

REGIS CORP  
Form DEF 14A  
September 10, 2013

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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**REGIS CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held October 22, 2013

TO THE SHAREHOLDERS OF REGIS CORPORATION:

The Annual Meeting of the Shareholders (the "Annual Meeting") of Regis Corporation (referred to as "we," "us," "our," "Regis" and the "Company") will be held at our executive offices located at 7201 Metro Boulevard, Edina, Minnesota 55439, on October 22, 2013 commencing at 9:00 a.m., for the following purposes:

1. To elect eight directors to serve for a one-year term and until their successors are elected and qualified;
2. To approve the amendment of the Company's Restated Articles of Incorporation to adopt majority voting for the election of directors;
3. To approve the amendment of the Company's 2004 Long-Term Incentive Plan (the "Long Term Plan") to extend its term for a period of ten years through May 26, 2024;
4. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm;
5. To approve, on an advisory basis, the compensation of our named executive officers (referred to as the "Say-on-Pay" proposal); and
6. To transact such other business, if any, as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Only holders of record of our Common Stock at the close of business on August 26, 2013 are entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

Whether or not you plan to attend the Annual Meeting in person, please submit your proxy by telephone or through the Internet in accordance with the voting instructions provided to you. If you requested a paper copy of the proxy card by mail, you may also date, sign and mail the proxy card in the postage-paid envelope that is provided with your proxy card. Should you nevertheless attend the Annual Meeting, you may revoke your proxy and vote in person.

If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the record holder that you must follow in order for your shares to be voted. If you plan to attend the Annual Meeting and hold shares in your name, please be prepared to provide proper identification, such as a driver's license. If you hold your shares through a bank or broker, you will need proof of ownership, such as a recent account statement or letter from your bank or broker, along with proper identification in order to attend the Annual Meeting. If you hold your shares through a bank or broker and intend to vote your shares at the Annual Meeting, you will need to provide a legal proxy from your broker.

By Order of the Board of Directors

Eric A. Bakken  
*Secretary*

September 9, 2013

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**PROXY STATEMENT**

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**ANNUAL MEETING OF SHAREHOLDERS, OCTOBER 22, 2013**

This Proxy Statement is furnished to shareholders of REGIS CORPORATION, a Minnesota corporation (the "Company"), in connection with the solicitation on behalf of our Board of Directors (the "Board") of proxies for use at the annual meeting of shareholders to be held on October 22, 2013 (the "Annual Meeting"), and at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders.

The address of our principal executive office is 7201 Metro Boulevard, Edina, Minnesota 55439.

**Availability of Proxy Materials**

As permitted by rules adopted by the Securities and Exchange Commission ("SEC"), we are making our proxy materials, which include our Notice and Proxy Statement and Annual Report on Form 10-K, available to our shareholders over the Internet. We believe that this e-proxy process expedites our shareholders' receipt of proxy materials and lowers the costs and reduces the environmental impact of the Annual Meeting. In accordance with such SEC rules, we will send shareholders of record as of the close of business on August 26, 2013 a Notice of Internet Availability of Proxy Materials (the "Notice"), which mailing will commence on or about September 10, 2013. The Notice contains instructions on how shareholders can access our proxy materials and vote their shares over the Internet. If you would like to receive a printed copy of our proxy materials from us instead of downloading them from the Internet, please follow the instructions for requesting such materials included in the Notice.

**Solicitation and Revocation of Proxies**

In addition to the use of the mails, proxies may be solicited personally or by mail, telephone, fax, email, Internet or other electronic means by our directors, officers and regular employees who will not be additionally compensated for any such services. Proxies may also be solicited by means of press releases and other public statements.

We will pay all solicitation expenses in connection with the Notice and this Proxy Statement and any related proxy soliciting material of the Board, including the expense of preparing, printing, assembling and mailing such material.

Proxies to vote at the Annual Meeting are solicited on behalf of the Board. Any shareholder giving a proxy may revoke it at any time before it is exercised by attending the Annual Meeting and revoking it or by providing written notice of revocation or by submitting another proxy bearing a later date to our Secretary at the address set forth above. Such proxies, if received in time for voting and not revoked, will be voted at the Annual Meeting in accordance with the specifications indicated thereon.

**If You Hold Your Shares in "Street Name"**

If you hold your shares in "street name," i.e., through a bank, broker or other holder of record (a "custodian"), your custodian is required to vote your shares on your behalf in accordance with your instructions. If you do not give instructions to your custodian, your custodian will not be permitted to vote your shares with respect to "non-discretionary" items, such as the election of directors, the

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amendment of the Company's Restated Articles of Incorporation to adopt majority voting for the election of directors, the amendment of the Long Term Plan to extend its term by ten years and the Say-on-Pay proposal. Accordingly, we urge you to promptly give instructions to your custodian to vote on these matters by following the instructions provided to you by your custodian. Please note that if you intend to vote your street name shares in person at the Annual Meeting, you must provide a "legal proxy" from your custodian at the Annual Meeting.

## VOTING RIGHTS AND REQUIREMENTS

Only shareholders of record as of the close of business on August 26, 2013, will be entitled to sign proxies or to vote. On that date, there were 56,624,837 shares issued, outstanding and entitled to vote. Each share of Common Stock is entitled to one vote. A majority of the outstanding shares present in person or by proxy at the Annual Meeting is required to transact business, and constitutes a quorum for voting on items at the Annual Meeting. If you vote, your shares will be part of the quorum. Abstentions and broker non-votes will be counted as being present at the Annual Meeting in determining the quorum, but neither will be counted as a vote in favor of a matter. A "broker non-vote" is a proxy submitted by a bank, broker or other custodian that does not indicate a vote for some of the proposals because the broker does not have or does not exercise discretionary voting authority on certain types of proposals and has not received instructions from its client as to how to vote on those proposals.

