Sellers hereby covenant that, for a period of two (2) years following the date of the Closing, none of the Sellers shall, directly or indirectly:
1. engage in, or own, manage, operate or control, or participate in the ownership, management, operation or control of, or act as a consultant or advisor to, or be employed by, or be connected in any manner with the salon or spa business within the State of Louisiana;
 2. without limiting the generality of the foregoing, solicit (in any manner) any past or present customer of Sellers for the purpose of promoting, marketing or selling any salon or spa services or any hair care, skin care, cosmetic, fragrance or other beauty supply or product;
 3. disclose, make available or divulge to any person any trade secrets, customer lists, business policies, financial information or other proprietary, confidential or secret information concerning Sellers' operation of the Stores;
 4. induce, attempt to induce or allow any employee of Sellers to do any of the foregoing; or
 5. induce or attempt to induce any employee of Buyer to do any of the foregoing or to discontinue such employee's employment with Buyer.
- B. Any breach of any of the covenants set forth in this Paragraph 11 will cause Buyer irreparable harm for which there is no adequate remedy at law, and the Sellers hereby consent to the issuance of any injunction in favor of Buyer enjoining the breach of any such covenant or agreement by any court of competent jurisdiction. If any such covenant or agreement should be held to be unenforceable by reason of its scope or duration, or the area or subject matter covered thereby, the court making such determination shall have the power to reduce or modify the scope, duration, subject matter or area of such covenant or agreement to the extent that allows the maximum scope, duration, subject matter or area permitted by applicable law. The remedies provided for herein are in

addition to, and are not to be construed as replacements for or a limitation of, rights and remedies otherwise available to Buyer.

- C. The covenants and obligations of the Sellers under this Paragraph 11 are supported by good and adequate consideration, the sufficiency of which is hereby acknowledged, and the Sellers hereby waive any defense to the enforcement of any such covenant or obligation.
- D. Notwithstanding any other provision of this Section 11, this Agreement does not prohibit Brocato from the wholesale or internet sale and marketing of Brocato or Beautopia hair and beauty products, or from the retail sale of those products outside of the State of Louisiana, or from participating in trade shows, distributor sales and educational events, marketing and promotion of Brocato or Beautopia brand products, and assisting in new product development for Brocato or Beautopia.
- E. The provisions in this Section 11 shall terminate and Sellers shall thereafter not be prohibited by the terms of this Section 11 if Buyer: (1) does not close on the Schools by April 10, 2001; or (2) materially fails to perform its obligations under the terms of that certain Long Term Non-Competition and Consulting Agreement by and between Neill Corporation and Samuel J. Brocato made effective March 5, 2001, while Brocato is in material performance thereof.

12. **NO FRAUDULENT TRANSFER OR CONVEYANCE.** The Sellers, on behalf of themselves and their respective successors, assigns, parent companies, subsidiaries, affiliated or predecessor entities, shareholders, representatives, agents, insurers and trustees, do hereby fully, completely and forever waive, and release and discharge Buyer from, any claim, however the same may be characterized, that the purchase and sale of the Assets hereunder is or constitutes a so-called "fraudulent conveyance" or "fraudulent transfer" under any applicable law.

13. **RETURNS AND STORE CREDIT.** Buyer assumes all of Sellers' obligations for all store credits and returns. If, following the Closing, more than \$1,000 worth of product sold in a Store prior to the Effective Date shall be returned to Buyer, the Sellers shall reimburse Buyer, upon demand, the amount refunded by Buyer for such product. If, following the Closing, more than \$1,000 worth of store credit is redeemed, and provided such store credit was issued prior to the Effective Date, the Sellers shall reimburse Buyer, upon demand, for the amount refunded by Buyer for such store credit.

14. **EMPLOYEES.** In its discretion, Buyer may offer employment to and hire any person currently or formerly employed by Sellers in the Stores; provided, however, that Buyer has not agreed, and is not hereby agreeing, to hire any such person. If Buyer shall hire any such person, Sellers do hereby release such person from any so-called "non-compete" or "confidentiality" agreement (however the same may be characterized, described or titled) that he or she may have executed in favor of Sellers, but only to the

extent necessary to allow such person to perform any activity requested by Buyer in connection with the operation of any of the Stores, even if such activity was not performed by such person while he or she was employed with Sellers.

