Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

2009

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A This return/report is for:
- [ ] a multiemployer plan;
- [ ] a multiple-employer plan; or
- [X] a single-employer plan;
- [ ] a DFE (specify) ____

B This return/report is:
- [ ] the first return/report;
- [ ] the final return/report;
- [ ] an amended return/report;
- [ ] a short plan year return/report (less than 12 months).

C If the plan is a collectively-bargained plan, check here. . . . . ▶ [ ]

D Check box if filing under:
- [X] Form 5558;
- [ ] automatic extension;
- [ ] the DFVC program;
- [ ] special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
MERLE NORMAN COSMETICS, INC. 401(K) SAVINGS PLAN

1b Three-digit plan number (PN) ▶ 002

1c Effective date of plan 06/01/1999

2a Plan sponsor's name and address (employer, if for a single-employer plan)
(Address should include room or suite no.)
MERLE NORMAN COSMETICS, INC.

9130 BELLANCA AVE.
LOS ANGELES, CA 90045

9130 BELLANCA AVE.
LOS ANGELES, CA 90045

2b Employer Identification Number (EIN)
95-2948991

2c Sponsor's telephone number
310-641-3000

2d Business code (see instructions)
339900

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/05/2010	DEAN MELNICK
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address (if same as plan sponsor, enter "Same")
MERLE NORMAN COSMETICS, INC.

9130 BELLANCA AVE.
LOS ANGELES, CA 90045

3b Administrator's EIN
95-2948991

3c Administrator's telephone number
310-641-3000

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:

a Sponsor's name

4b EIN

4c PN

5	Total number of participants at the beginning of the plan year	**5**	632
6	Number of participants as of the end of the plan year (welfare plans complete only lines **6a, 6b, 6c,** and **6d**).		
a	Active participants	**6a**	533
b	Retired or separated participants receiving benefits	**6b**	0
c	Other retired or separated participants entitled to future benefits	**6c**	79
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	612
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	0
f	Total. Add lines **6d** and **6e**	**6f**	612
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	480
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	0
7	Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	**7**	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
2F 2G 2J 2K 2T 3D 3F 3H

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply)

(1)		Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

9b Plan benefit arrangement (check all that apply)

(1)		Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

(1)	X	**R** (Retirement Plan Information)
(2)		**MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
(3)		**SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

(1)	X	**H** (Financial Information)
(2)		**I** (Financial Information – Small Plan)
(3)		**A** (Insurance Information)
(4)	X	**C** (Service Provider Information)
(5)		**D** (DFE/Participating Plan Information)
(6)		**G** (Financial Transaction Schedules)

SCHEDULE C (Form 5500)	Service Provider Information	OMB No. 1210-0110
Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ **File as an attachment to Form 5500.**	**2009** **This Form is Open to Public Inspection.**

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
MERLE NORMAN COSMETICS, INC. 401(K) SAVINGS PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500
MERLE NORMAN COSMETICS, INC.

D Employer Identification Number (EIN)
95-2948991

Part I Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).. . . . . ☐ Yes ☒ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

FIDELITY INVESTMENTS INSTITUTIONAL

04-2647786

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
64 37 65	RECORDKEEPER	7113	Yes [X] No [ ]	Yes [X] No [ ]		Yes [X] No [ ]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes [ ] No [ ]	Yes [ ] No [ ]		Yes [ ] No [ ]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes [ ] No [ ]	Yes [ ] No [ ]		Yes [ ] No [ ]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received $1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

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(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)

(complete as many entries as needed)

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN;
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN;
c Position:	
d Address:	**e** Telephone:

Explanation:

SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
MERLE NORMAN COSMETICS, INC. 401(K) SAVINGS PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500
MERLE NORMAN COSMETICS, INC.