### Vote Required

*Item 1.* The affirmative vote of a plurality of the shares of Common Stock present in person or by proxy and entitled to vote at the Annual Meeting is required for the election to the Board of each of the nominees for director. Shareholders do not have the right to cumulate their votes in the election of directors. "Plurality" means that the individuals who receive the greatest number of votes cast "For" are elected as directors.

*Items 2, 3 and 4.* The affirmative vote of the holders of the greater of (1) a majority of the shares of our Common Stock present in person or by proxy and entitled to vote on the proposal or (2) a majority of the minimum number of shares entitled to vote that would constitute a quorum for the transaction of business at the Annual Meeting is required for approval of these proposals. A shareholder who abstains with respect to any of these proposals will have the effect of casting a negative vote on that proposal. A shareholder who does not vote in person or by proxy on a proposal (including a broker non-vote on a proposal) is not deemed to be present in person or by proxy and is not entitled to vote on the proposal for the purpose of determining whether a proposal has been approved.

*Item 5.* The advisory vote on executive compensation in Item 5 is not binding on us; however, we will consider the shareholders to have approved our executive compensation if the number of shares voted "For" the proposal exceed the number of shares voted "Against" the proposal. A shareholder who abstains with respect to this proposal will have no effect on its outcome.

*Routine Versus Non-Routine Matters.* Brokers cannot vote on their customers' behalf on "non-routine" proposals such as Item 1, the election of directors, Item 2, the amendment of the Company's Restated Articles of Incorporation to adopt majority voting for the election of directors, Item 3, the amendment of the Long Term Plan to extend its term by ten years, and Item 5, the advisory vote on executive compensation. Because brokers require their customers' direction to vote on such non-routine matters, it is critical that shareholders provide their brokers with voting instructions. On the other hand, Item 4, ratification of the appointment of our independent registered public accounting firm, is a "routine" matter for which your broker does not need your voting instruction in order to vote your shares.

*Effect of Broker Non-Votes.* If you hold your shares in street name and do not provide voting instructions to your bank, broker or other custodian, your shares will not be voted on any proposal on which your broker does not have or does not exercise discretionary authority to vote (a "broker non-vote"), such as may be the case with a non-routine matter for which you do not provide voting instructions. A broker non-vote on any of the proposals presented at the Annual Meeting will have no effect on the outcome of the proposal.

**ITEM 1**  
**ELECTION OF DIRECTORS**

Eight directors are to be elected at the Annual Meeting, each to hold office for one year until the 2014 annual meeting of shareholders. Based upon the recommendation of the Nominating and Corporate Governance Committee, the Board has nominated the eight persons named below for election as directors. Seven of the Board's nominees are currently directors of Regis and each nominee has consented to serve if elected. Mr. Joseph L. ("Joel") Conner and Mr. Jeffrey C. Smith, current directors of Regis, are not standing for re-election at the Annual Meeting.

Unless authority to vote is withheld, proxies submitted will be voted for the election of the Board's nominees named herein as directors of Regis. If for any reason a nominee becomes unable to serve or for good cause will not serve if elected, the Nominating and Corporate Governance Committee may designate substitute nominees, in which event the shares represented by proxies returned to us will be voted for such substitute nominees. If the Nominating and Corporate Governance Committee designates any substitute nominees, we will file an amended proxy statement that, as applicable, identifies the substitute nominees, discloses that such nominees have consented to being named in the revised proxy statement and to serve if elected, and includes certain biographical and other information about such nominees required by SEC rules.

The following table contains certain information with respect to the director nominees:

Name and Age	Position
Daniel G. Beltzman (38)	Director
James P. Fogarty (45)	Director
David J. Grissen (55)	Director Nominee
Daniel J. Hanrahan (56)	President and Chief Executive Officer, Director
Mark S. Light (51)	Director Nominee
Michael J. Merriman (57)	Director
Stephen E. Watson (68)	Chairman of the Board
David P. Williams (52)	Director

*Mr. Daniel G. Beltzman, age 38, Director, Director Since 2012*

Mr. Beltzman was elected a director of Regis in August 2012. Mr. Beltzman currently serves as a Managing Member of Birch Run Capital, LLC ("Birch Run"), a financial investment advisory firm, a position he has held since he co-founded Birch Run in May 2006. Prior to managing investments, Mr. Beltzman worked at both Deutsche Bank Securities, Inc. and Bank of America Securities, LLC focusing on equity research and mergers and acquisitions. Thereafter, he founded an entrepreneurial venture that provided services to help European builders more efficiently manage their supply chains. Mr. Beltzman also worked with a boutique investment firm that specializes in joint venture equity and mezzanine debt for real estate ventures. Mr. Beltzman has spent the last ten years managing assets and during that time he has critically studied the businesses of public companies and has developed expertise in capital allocation.

Mr. Beltzman's financial experience and expertise contribute valuable insights to the Board. In addition, Mr. Beltzman, as a representative of Birch Run, which advises a number of private funds that collectively owned approximately 14.99% of the Company's Common Stock on August 26, 2013, brings an additional perspective as a significant shareholder of the Company.