15. **PRORATIONS.** All costs of utilities, operating expenses, insurance, rents and other charges relating to the operation of the Stores shall be prorated between Buyer and Seller to the date of the Closing based upon the number of days in the period to which such costs relate in relation to the number of days before and including the date of the Closing as to Sellers and the number of days after and excluding the date of the Closing as to Buyer.
16. **SECURITY DEPOSITS.** Sellers hereby assign, transfer and convey the entirety of Sellers' rights and interests in and to any and all security deposits under the Leases to Buyer and hereby instructs each of Lessors to pay the same over to Buyer under and in accordance with the terms of the Leases. If, upon expiration of the term of any of the Capital Leases, Buyer should be entitled to or receive a refund of any deposit, then Buyer shall request such a refund and forward such refund to Sellers within 15 days of receipt by Buyer. For the purpose of this Section, should Buyer apply any deposit to a lease payment, fee, penalty, or other charge incurred by Buyer under any of the Capital Leases, then Buyer shall remain obligated to refund to Sellers the amount of the deposit that Sellers would have received but for such lease payments, fees or penalties incurred by Buyer. Any fee or penalty associated with a purchase option under the Capital Leases shall not be credited to Sellers for the purpose of this section.
17. **MUTUAL COOPERATION.** Buyer and the Sellers shall work together in good faith to the extent reasonably necessary to facilitate the consummation of the transactions contemplated by this Agreement. From time to time following the Closing, each of Sellers, on the one hand, and the Buyer, on the other hand, shall execute, deliver and acknowledge such further documents or instruments and perform such further acts or deeds, as may be reasonably necessary to consummate the transactions contemplated by this Agreement and carry out the purposes and intent of this Agreement. Buyer also agrees to work with Sellers in good faith and to the extent reasonable necessary to facilitate the release of Brocato as a personal guarantor of any of the Lease of Capital Leases. Buyer is not hereby obligated beyond the terms of this Agreement.
18. **LESSORS' FEES.** Any and all fees charged by the Lessors under the Assignment and Assumption Agreements or charged for assignment of the Capital Leases shall be allocated between Sellers and Buyer in equal proportions and paid by Buyer.
19. **TRANSACTION COSTS.** Each of the Parties hereto shall bear and pay those costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereby, including, without limitation, attorneys' and accountants' fees, without contribution from any other party hereto; provided that the foregoing shall not preclude the Sellers from allocating costs and expenses incurred by them as a group among them in such manner as they shall determine in their discretion.

20. **RIGHT TO OFFSET.** Buyer shall have the right to set off and apply against the Long Term Non-Competition and Consulting Agreement dated March 5, 2001 for any loss, cost or damage for which Buyer is entitled to indemnification under Section 6(l) and 6(y) hereof by means of Section 10 hereof. Said right of set off shall first be applied against the \$50,000.00 escrow amount (if available) and thereafter against any other obligation of Buyer to either Seller hereunder. In no event shall Buyer set off or apply against any amount owed to either Seller by Buyer any claim or amount after 3 years from the date hereof and said right to set off shall expire on the third anniversary date hereof.
21. **BOOKS AND RECORDS.** For a period three (3) years following the date hereof, Buyer shall retain the Books and Records and make the Books and Records available to the Sellers for inspection and/or copying upon reasonable request of the Sellers. Upon the expiration of such three (3) year period, Sellers may make written request for the return of the Books and Records at the end of that period. If Sellers do not make such a request within 120 days of that time, then Buyer may, at its option and in its discretion, destroy any or all of the Books and Records.
22. **NOTICES.** All notices, offers, requests or other communications from any of the Parties hereto to another party hereto shall be in writing and shall be considered to have been duly delivered or served if personally delivered, delivered by overnight courier, sent by facsimile with confirmation received or sent by first class certified mail, return receipt requested, postage prepaid, to the proper Party at its address as set forth below or to such other address as such Party may hereafter designate by written notice to the other Party:

If to Buyer, to:

Neill Corporation
303 South Pine
Hammond, LA 70403
Attn: Edwin Neill

With copy to:

Alex J. Peragine, Esq.
Peragine & Neill, L.L.C.
200 North Columbia Street
Covington, LA 70433

If to Sellers, to:

Samuel J. Brocato and
Sam Brocato Companies, Inc.
8941 Jefferson Highway
Baton Rouge, LA 70809-2407

With copy to:
Van R. Mayhall, Jr., Esq.
Breazeale, Sachse & Wilson, L.L.P.
One American Place, 23rd Floor
Baton Rouge, LA 70821