D Employer Identification Number (EIN)
95-2948991

Part I Asset and Liability Statement

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	1249732	1256164
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	490671	533723
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	8619803	11391177
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

			(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:			
	(1) Employer securities	1d(1)		
	(2) Employer real property	1d(2)		
e	Buildings and other property used in plan operation	1e		
f	Total assets (add all amounts in lines 1a through 1e)	1f	10360206	13181064
	Liabilities			
g	Benefit claims payable	1g		
h	Operating payables	1h		
i	Acquisition indebtedness	1i		
j	Other liabilities	1j		
k	Total liabilities (add all amounts in lines 1g through1j)	1k	0	0
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	10360206	13181064

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

	Income		(a) Amount	(b) Total
a	**Contributions:**			
	(1) Received or receivable in cash from: **(A)** Employers	2a(1)(A)	50937	
	(B) Participants	2a(1)(B)	1272016	
	(C) Others (including rollovers)	2a(1)(C)	140174	
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		1463127
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	3780	
	(B) U.S. Government securities	2b(1)(B)		
	(C) Corporate debt instruments	2b(1)(C)		
	(D) Loans (other than to participants)	2b(1)(D)		
	(E) Participant loans	2b(1)(E)	39313	
	(F) Other	2b(1)(F)		
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		43093
	(2) Dividends: **(A)** Preferred stock	2b(2)(A)		
	(B) Common stock	2b(2)(B)		
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	198817	
	(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		198817
	(3) Rents	2b(3)		
	(4) Net gain (loss) on sale of assets: **(A)** Aggregate proceeds	2b(4)(A)		
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
	(C) Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result	2b(4)(C)		

		(a) Amount	(b) Total
2b **(5)** Unrealized appreciation (depreciation) of assets: **(A)** Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)**	2b(5)(C)		
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		2471526
c Other income	2c		
d Total income. Add all **income** amounts in column (b) and enter total	2d		4176563
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	1337167	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines **2e(1)** through **(3)**	2e(4)		1337167
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		4303
h Interest expense	2h		
i Administrative expenses: **(1)** Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)	7126	
(5) Total administrative expenses. Add lines **2i(1)** through **(4)**	2i(5)		7126
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		1348596
Net Income and Reconciliation			
k Net income (loss). Subtract line **2j** from line **2d**	2k		2827967
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		7109

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) [ ] Unqualified **(2)** [ ] Qualified **(3)** [X] Disclaimer **(4)** [ ] Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [X] Yes [ ] No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: HOLTHOUSE CARLIN & VAN TRIGT LLP **(2)** EIN: 95-4345526

d The opinion of an independent qualified public accountant is **not attached** because:

(1) [ ] This form is filed for a CCT, PSA, or MTIA. **(2)** [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

		Yes	No	Amount
a	Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	4a		X	
b	Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	4b		X	
c	Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d	Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	
e	Was this plan covered by a fidelity bond?	4e	X		1000000
f	Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g	Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h	Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i	Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j	Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k	Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l	Has the plan failed to provide any benefit when due under the plan?	4l		X	
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n	If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n		X	

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? If yes, enter the amount of any plan assets that reverted to the employer this year ☐ **Yes** ☒ **No** **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	**5b(2)** EIN(s)	**5b(3)** PN(s)

SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Retirement Plan Information

This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
MERLE NORMAN COSMETICS, INC. 401(K) SAVINGS PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500
MERLE NORMAN COSMETICS, INC.

D Employer Identification Number (EIN)
95-2948991

Part I Distributions

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions **1** 0

2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):

EIN(s): 04-6568107

Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.

3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year. **3**

Part II Funding Information (If the plan is not subject to the minimum funding requirements of section of 412 of the Internal Revenue Code or ERISA section 302, skip this Part)

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

If the plan is a defined benefit plan, go to line 8.

5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____

If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.

6 **a** Enter the minimum required contribution for this plan year **6a**

b Enter the amount contributed by the employer to the plan for this plan year **6b**

c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) **6c**

If you completed line 6c, skip lines 8 and 9.