***Mr. James P. Fogarty, age 45, Director, Director Since 2011***

Mr. Fogarty was elected a director of Regis in October 2011. Mr. Fogarty is Chief Executive Officer and a Director of Orchard Brands, a multi-title catalog and internet retailer, a position he has held since November 2011. Prior to that, Mr. Fogarty was a private investor from November 2010 to November 2011. From April 2009 until November 2010, Mr. Fogarty was President, Chief Executive Officer and Director of Charming Shoppes, Inc., a multi-brand, specialty apparel retailer. Prior to that, Mr. Fogarty was a Managing Director of Alvarez & Marsal ("A&M"), an independent global professional services firm, from August 1994 until April 2009. He was also a member of A&M's Executive Committee for North America Restructuring. During his tenure at A&M, Mr. Fogarty most recently served as President and Chief Operating Officer of Lehman Brothers Holdings (subsequent to its Chapter 11 bankruptcy filing) from September 2008 until April 2009. From September 2005 through February 2008, Mr. Fogarty was President and Chief Executive Officer of American Italian Pasta Company, the largest producer of dry pasta in North America. He served as the Chief Financial Officer of Levi Strauss & Co., a brand-name apparel marketer, from 2003 until 2005. From December 2001 through September 2003, he served as Senior Vice President and Chief Financial Officer and for a period as a Director of The Warnaco Group, a global apparel maker, which emerged from bankruptcy in early 2003 after completing a successful turnaround during his tenure.

Mr. Fogarty's operational and turnaround experience allows him to make significant contributions to the Board, particularly during the recent time of transition at the Company. He has significant executive officer and director experience at a variety of public and private companies, including companies in the specialty retail industry, which provides meaningful industry expertise to the Board.

***Mr. David J. Grissen, age 55, Director Nominee***

Mr. Grissen is Group President, The Americas of Marriott International, Inc., a global operator of hotels and related lodging facilities, a position he has held since 2012. During his 23 years of experience with Marriott, he held various positions, including President, The Americas, Executive Vice President of the Eastern Region, Senior Vice President of the Mid-Atlantic Region and Senior Vice President of Finance and Business Development. He has had responsibility for the financial management and leadership of all the Americas' lodging operations, comprising more than 3,400 hotels and a work force of 100,000 associates, including responsibility for sales and marketing, revenue management, human resources, engineering, room operations, food and beverage/retail/spa, information resources and development. Mr. Grissen was a director of Good Times Restaurants Inc. from 2005 to 2010.

The Board chose to nominate Mr. Grissen as a director because of his experience leading a complex service organization that includes both franchised and owned operations. The Board believes that his experience building marketing platforms for multiple portfolio brands, and his experience in acquisitions and integration, will help him guide the Company in its turnaround as it focuses on improving the customer experience through each of its brands and identifies opportunities for growth.

***Mr. Daniel J. Hanrahan, age 56, President and Chief Executive Officer, Director, Director Since 2012***

Mr. Hanrahan is the President and Chief Executive Officer of the Company, and a member of the Board, which positions he has held since August 2012. Prior to joining the Company, he served as President of Celebrity Cruises at Royal Caribbean Cruises Ltd., a global cruise vacation company, since February 2005, and as its President and Chief Executive Officer since September 2007. Mr. Hanrahan served as President and Chief Executive Officer of Azamara Cruises at Royal Caribbean from February 2005 to July 2009. From 1999 until February 2005, Mr. Hanrahan served in a variety of positions with the Royal Caribbean International brand, including Senior Vice President, Sales and Marketing. Mr. Hanrahan has served on the Board of Directors of Cedar Fair, L.P., an amusement-resort operator, since 2012, and is a member of its Audit Committee.



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The Board believes that Mr. Hanrahan should continue to serve as a director because as Chief Executive Officer of the Company, he shares responsibility with the Board for guiding the direction of the Company, and he has a deep understanding of the Company's operations, strategy, results of operations and financial condition, as well as issues affecting the Company's industry. Mr. Hanrahan's prior operational background and his extensive experience across a wide spectrum of consumer-facing brands enable him to provide important insights to the Board related to the Company's strategy to improve the salon experience.

### **Mr. Mark S. Light**, age 51, Director Nominee

Mr. Light is President and Chief Executive Officer of Sterling Jewelers, a specialty jewelry retailer in the United States, the United Kingdom, the Republic of Ireland and the Channel Islands that retails jewelry, watches and associated services, and which is owned by parent company Signet Jewelers Limited. Mr. Light started as a sales associate at Sterling 35 years ago, and has progressed through various management positions to his current position, holding many titles along the way, including Division President, Executive Vice President of Operations and President and Chief Operating Officer. Sterling operates a network of approximately 1,300 stores in all 50 states and trades nationally in malls and off-mall locations, and operates stores outside the U.S. in high street locations and shopping malls.

The Board chose to nominate Mr. Light because of his demonstrated leadership success, evident from the sales growth and financial performance of Sterling. The Board believes that Mr. Light's experience with a company having a business model similar to the Company's, which is focused on customer loyalty and a high performing field sales group, will assist the Board in its efforts to improve the salon experience and the Company's operational performance.

### **Mr. Michael J. Merriman**, age 57, Director, Director Since 2011

Mr. Merriman was elected a director of Regis in October 2011. Mr. Merriman has been an operating advisor with Resilience Capital Partners, LLC, a private equity firm, since July 1, 2008. From November 2006 until its sale in November 2007, Mr. Merriman served as Chief Executive Officer of The Lamson & Sessions Co., a publicly held manufacturer of thermoplastic conduit, fittings and electrical switch and outlet boxes. Prior to joining Lamson & Sessions, Mr. Merriman served as the Senior Vice President and Chief Financial Officer of American Greetings Corporation, a publicly held creator and manufacturer of innovative social expression products, from September 2005 until November 2006. He served as the President and Chief Executive Officer of Royal Appliance Mfg. Co., a publicly held manufacturer and marketer of Dirt Devil vacuum cleaners, from 1995 until April 2004, was its Chief Financial Officer from 1992 to 1995 and served on the board of directors from 1993 to 2004. Mr. Merriman has served as a director of American Greetings Corporation since 2006, Nordson Corporation, a publicly held manufacturer of equipment used for precision dispensing, testing and inspection, surface preparation and curing, since 2008, and OMNOVA Solutions Inc., a publicly held innovator of emulsion polymers, specialty chemicals and decorative and functional surfaces, since 2008. Mr. Merriman also served as a director of RC2 Corporation, a publicly held manufacturer of pre-school toys and infant products, from 2004 until its sale in April 2011.