23. **NO THIRD PARTY BENEFICIARIES.** This Agreement is a contract solely between Buyer and Sellers. No third party beneficiaries (including, without limitation, employees and customers of Sellers) are intended, and no person other than Buyer or Sellers may assert any right or make any claim under this Agreement.
24. **ATTORNEYS' FEES, ETC.** In the event that a Party to this Agreement shall commence any legal action or proceeding under or relating to this Agreement against another Party to this Agreement, the non-prevailing Party in such action or proceeding shall pay to the prevailing Party in such action or proceeding the entirety of such prevailing Party's costs and expenses relating to such action or proceeding, including, without limitation, reasonable attorneys' fees.
25. **WAIVER.** No waiver, modification or amendment of any term, condition or provision of this Agreement shall be valid, binding or of any effect unless made in writing, signed by the Party(ies) to be bound thereby or its(their) duly authorized representative(s) and specifying with particularity the nature and extent of such waiver, modification or amendment. No waiver by any Party of any provision hereof shall affect or impair any other provision hereof.
26. **ENTIRE AGREEMENT.** This Agreement contains the entire understanding of the Parties in respect of the transactions contemplated hereby and supersedes all prior agreements, discussions, negotiations and understandings between the Parties with respect to such subject matter. Sellers and Buyer agree that the remedies set forth in this Agreement shall be the sole and exclusive remedies to Sellers and Buyer.
27. **INTERPRETATION AND SEVERANCE.** The provisions of this Agreement shall be applied and interpreted in a manner consistent with each other so as to carry out the purposes and intent of the Parties. If, for any reason, any provision of this Agreement is determined to be unenforceable or invalid, such provision (or such part thereof as may be unenforceable or invalid) shall be deemed severed from this Agreement, and the remaining provisions of this Agreement shall be carried out with the same force and effect as if such provision (or such part thereof) had not been a part of this Agreement.
28. **COUNTERPARTS.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

29. **GOVERNING LAW.** This Agreement shall be construed and enforced in accordance with the laws of the State of Louisiana. Any proceeding relating to the interpretation or enforcement of this Agreement shall be brought in state or federal courts located in the State of Louisiana, and the Parties hereto hereby consent and submit to the jurisdiction of such courts.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

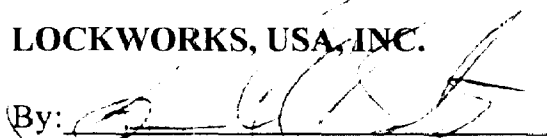
BUYER:


NEILL CORPORATION

By: 
Edwin H. Neill II, President

SELLERS:

LOCKWORKS, USA, INC.

By: 
Samuel J. Brocato, President


Samuel J. Brocato, Personally

SCHEDULE 3(B)
ALLOCATION OF PURCHASE PRICE

Purchase Price \$

1.	Leasehold Improvements	
	Jefferson Highway	\$
	Highland Road	\$
		\$
		\$
	Sub-Total	\$
2.	Equipment	
	Jefferson Highway	\$
	Highland Road	\$
		\$
		\$
	Sub-Total	\$
3.	Furniture and Fixtures	
	Jefferson Highway	\$
	Highland Road	\$
		\$
		\$
	Sub-Total	\$
4.	Inventory	
	Jefferson Highway	\$
	Highland Road	\$
		\$
		\$
	Sub-Total	\$

5. The remainder of the Assets, all of which are intangible, including, without limitation, those Assets described in Paragraphs 1(e), (f) and (g) of this Agreement \$

Total \$_____

SCHEDULE 5(B)

WARRANTY BILL OF SALE

KNOW ALL BY THESE PRESENTS, that for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lockworks, USA, Inc., a Louisiana corporation ("Seller"), hereby warrants, sells, assigns, transfers and conveys to Neill Corporation, a Louisiana corporation ("Buyer"), those items of personal property described in **Exhibit A** attached hereto and hereby made a part hereof (the "Property").

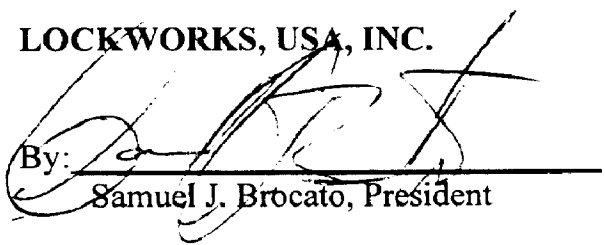
Seller hereby represents and warrants to Buyer that Seller is the owner of the Property, that the Property is free and clear of any encumbrances or liens of any type or nature whatsoever, and that Seller has the right to sell, assign, transfer and convey the Property to Buyer.

Seller hereby agrees to defend the sale, assignment, transfer and conveyance of the Property to Buyer hereunder against any and all persons who claim title to the Property.

This Bill of Sale shall bind Seller and benefit Buyer and each of their respective successors and assigns.

Dated: April 20, 2001

LOCKWORKS, USA, INC.

By: 
Samuel J. Brocato, President

STATE OF ~~LOUISIANA~~ NEW YORK
County
PARISH OF NASSAU

The foregoing instrument was executed and acknowledged before me this 20th day of April, 2001 by Samuel J. Brocato, who is personally known to me and is the President of Lockworks, USA, Inc., for and on behalf of said corporation.


Notary Public

MARSHA KOLOMICK
Notary Public, State of New York
No. 01KO6003120
Qualified in Nassau County
Commission Expires Feb. 23, 20 02