7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

Part III Amendments

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box. ..... ☐ **Increase** ☐ **Decrease** ☐ **Both** ☐ **No**

Part IV ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ **Yes** ☐ **No**

11 **a** Does the ESOP hold any preferred stock? ..... ☐ **Yes** ☐ **No**

b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ **Yes** ☐ **No**

12 Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☐ **Yes** ☐ **No**

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

14 Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	**14a**	
b The plan year immediately preceding the current plan year	**14b**	
c The second preceding plan year	**14c**	

15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	**15a**	
b The corresponding number for the second preceding plan year	**15b**	

16 Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	**16a**	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	**16b**	

17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

19 If the total number of participants is 1,000 or more, complete items (a) through (c)

a Enter the percentage of plan assets held as:
Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

MERLE NORMAN COSMETICS, INC.
401(K) SAVINGS PLAN

FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULE
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2009

MERLE NORMAN COSMETICS, INC. 401(K) SAVINGS PLAN

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All other schedules have been omitted as not applicable.

HCVT CERTIFIED PUBLIC ACCOUNTANTS
HOLTHOUSE CARLIN & VAN TRIGT LLP

Independent Auditors' Report

To the Retirement Committee and Participants
Merle Norman Cosmetics, Inc. 401(k) Savings Plan:

We were engaged to audit the financial statements and supplemental schedule of the Merle Norman Cosmetics, Inc. 401(k) Savings Plan as of December 31, 2009 and 2008, and for the year ended December 31, 2009, as listed in the accompanying index. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 6, which was certified by Fidelity Management Trust Company, the Trustee of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the Plan Administrator that the Trustee holds the Plan's investment assets and executes investment transactions. The Plan Administrator has obtained certifications from the Trustee as of December 31, 2009 and 2008 and for the year ended December 31, 2009, that the information provided to the Plan Administrator by the Trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the Trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
September 7, 2010

MERLE NORMAN COSMETICS, INC. 401(K) SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS

DECEMBER 31, 2009 AND 2008

	2009	2008
Assets:		
Participant-directed investments - at fair value:		
Interest-bearing cash	$ 1,256,164	$ 1,249,732
Registered investment companies	11,391,177	8,619,803
Loans to participants	533,723	490,671
Total participant-directed investments - at fair value	13,181,064	10,360,206
Liabilities	-	-
Net assets available for plan benefits	$ 13,181,064	$ 10,360,206

See notes to financial statements.

MERLE NORMAN COSMETICS, INC. 401(K) SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2009

Additions:	
Investment income:	
Net appreciation in fair value of investments	$ 2,471,527
Interest and dividend income	241,910
Total investment income	2,713,437
Contributions:	
Company	50,937
Participants	1,272,016
Other - participants' rollover	140,174
Total contributions	1,463,127
Total additions	4,176,564
Deductions:	
Benefits paid to plan participants	1,341,471
Administrative expenses	7,126
Total deductions	1,348,597
Net increase prior to transfer of assets	2,827,967
Transfer of assets to the Nethercutt Collection 401(k) Savings Plan (Note 8)	7,109
Net increase after transfer of assets	2,820,858
Assets available for plan benefits:	
Beginning of year	10,360,206
End of year	$ 13,181,064

See notes to financial statements.

NOTE 1. DESCRIPTION OF THE PLAN

The following description of the Merle Norman Cosmetics, Inc. 401(k) Savings Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution savings plan covering all full-time employees of Merle Norman Cosmetics, Inc. (the Company or the Plan Administrator) who have six months of consecutive service and are age 21 or older. The Retirement Committee of the Board of Directors of the Company controls and manages the operation and administration of the Plan. Fidelity Management Trust Company serves as the Trustee of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Participants may contribute up to the lower of 25% or $15,500 of pretax annual compensation, as defined in the Plan. The Company contributes an amount equal to 10% of the first 3% of base compensation that a participant contributes to the Plan. Company contributions totaled $50,937 in 2009.

Participant Accounts

Each participant's account is credited with the participant's contributions and an allocation of Company contributions and plan earnings and is debited with withdrawals. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Vesting

Participants are immediately vested in their contributions, Company matching contributions, rollover accounts and earnings thereon.

Participant Loans

Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum of $50,000 or 50% of their account balance. Loan transactions are treated as a transfer between the investment fund and the loan fund. Participants have the option of selecting a loan term of up to five years. If the participant has taken the loan to purchase a principal residence, they have the option of selecting a loan term of up to 10 years. The loans are secured by the balance in the participant's account and bear interest at a rate of 5.25% to 10.25%. Principal and interest are paid ratably through payroll deductions.