Mr. Merriman brings to the Board his financial acumen, his significant public accounting experience, his experience as a chief executive officer of other publicly traded companies, his service on boards of directors of other publicly traded companies and his retail experience. Mr. Merriman has significant finance, financial reporting and accounting expertise and was formerly a certified public accountant with Arthur Andersen & Co., which provides the Board with valuable expertise and qualifies him as an audit committee financial expert. In addition, the Board believes that his wide range of management experience at various public companies allows him to provide valuable insight into the Company's operations as well as its interactions with investors and financial analysts.

*Mr. Stephen E. Watson, age 68, Director, Director Since 2008*

Mr. Watson was elected a director of Regis in April 2008, and became the Chairman of the Board on January 29, 2013. Mr. Watson brings to the Board nearly 40 years of executive and director experience in the retail industry. From 1973 through 1996, Mr. Watson held various executive officer positions with Dayton Hudson Corporation, including Chairman and Chief Executive Officer of Dayton Hudson Department Stores Co. and President of Dayton Hudson Corporation. From 1972 to 1996, Mr. Watson held various executive officer positions, including President and Chief Executive Officer of the Department Store Division. From 1997 until his retirement in 2002, Mr. Watson was President and Chief Executive Officer of Gander Mountain Company, a privately held retailer for outdoor sports and recreation activities. In addition to serving as a director of Regis, Mr. Watson is currently also a director of Kohl's Corporation, a specialty, family-focused, value-oriented department store, where he serves as Lead Director and Chairman of the Audit Committee, and of Chico's FAS, Inc., a women's specialty retailer of privately branded, sophisticated clothing and accessories where he serves on the Audit and the Compensation and Benefits Committees. From 1997 through December 2005, Mr. Watson was a director of ShopKo Stores, Inc., an operator of general merchandise stores. From 2004 through May 2007, Mr. Watson was a director of Smart & Final, Inc., an operator of grocery stores. He also served on the boards of Norwest Bank from 1990 to 1996, Target Corporation from 1991 to 1996, Retek Inc. from November 1999 to 2004 and Eddie Bauer Holdings, Inc. from 2005 to 2009.

Mr. Watson's experience as the leading senior executive officer of several complex and specialty retail businesses, his experience as a director of other retail-oriented public companies and his broad-based knowledge in the areas of retail operations, corporate finance, accounting, marketing and merchandise procurement, bring significant value to our Board. He also contributes a wealth of knowledge and experience of serving on the boards of several public retail companies where he has also served as an audit and governance committee chair.

*Mr. David P. Williams, age 52, Director, Director Since 2011*

Mr. Williams was elected a director of Regis in October 2011. Mr. Williams currently serves as the Executive Vice President and Chief Financial Officer of Chemed Corporation, a provider, through its subsidiaries, of hospice care, and repair and maintenance services. Mr. Williams has served as Chemed's Chief Financial Officer since February 2004. From 1998 until 2004, Mr. Williams was the Senior Vice President and Chief Financial Officer of the Roto-Rooter Group, a leading provider of commercial and residential plumbing and drain cleaning services. Prior to that, Mr. Williams was the Chief Financial Officer of Chemed's Omnia Group subsidiary, a manufacturer of disposable healthcare products, and prior to that was Senior Vice President and Chief Financial Officer of Omnicare's Veratex Group, a national distributor of disposable medical, dental and pharmaceutical products. Prior to joining Chemed, Mr. Williams was with Price Waterhouse in their Comprehensive Professional Services Group.

Mr. Williams' depth of experience in various senior executive roles of public and private companies and his significant accounting and financial expertise enable him to provide meaningful contributions to the oversight of financial and accounting matters at the Company, and qualifies him as an audit committee financial expert.

**The Board unanimously recommends that you vote FOR the election of each of the director nominees.**

#### **CORPORATE GOVERNANCE**

The Board believes that good corporate governance is paramount to ensure that we are managed for the long-term benefit of our shareholders. As part of our ongoing efforts to constantly improve

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corporate governance, the Board and management have undertaken a number of initiatives to improve our corporate governance policies and practices. Below is a summary of the key corporate governance initiatives undertaken by the Board during fiscal 2013:

### Corporate Governance Initiatives in Fiscal 2013

**Refreshed Board and Added Shareholder Insight** Six of our eight current directors joined the Board at or after the 2011 annual meeting of shareholders. All of them are independent, other than our President and Chief Executive Officer, and four of them were identified as candidates by, or in coordination with, our shareholders. We are also nominating two new directors for election at the Annual Meeting, each with relevant leadership and operational experience at companies with business models similar to ours.

**Additions to Management Team** The Board completed a robust CEO search process, which resulted in the appointment of Daniel Hanrahan as our President and Chief Executive Officer effective August 6, 2012. Since that time, we also hired a new CFO and we added key talent to our management team in the areas of real estate, franchising, marketing and information management.