Payment of Benefits

Upon termination of service, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account or annual installments over no longer than the participant's and beneficiary's life expectancy.

NOTE 2. SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, primarily from data provided by Fidelity Management Trust Company (the Trustee).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Concentration of Risk

The Plan has exposure to risk to the extent that its investments are subject to market and interest rate fluctuations that may materially affect the value of the investment balances.

Investment Valuation and Income Recognition

Money market and mutual funds are reported at fair value and participant loans are stated at the unpaid principal amount, which is deemed to approximate fair value. The investments and changes therein of the trust funds have been reported to the Plan by the Trustee using fair value.

Investments are valued daily. Interest income is recorded on an accrual basis. Dividend income, if any, is included in net depreciation in fair value of investments.

Administrative Expenses

Administrative expenses incident to the administration of the Plan, including fees of the administrative agent and independent qualified public accountants not paid by the Company are paid by the Plan. The Company paid for the independent qualified public accountants and all administrative and related fees.

Most investment options have management fees that reduce the overall return on assets. The depreciation on investments may include certain of these fees.

Benefits Payable to Participants

Benefits are recorded when paid.

NOTE 3. INVESTMENTS

Participants direct the investment of their contributions into various investment options offered by the Plan.

NOTE 3. INVESTMENTS (Continued)

The following presents investments, at December 31, 2009, that represent 5 percent or more of the Plan's net assets.

Fidelity Retirement Government Money Market Portfolio	$ 1,256,164
Fidelity Blue Chip Growth Fund	$ 1,446,836
Fidelity Aggressive Growth Fund	$ 1,656,717
Spartan US Equity Index Fund	$ 989,195
Fidelity Freedom 2010 Fund (SM)	$ 1,081,079
Fidelity US Bond Index Fund	$ 1,042,574
Fidelity Freedom 2020 Fund (SM)	$ 821,764
Fidelity Freedom 2030 Fund (SM)	$ 785,614
Fidelity Diversified International Fund	$ 763,522

For the year ended December 31, 2009, net appreciation on investments in registered investment companies (mutual funds) was $2,471,527.

NOTE 4. FAIR VALUE MEASUREMENTS

The Company accounts for their financial instruments using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value measurement hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable. The three levels of the fair value hierarchy are the following:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has ability to access.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are inactive; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

Mutual Funds – This category consists of publicly traded funds of registered investment companies. The net asset value of the mutual fund's shares is quoted on the exchange where the fund is actively traded and therefore classified as Level 1 within the valuation hierarchy.

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

Money Market Fund – This category consists of a publicly traded money market fund that significantly invests in U.S. Government securities and repurchase agreements for those securities. The net asset value of the money market fund is valued based on the relative share of the securities that are valued at amortized cost, which approximates fair value and is classified as a Level 2 investment.

Participant loans – Participant loans are valued at their unpaid principal amount which approximates fair value and are classified as Level 3 investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2009:

.

	Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Blend funds	$ 6,450,709	$ -	$ -	$ 6,450,709
Growth funds	3,103,553	-	-	3,103,553
Value funds	794,341	-	-	794,341
Fixed income funds	1,042,574	-	-	1,042,574
Total mutual funds	11,391,177	-	-	11,391,177
Money market fund	-	1,256,164	-	1,256,164
Participant loans	-	-	533,723	533,723
Total assets at fair value	$ 11,391,177	$ 1,256,164	$ 533,723	$ 13,181,064

The table below sets forth a summary of changes in the fair value of the participant loans for the year ended December 31, 2009:

Balance, beginning of year	$ 490,671
Issuances, repayments and settlements, net	43,052
Balance, end of year	$ 533,723

NOTE 5. RELATED PARTY TRANSACTIONS

Certain Plan investments are managed by Fidelity Management Trust Company. Fidelity Management Trust Company is the Trustee of the Plan and, therefore, these transactions qualify as party-in-interest transactions for which exemptions exist. Fidelity Management Trust Company charges the Plan for certain administrative expenses and receives a management fee, which reduces the return on investments. Fidelity Management Trust Company received $14,235 for contract administration fees that were paid by the Plan.