**Proposal to Adopt Majority Voting for the Election of Directors** The Board has approved and recommended to shareholders the approval of an amendment to the Company's Restated Articles of Incorporation to adopt majority voting for the election of directors, as described in Item 2 in this Proxy Statement. The Board also approved, effective upon shareholder approval of the amendment to the Restated Articles, an amendment to the Company's Corporate Governance Guidelines requiring incumbent directors who do not receive a majority vote to tender their resignation to the Board.

**Adoption of Related Party Transactions Policy** The Board recently adopted a Related Party Transaction Approval Policy requiring approval of all related party transactions where the amount involved exceeds \$10,000 for the fiscal year. In addition, for the first time in many years, we have no related party transactions to disclose. See "Certain Relationships and Related Transactions" below for more information.

**Overhaul of Executive Compensation** In 2012, our Compensation Committee retained a new executive compensation consultant and restructured our executive compensation programs. The compensation information included in this Proxy Statement reflects the first year we have operated our new compensation programs. The key changes to our executive compensation program are described below in more detail under "Compensation Discussion and Analysis" (the "CD&A") and include:

Freezing of supplemental retirement benefit program as of June 30, 2012;

Elimination of tax gross-ups on supplemental life insurance and other perquisites;

Reduction in the amount of severance provided in the event of termination following a change in control;

Elimination of excise tax gross-ups for "excess parachute" payments;

Introduction of performance-based long-term equity incentives;

Implementation of a "clawback" provision in our cash incentive awards that will take effect beginning with the fiscal 2014 awards; and

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Updating of our stock ownership guidelines to require meaningful stock ownership commensurate with our executives' positions and the amount of equity included in their compensation arrangements.

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Shareholders and other interested persons may view our Corporate Governance Guidelines on our website at [www.regiscorp.com](http://www.regiscorp.com). This information is also available in printed form free of charge to any shareholder who requests it by writing to our Corporate Secretary at Regis Corporation, 7201 Metro Boulevard, Edina, Minnesota 55439.

### Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics (the "Code of Ethics") that applies to all of our employees, directors and officers, including our President and Chief Executive Officer, Chief Financial Officer, principal accounting officer or controller and other senior financial officers. The Code of Ethics, as applied to our principal financial officers, constitutes our "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act and is our "code of business conduct and ethics" within the meaning of the listing standards of the New York Stock Exchange ("NYSE"). The Code of Ethics is posted on our website at [www.regiscorp.com](http://www.regiscorp.com). You may request copies, which will be provided free of charge, by writing to Corporate Secretary, Regis Corporation, 7201 Metro Boulevard, Edina, Minnesota 55439. We intend to promptly disclose future amendments to certain provisions of our Code of Ethics, and any waivers of provisions of the Code of Ethics that are required to be disclosed under the rules of the SEC or under the listing standards of the NYSE, at the same location on our website.

### Director Orientation and Continuing Education

Our Nominating and Corporate Governance Committee and the Board oversee the orientation and continuing education of our directors.

### Director Independence

With the adoption of our Corporate Governance Guidelines, the Board established independence standards in accordance with the requirements of the NYSE corporate governance rules. To be considered independent under the NYSE rules, the Board must affirmatively determine that a director or director nominee does not have a material relationship with us (directly, or as a partner, shareholder or officer of an organization that has a relationship with us). In addition, no director or director nominee may be deemed independent if the director or director nominee has in the past three years:

Received (or whose immediate family member has received) more than \$120,000 per year in direct compensation from us, other than director or committee fees;

Been an employee of ours;

Had an immediate family member who was an executive officer of ours;

Been (or whose immediate family member has been) an affiliate or employee of a present or former internal or independent auditor of Regis;

Been (or whose immediate family member has been) employed as an executive officer of another company whose compensation committee within the past three years has included a present executive officer of Regis; or

Is currently an employee or executive officer (or has an immediate family member who is an executive officer) of another company that makes payments to us, or receives payments from us, for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1.0 million or 2% of such other company's consolidated gross revenues.

Under our director independence standards described above, the Board has determined that each director and director nominee, with the exception of Mr. Hanrahan, our President and Chief Executive Officer, is independent. Accordingly, a supermajority of the Board is independent.

### **Communications with the Board**

Shareholders and other interested parties who wish to contact the Board, any individual director or the non-management or independent directors as a group, are welcome to do so by writing to our Corporate Secretary at the following address: Regis Corporation, 7201 Metro Boulevard, Edina, Minnesota 55439.

Comments or questions regarding our accounting, internal controls or auditing matters will be referred to members of the Audit Committee. Comments or questions regarding the nomination of directors and other corporate governance matters will be referred to members of the Nominating and Corporate Governance Committee.

### **Executive Sessions of Non-Management and Independent Directors**

In order to promote open discussion among non-management directors, the Board has implemented a policy of conducting executive sessions of non-management directors in connection with each regularly scheduled Board meeting. Shareholders may communicate with the non-management directors as a group by following the procedures described above under "Communications with the Board."

The independent Chairman of the Board presides over executive sessions of the independent and non-management directors. Shareholders may communicate with the presiding director or the independent and non-management directors as a group by following the procedures described above under "Communications with the Board."

### **Committees of the Board**

The Board has three committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee.

The charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee may be viewed on our website at [www.regiscorp.com](http://www.regiscorp.com) under "Corporate Governance" on the "Investor Information" page. The charters are also available in printed form free of charge to any shareholder who requests them by writing to our Secretary at 7201 Metro Boulevard, Edina, Minnesota 55439. The charters include information regarding the committees' composition, purpose and responsibilities.

The Board has determined that all members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee qualify as independent directors as defined under the NYSE corporate governance rules.

The Board committees have responsibilities as follows:

#### ***Audit Committee***

The Audit Committee assists the Board in discharging its oversight responsibility to the shareholders and investment community regarding: (i) the integrity of our financial statements and financial reporting processes; (ii) our internal accounting systems and financial and operational controls; (iii) our audit, accounting and financial reporting processes; (iv) the engagement, qualifications and independence of the independent auditor; (v) the performance of our internal audit activities; and (vi) compliance with our ethics programs, including the Code of Ethics, our whistle-blower policy and legal and regulatory requirements.

In carrying out these duties, the Audit Committee maintains free and open communication between the Board, the independent auditor and our management. The Audit Committee meets with management and the independent auditor at least quarterly.

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In addition, the Audit Committee conducts quarterly meetings or conference calls with management and the independent auditor prior to our earnings releases to discuss the results of the independent auditor's quarterly reviews and fiscal year-end audit.

The Board has determined that all members of the Audit Committee meet the NYSE definitions of independence and financial literacy for Audit Committee members. In addition, the Board has determined that Michael Merriman and David Williams, each of whom is an independent director, are audit committee financial experts for purposes of the SEC rules and possess accounting or related financial management expertise required by the NYSE. Members serving on the Audit Committee do not currently serve on the audit committees of more than three public companies.

### *Compensation Committee*

The primary responsibilities of the Compensation Committee are (i) to determine and approve, or make recommendations to the Board with respect to, the compensation and benefits packages of the executive officers; and (ii) to consider and recommend incentive compensation and equity-based plans. Additional information about the responsibilities of the Compensation Committee is provided below under "Executive Compensation Compensation Discussion and Analysis."

### *Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee discharges the Board's responsibilities related to general corporate governance, including Board organization and membership and evaluation. In addition, the Nominating and Corporate Governance Committee assists the Board in the development of and compliance with the Company's Corporate Governance Guidelines. It also reviews and resolves any director conflicts of interest and presents qualified individuals for election to the Board. Finally, this committee oversees the evaluation of the performance of the Board and each standing committee of the Board. For further information regarding our director nomination process, see "Director Nomination Process" below.

### **Board's Role in Risk Oversight**

One of the key responsibilities of the Board is to develop a strategic direction for the Company and provide management oversight for the execution of that strategy. The Board regularly reviews information regarding our financial, strategic and operational issues, as well as the risks associated with each. Consequently, the Board has determined that the Board as a whole, and not a separate committee, will oversee our risk management process.

While the Board oversees the enterprise-wide risk management system, each of the Board committees has historically focused on specific risks within their areas of responsibility and will continue to do so. Each committee's specific area of responsibility is as follows:

The Audit Committee oversees the management of financial risks, reporting on such matters to the full Board. The Audit Committee's agendas include discussions of individual risk areas throughout the year, and the Audit Committee monitors management's responsibility to identify, assess and manage risks.

The Compensation Committee is responsible for overseeing our executive compensation programs, and reviewing risks relating to our overall compensation plans and arrangements.

The Nominating and Corporate Governance Committee manages risks associated with potential conflicts of interest, and reviews governance and compliance issues with a view to managing associated risks, including oversight of our compliance program with respect to the Code of Ethics.

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While each committee is responsible for regularly reviewing, evaluating and overseeing the management of such risks, the Board is regularly informed through committee reports about such risks. In addition, the Board and the committees receive regular reports from our Chief Financial Officer, General Counsel, Executive and Senior Vice Presidents and other Company officers and personnel with roles in managing risks. However, our General Counsel and head of internal audit are the primary personnel responsible to the Board in the planning, assessment and reporting of our risk profile.

### Board Leadership

In fiscal 2012, our board leadership structure changed such that the positions of Chief Executive Officer and Chairman of the Board were held by different persons. Daniel Hanrahan is currently the Chief Executive Officer of the Company and Stephen Watson is currently the independent Chairman of the Board. The Board believes that having an independent Chairman is an appropriate governance practice to ensure independent Board leadership and is an appropriate leadership structure for our company at this time.

### Board Meetings and Attendance

The Board held six meetings during the fiscal year ended June 30, 2013. Each of the then-serving directors attended, in person or by teleconference, at least 75% of the meetings of both the Board and Board committees on which he or she served. Our Board does not have a formal policy relating to Board member attendance at annual meetings of shareholders; however, our directors are encouraged to attend the meeting each year. All of the current directors who were then-serving, or standing as a nominee for election as a director, attended the 2012 annual meeting of shareholders.

The following table shows the number of meetings held in fiscal 2013 and the names of the directors currently serving on each committee:

Committee	Number of Meetings During Fiscal 2013	Members
Audit	5	David Williams* James Fogarty Michael Merriman Jeffrey Smith
Compensation	5	James Fogarty* Daniel Beltzman Joel Conner Stephen Watson David Williams
Nominating and Corporate Governance	4	Michael Merriman* Daniel Beltzman Joel Conner Jeffrey Smith Stephen Watson

\*  
Committee Chair

### Director Nomination Process

The Nominating and Corporate Governance Committee is responsible for screening and recommending director candidates to the full Board for nomination. The Nominating and Corporate



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Governance Committee will consider nominations received from our shareholders, provided that proposed candidates meet the requisite director qualification standards discussed below. When appropriate, the Committee will also engage an independent third-party search firm. The Committee will then evaluate the resumes of any qualified candidates recommended by shareholders and search firms, as well as by members of the Board. Generally, in order to be considered for nomination, a candidate must have:

High professional and personal ethics and values;

A strong record of significant leadership and meaningful accomplishments in his or her field;

Broad experience;

The ability to think strategically;

Sufficient time to carry out the duties of Board membership; and

A commitment to enhancing shareholder value and representing the interests of all shareholders.