NOTE 6. FINANCIAL DATA CERTIFIED BY THE TRUSTEE

The Plan Administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the following information was certified by Fidelity Management Trust Company and was not subjected to any auditing procedures performed by the independent public accountants:

a. Participant-directed investments, at fair value, as shown in the accompanying statements of net assets available for plan benefits of $13,181,064 as of December 31, 2009 and $10,360,206 as of December 31, 2008.

b. Net appreciation in fair value of investments of $2,471,527 and interest and dividend income of $241,910 as shown in the accompanying Statement of Changes in Net Assets Available for Plan Benefits for the year ended December 31, 2009.

c. Detail of participant-directed investments as shown in the accompanying Schedule of Assets (Held at End of Year) as of December 31, 2009.

NOTE 7. PLAN TERMINATION

The Company has the right under the Plan to discontinue its contributions at any time to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100 percent vested in their accounts.

NOTE 8. TRANSFER OF ASSETS

The Company also sponsors a retirement plan called the Nethercutt Collection 401(k) Savings Plan (the 401(k) Plan). During the year there were transfers of employee accounts from the Plan to the 401(k) Plan, resulting in a transfer of assets in the amount of $7,109 from the Plan into the 401(k) Plan.

NOTE 9. FEDERAL INCOME TAX STATUS

The Internal Revenue Service has determined and informed the Company by a determination letter, dated January 26, 2005, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan Administrator believes that the Plan is designed and currently being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

NOTE 10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events that have occurred from December 31, 2009 through September 7, 2010, which is the date that the financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements.

MERLE NORMAN COSMETICS, INC. 401(K) SAVINGS PLAN

EIN #95-2948991 PLAN #002

SCHEDULE OF ASSETS (HELD AT END OF YEAR)

DECEMBER 31, 2009

	Identity of Issue, Borrower Lessor or Similar Party	Description of Investment	Market Value
*	Fidelity Retirement Government Money Market Portfolio	Money Market	$ 1,256,164
*	Fidelity International Discovery Fund	Mutual Fund	305,609
*	Fidelity Blue Chip Growth Fund	Mutual Fund	1,446,836
*	Fidelity Aggressive Growth Fund	Mutual Fund	1,656,717
*	Spartan US Equity Index Fund	Mutual Fund	989,195
*	Fidelity Freedom 2010 Fund (SM)	Mutual Fund	1,081,079
*	Fidelity US Bond Index Fund	Mutual Fund	1,042,574
*	Fidelity Freedom 2020 Fund (SM)	Mutual Fund	821,764
*	Fidelity Freedom 2030 Fund (SM)	Mutual Fund	785,614
*	Fidelity Freedom 2000 Fund (SM)	Mutual Fund	155,228
*	Fidelity Diversified International Fund	Mutual Fund	763,522
*	Fidelity Low-Priced Stock Fund	Mutual Fund	570,848
*	Fidelity Freedom Income Fund (SM)	Mutual Fund	168,560
*	Fidelity Mid-Cap Stock Fund	Mutual Fund	432,087
*	Fidelity Small-Cap Stock Fund	Mutual Fund	169,531
*	Fidelity Freedom 2040 Fund (SM)	Mutual Fund	270,639
*	Fidelity Equity-Income Fund	Mutual Fund	223,493
*	Spartan Total Market Index	Mutual Fund	57,355
*	Fidelity Freedom 2005 Fund (SM)	Mutual Fund	84,068
*	Fidelity Freedom 2015 Fund (SM)	Mutual Fund	133,605
*	Fidelity Freedom 2025 Fund (SM)	Mutual Fund	105,684
*	Fidelity Freedom 2035 Fund (SM)	Mutual Fund	73,047
*	Fidelity Freedom 2045 Fund (SM)	Mutual Fund	35,383
*	Fidelity Freedom 2050 Fund (SM)	Mutual Fund	18,739
*	Participant loans	Interest at 5.25% to 10.25%	533,723
			$ 13,181,064

* Represents parties-in-interest to the Plan.

See notes and independent auditors' report.

MERLE NORMAN COSMETICS, INC.
401(K) SAVINGS PLAN

FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULE
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2009

MERLE NORMAN COSMETICS, INC. 401(K) SAVINGS PLAN

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All other schedules have been omitted as not applicable.

HCVT CERTIFIED PUBLIC ACCOUNTANTS
HOLTHOUSE CARLIN & VAN TRIGT LLP

Independent Auditors' Report

To the Retirement Committee and Participants
Merle Norman Cosmetics, Inc. 401(k) Savings Plan:

We were engaged to audit the financial statements and supplemental schedule of the Merle Norman Cosmetics, Inc. 401(k) Savings Plan as of December 31, 2009 and 2008, and for the year ended December 31, 2009, as listed in the accompanying index. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 6, which was certified by Fidelity Management Trust Company, the Trustee of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the Plan Administrator that the Trustee holds the Plan's investment assets and executes investment transactions. The Plan Administrator has obtained certifications from the Trustee as of December 31, 2009 and 2008 and for the year ended December 31, 2009, that the information provided to the Plan Administrator by the Trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the Trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
September 7, 2010

MERLE NORMAN COSMETICS, INC. 401(K) SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS

DECEMBER 31, 2009 AND 2008

	2009	2008
Assets:		
Participant-directed investments - at fair value:		
Interest-bearing cash	$ 1,256,164	$ 1,249,732
Registered investment companies	11,391,177	8,619,803
Loans to participants	533,723	490,671
Total participant-directed investments - at fair value	13,181,064	10,360,206
Liabilities	-	-
Net assets available for plan benefits	$ 13,181,064	$ 10,360,206

See notes to financial statements.

MERLE NORMAN COSMETICS, INC. 401(K) SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2009

Additions:	
Investment income:	
Net appreciation in fair value of investments	$ 2,471,527
Interest and dividend income	241,910
Total investment income	2,713,437
Contributions:	
Company	50,937
Participants	1,272,016
Other - participants' rollover	140,174
Total contributions	1,463,127
Total additions	4,176,564
Deductions:	
Benefits paid to plan participants	1,341,471
Administrative expenses	7,126
Total deductions	1,348,597
Net increase prior to transfer of assets	2,827,967
Transfer of assets to the Nethercutt Collection 401(k) Savings Plan (Note 8)	7,109
Net increase after transfer of assets	2,820,858
Assets available for plan benefits:	
Beginning of year	10,360,206
End of year	$ 13,181,064

See notes to financial statements.

NOTE 1. DESCRIPTION OF THE PLAN

The following description of the Merle Norman Cosmetics, Inc. 401(k) Savings Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution savings plan covering all full-time employees of Merle Norman Cosmetics, Inc. (the Company or the Plan Administrator) who have six months of consecutive service and are age 21 or older. The Retirement Committee of the Board of Directors of the Company controls and manages the operation and administration of the Plan. Fidelity Management Trust Company serves as the Trustee of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Participants may contribute up to the lower of 25% or $15,500 of pretax annual compensation, as defined in the Plan. The Company contributes an amount equal to 10% of the first 3% of base compensation that a participant contributes to the Plan. Company contributions totaled $50,937 in 2009.

Participant Accounts

Each participant's account is credited with the participant's contributions and an allocation of Company contributions and plan earnings and is debited with withdrawals. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Vesting

Participants are immediately vested in their contributions, Company matching contributions, rollover accounts and earnings thereon.

Participant Loans

Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum of $50,000 or 50% of their account balance. Loan transactions are treated as a transfer between the investment fund and the loan fund. Participants have the option of selecting a loan term of up to five years. If the participant has taken the loan to purchase a principal residence, they have the option of selecting a loan term of up to 10 years. The loans are secured by the balance in the participant's account and bear interest at a rate of 5.25% to 10.25%. Principal and interest are paid ratably through payroll deductions.