Candidates are evaluated based on these qualification standards and the current needs of the Board, with due consideration of the requirement of our Corporate Governance Guidelines and NYSE and SEC regulations that at least a majority of the board consist of independent directors. In addition, when considering nominees to the Board and in evaluating the composition of the Board as a whole, the Nominating and Corporate Governance Committee considers the value of diversity. Although we do not have a specific policy on diversity, the Nominating and Corporate Governance Committee considers diversity of gender, race, national origin and executive or professional experience, including skills such as an understanding of the retail industry, the hair-care market, finance, accounting, marketing, technology and international experience, when considering nominees. The Company believes that the principal qualification of a prospective director is the ability to act effectively on behalf of all shareholders.

All shareholder nominations must be accompanied by a candidate resume which addresses the extent to which the nominee meets the director qualification standards. Nominations will be considered only if we are currently seeking to fill an open director position. All nominations by shareholders should be sent to the Chairperson of the Nominating and Corporate Governance Committee, c/o the Corporate Secretary, Regis Corporation, 7201 Metro Boulevard, Edina, Minnesota 55439.

At the Annual Meeting, shareholders are being asked to elect two new directors to the Board. Both of these directors were identified as candidates by a third-party search firm retained by the Nominating and Corporate Governance Committee to assist the Board in identifying qualified candidates to join the Board. The Company paid the search firm for its services identifying and evaluating possible director candidates.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

This Compensation Discussion and Analysis ("CD&A") describes the basic objectives, principles, decisions and rationale underlying our compensation policies and decisions as well as the material elements of the compensation of our executive officers identified in the Summary Compensation Table on page 29 (the "Named Executive Officers" or "NEOs"). The CD&A should be read in conjunction with the compensation tables beginning on page 29.

#### Executive Summary

Fiscal year 2013 was the initial year of a business turnaround for the organization. After the start of the fiscal year, we hired a new Chief Executive Officer, followed by a new Chief Financial Officer. The incentive plan targets for both the annual and performance unit award element of the long-term incentive plan were established shortly following and prior to the arrival of the new CEO and CFO, respectively. As a result, the performance target-setting process did not fully benefit from the input of the new leadership team. As we continued our turnaround, several strategic decisions were made that reduced short-term performance measures, but, we believe, set the stage for long-term strategic success. In particular, decisions were made to not reduce stylist hours in order to save on cost, which could potentially harm the customer experience. We also restructured the field force in order to provide the best experience and value for our guests. While much of our focus was on stabilizing our service business, we also started to implement an initiative to standardize plan-o-grams and eliminate products to enhance the store appearance, decrease cost of product as a percentage of product revenue and reduce inventory management time. Implementing the product resets concurrent with the field reorganization and rollout of our new technological system for handling guest relations may have exacerbated the impacts of our turnaround initiatives. Had these decisions been incorporated into the budget-setting process, the performance targets and ranges may have been revised.

The initiatives we have implemented to turnaround the business are significant and it takes time for the benefits to materialize. Similarly, by implementing many transitions simultaneously in an effort to make needed changes as soon as possible, our execution of some of these initiatives was less than optimal. The combination of these factors led to actual performance that was below the performance expectations that were established. The Committee fully believes that the strategic decisions were in the long-term interest of shareholders and they were fully supported by the Board.

As noted, our business turnaround has been aligned with our retention of a new Chief Executive Officer. The compensation opportunity provided to our new Chief Executive Officer was designed to recruit him and reflects several important items: performance-based compensation consistent with the other NEOs, additional performance-based compensation aligned with long-term stock price increases and shareholder value, and time-based awards and a cash bonus target guarantee to offset the value forfeited from his previous employer. We believe that the elements and the amounts of compensation for our new Chief Executive Officer, as described below, are competitive, provide considerable performance orientation and encourage retention as the execution of the turnaround unfolds.

In addition to these factors affecting 2013 performance and payouts of incentive compensation, our compensation programs for fiscal 2013 also reflected the adoption of a new compensation philosophy and many new compensation practices, including:

Introduce additional performance-based long-term incentives (denominated in equity with specific performance metrics that align with our business strategy and operational and financial improvement) as a significant (40%) portion of our long-term incentive awards, coupled with stock-settled stock appreciation rights constituting an additional 40% of our long-term incentive awards;

Freeze our supplemental retirement benefit program as of June 30, 2012;

Eliminate all tax gross-ups on supplemental life insurance and other perquisites;

Eliminate excise tax gross-ups for "excess parachute" payments;

Reduce the amount of severance provided following a change of control (from three times base plus bonus to two times base plus bonus);

Change the definition of bonus in a change-in-control from the highest bonus in the last three years to the target bonus for the year of termination, while retaining the "double trigger" structure of those benefits to align pay with service;

Eliminate the potential for additional equity awards that, upon a change-in-control and termination, offset the income taxes arising from termination payments; and

Include a "clawback" provision in our cash incentive awards that permits us to recover certain cash incentive payments from executive officers whose misconduct or negligence resulted in a significant financial restatement. This policy will be in effect beginning with the fiscal 2014 cash incentive awards.

The remainder of this CD&A is organized into the following sections to thoroughly explain our executive compensation program:

**Section 1: How we design executive pay.** Outlines our compensation philosophy, development and uses of the peer group and the roles of the Compensation Committee, compensation consultant and executive officers in the setting of the program.