Payment of Benefits

Upon termination of service, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account or annual installments over no longer than the participant's and beneficiary's life expectancy.

NOTE 2. SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, primarily from data provided by Fidelity Management Trust Company (the Trustee).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Concentration of Risk

The Plan has exposure to risk to the extent that its investments are subject to market and interest rate fluctuations that may materially affect the value of the investment balances.

Investment Valuation and Income Recognition

Money market and mutual funds are reported at fair value and participant loans are stated at the unpaid principal amount, which is deemed to approximate fair value. The investments and changes therein of the trust funds have been reported to the Plan by the Trustee using fair value.

Investments are valued daily. Interest income is recorded on an accrual basis. Dividend income, if any, is included in net depreciation in fair value of investments.

Administrative Expenses

Administrative expenses incident to the administration of the Plan, including fees of the administrative agent and independent qualified public accountants not paid by the Company are paid by the Plan. The Company paid for the independent qualified public accountants and all administrative and related fees.

Most investment options have management fees that reduce the overall return on assets. The depreciation on investments may include certain of these fees.

Benefits Payable to Participants

Benefits are recorded when paid.

NOTE 3. INVESTMENTS

Participants direct the investment of their contributions into various investment options offered by the Plan.

NOTE 3. INVESTMENTS (Continued)

The following presents investments, at December 31, 2009, that represent 5 percent or more of the Plan's net assets.

Fidelity Retirement Government Money Market Portfolio	$ 1,256,164
Fidelity Blue Chip Growth Fund	$ 1,446,836
Fidelity Aggressive Growth Fund	$ 1,656,717
Spartan US Equity Index Fund	$ 989,195
Fidelity Freedom 2010 Fund (SM)	$ 1,081,079
Fidelity US Bond Index Fund	$ 1,042,574
Fidelity Freedom 2020 Fund (SM)	$ 821,764
Fidelity Freedom 2030 Fund (SM)	$ 785,614
Fidelity Diversified International Fund	$ 763,522

For the year ended December 31, 2009, net appreciation on investments in registered investment companies (mutual funds) was $2,471,527.

NOTE 4. FAIR VALUE MEASUREMENTS

The Company accounts for their financial instruments using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value measurement hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable. The three levels of the fair value hierarchy are the following:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has ability to access.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are inactive; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

Mutual Funds – This category consists of publicly traded funds of registered investment companies. The net asset value of the mutual fund's shares is quoted on the exchange where the fund is actively traded and therefore classified as Level 1 within the valuation hierarchy.

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

Money Market Fund – This category consists of a publicly traded money market fund that significantly invests in U.S. Government securities and repurchase agreements for those securities. The net asset value of the money market fund is valued based on the relative share of the securities that are valued at amortized cost, which approximates fair value and is classified as a Level 2 investment.

Participant loans – Participant loans are valued at their unpaid principal amount which approximates fair value and are classified as Level 3 investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2009:

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	Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Blend funds	$ 6,450,709	$ -	$ -	$ 6,450,709
Growth funds	3,103,553	-	-	3,103,553
Value funds	794,341	-	-	794,341
Fixed income funds	1,042,574	-	-	1,042,574
Total mutual funds	11,391,177	-	-	11,391,177
Money market fund	-	1,256,164	-	1,256,164
Participant loans	-	-	533,723	533,723
Total assets at fair value	$ 11,391,177	$ 1,256,164	$ 533,723	$ 13,181,064

The table below sets forth a summary of changes in the fair value of the participant loans for the year ended December 31, 2009:

Balance, beginning of year	$ 490,671
Issuances, repayments and settlements, net	43,052
Balance, end of year	$ 533,723

NOTE 5. RELATED PARTY TRANSACTIONS

Certain Plan investments are managed by Fidelity Management Trust Company. Fidelity Management Trust Company is the Trustee of the Plan and, therefore, these transactions qualify as party-in-interest transactions for which exemptions exist. Fidelity Management Trust Company charges the Plan for certain administrative expenses and receives a management fee, which reduces the return on investments. Fidelity Management Trust Company received $14,235 for contract administration fees that were paid by the Plan.

NOTE 6. FINANCIAL DATA CERTIFIED BY THE TRUSTEE

The Plan Administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the following information was certified by Fidelity Management Trust Company and was not subjected to any auditing procedures performed by the independent public accountants:

a. Participant-directed investments, at fair value, as shown in the accompanying statements of net assets available for plan benefits of $13,181,064 as of December 31, 2009 and $10,360,206 as of December 31, 2008.

b. Net appreciation in fair value of investments of $2,471,527 and interest and dividend income of $241,910 as shown in the accompanying Statement of Changes in Net Assets Available for Plan Benefits for the year ended December 31, 2009.

c. Detail of participant-directed investments as shown in the accompanying Schedule of Assets (Held at End of Year) as of December 31, 2009.

NOTE 7. PLAN TERMINATION

The Company has the right under the Plan to discontinue its contributions at any time to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100 percent vested in their accounts.

NOTE 8. TRANSFER OF ASSETS

The Company also sponsors a retirement plan called the Nethercutt Collection 401(k) Savings Plan (the 401(k) Plan). During the year there were transfers of employee accounts from the Plan to the 401(k) Plan, resulting in a transfer of assets in the amount of $7,109 from the Plan into the 401(k) Plan.

NOTE 9. FEDERAL INCOME TAX STATUS

The Internal Revenue Service has determined and informed the Company by a determination letter, dated January 26, 2005, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan Administrator believes that the Plan is designed and currently being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

NOTE 10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events that have occurred from December 31, 2009 through September 7, 2010, which is the date that the financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements.

MERLE NORMAN COSMETICS, INC. 401(K) SAVINGS PLAN

EIN #95-2948991 PLAN #002

SCHEDULE OF ASSETS (HELD AT END OF YEAR)

DECEMBER 31, 2009

	Identity of Issue, Borrower Lessor or Similar Party	Description of Investment	Market Value
*	Fidelity Retirement Government Money Market Portfolio	Money Market	$ 1,256,164
*	Fidelity International Discovery Fund	Mutual Fund	305,609
*	Fidelity Blue Chip Growth Fund	Mutual Fund	1,446,836
*	Fidelity Aggressive Growth Fund	Mutual Fund	1,656,717
*	Spartan US Equity Index Fund	Mutual Fund	989,195
*	Fidelity Freedom 2010 Fund (SM)	Mutual Fund	1,081,079
*	Fidelity US Bond Index Fund	Mutual Fund	1,042,574
*	Fidelity Freedom 2020 Fund (SM)	Mutual Fund	821,764
*	Fidelity Freedom 2030 Fund (SM)	Mutual Fund	785,614
*	Fidelity Freedom 2000 Fund (SM)	Mutual Fund	155,228
*	Fidelity Diversified International Fund	Mutual Fund	763,522
*	Fidelity Low-Priced Stock Fund	Mutual Fund	570,848
*	Fidelity Freedom Income Fund (SM)	Mutual Fund	168,560
*	Fidelity Mid-Cap Stock Fund	Mutual Fund	432,087
*	Fidelity Small-Cap Stock Fund	Mutual Fund	169,531
*	Fidelity Freedom 2040 Fund (SM)	Mutual Fund	270,639
*	Fidelity Equity-Income Fund	Mutual Fund	223,493
*	Spartan Total Market Index	Mutual Fund	57,355
*	Fidelity Freedom 2005 Fund (SM)	Mutual Fund	84,068
*	Fidelity Freedom 2015 Fund (SM)	Mutual Fund	133,605
*	Fidelity Freedom 2025 Fund (SM)	Mutual Fund	105,684
*	Fidelity Freedom 2035 Fund (SM)	Mutual Fund	73,047
*	Fidelity Freedom 2045 Fund (SM)	Mutual Fund	35,383
*	Fidelity Freedom 2050 Fund (SM)	Mutual Fund	18,739
*	Participant loans	Interest at 5.25% to 10.25%	533,723
			$ 13,181,064

* Represents parties-in-interest to the Plan.

See notes and independent auditors' report.