**Section 2: Elements of the executive compensation program.** Details each element in our program, including an explanation of the incentive compensation programs and recent changes.

**Section 3: Additional compensation and governance related items.** Discusses the policies that support our compensation philosophy, including stock ownership guidelines and post-employment compensation policies, among other topics.

Following this CD&A are compensation tables providing detailed executive compensation information, including the Summary Compensation Table with compensation information for the past three fiscal years.

### **Section 1: How We Design Executive Pay**

The Compensation Committee, the Board and executive leadership are committed to considering the perspectives of our shareholders on all aspects of our business, including executive compensation. Due to such commitment, the Compensation Committee commenced a thorough review of our executive compensation programs in fiscal year 2012 in response to the Say-on-Pay vote at our 2011 annual meeting. The resulting changes to the executive compensation program took effect for fiscal 2013. To assist them in this review, the Committee hired Towers Watson & Co. ("Towers Watson") to advise and report directly to the Committee. We believe that the changes in our executive compensation programs demonstrate our commitment to incorporating shareholder feedback, updating our executive compensation programs to ensure that they meet our evolving business strategy, and directly aligning pay with performance as well as the market. We also believe that the structural changes made in our compensation programs and policies were responsive to expressed shareholder concerns, and we believe the vote on the Say-on-Pay proposal at our 2012 annual meeting, where the proposal was approved by 97% of the votes cast on the proposal, reflects this responsiveness. Our Compensation Committee and Board viewed this vote as an endorsement of the new direction of our executive compensation programs and policies, and we remain committed to that direction. While we

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have made significant changes to our programs over the last year, our Compensation Committee and Board remain committed to exploring additional ways to improve our executive compensation programs in response to shareholder input.

### *Compensation Philosophy*

In fiscal 2013, the Committee confirmed its compensation philosophy centered on the following guiding principles:

Generally target total direct compensation at the market median, with the following considerations:

Achieving our desired competitive position will occur over time and will consider not only the total program value, but also the reward vehicles that are used (i.e., performance-based incentives versus fixed benefits).

Moving toward the market median will consider our size and performance relative to peers (noted below) to ensure that targeted compensation is appropriately calibrated and that realizable compensation is consistent with absolute and relative performance.

Align pay with performance in a re-mixed compensation portfolio, focusing on sales, profitability and absolute stock price appreciation. Specifically:

Annual incentives will focus on adjusted EBITDA and same-store sales.

Long-term incentives will include a performance-based component focusing on adjusted EBITDA and same-store sales (40%), a stock-settled SAR component (40%) and a restricted stock component (20%) that incentivize stock ownership to align management and shareholders. The introduction of the performance-based component significantly reduces the use of strictly time-based awards to emphasize performance.

Reduce the value of benefits and perquisites to better support the desired performance-orientation of the new program, and to better align with market practices.

### *Review of External Market Data*

In setting executive compensation for fiscal 2013 that aligned with the restated compensation philosophy, the Committee considered the practices in the external market. This market was defined by the Committee to be a new peer group consisting of 18 companies. These companies selected for the peer group (which are set forth below) represent similar industries and have annual revenues comparable to ours. In addition, the Committee considered broader retail market data described in more detail below.

In making overall compensation decisions, the Committee considers total direct compensation and each of the three elements of total direct compensation – base salary, annual non-equity incentives and long-term equity incentives – against the peer group data and against broader retail market data, each as presented by Towers Watson. The Committee selected companies for our peer group based on the following criteria:

Companies in similar industries, particularly those with a high service emphasis; and

Companies with comparable annual revenues, generally at one-half to two and one-half times Regis' revenues, such that Regis' revenues, gross profit and number of employees were above the median of the peer group in each of those areas.

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Based on the above characteristics, we identified the following 18 companies as our peer group (the "Peer Group") set of companies for fiscal 2013:

Advance Auto Parts, Inc.	Fossil, Inc.	Penn National Gaming, Inc.
Boyd Gaming Corp.	Fred's, Inc.	Revlon, Inc.
Brinker International, Inc.	Green Mountain Coffee Roasters	Sally Beauty Holdings, Inc.
Coinstar, Inc. (nka Outerwall, Inc.)	H&R Block, Inc.	Service Corporation International
Cracker Barrel Old Country Store	Jack in the Box, Inc.	The Cheesecake Factory, Inc.
DineEquity, Inc.	Panera Bread Co.	Ulta Salon, Inc.

The Committee received comparative compensation information for persons with the same or comparable job titles at the companies in the Peer Group as those titles held by our executive officers (e.g., Chief Executive Officer, Chief Financial Officer), as well as total compensation provided to all NEOs. In addition, the Committee received broader retail market data from multiple survey sources, which were adjusted to Regis' revenue size (approximately \$2.1 billion). Additional survey sources considered included: Towers Watson Compensation DataBank Retail Industry; Towers Watson Compensation Survey Report Retail Industry; Mercer Retail Industry Survey; and the Hay Group Retail Executive Survey.

### ***Role of the Compensation Committee***

The Committee is charged with developing and administering the base salary, annual and long-term incentive, and benefit programs for our executive officers. Our annual incentive program is typically referred to as our "bonus" program and it is reported as "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table. In developing our compensation programs, a basic objective for the Committee was that the total compensation awarded to the NEOs be fair, reasonable and competitive in relation to the median compensation for similar positions at our peer group of companies, as identified above (the "Peer Group"), as well as in the broader retail market. This objective is consistent with our executive pay philosophy.

The primary purpose of the Committee is to discharge the responsibilities of the Board relating to the compensation of our executive officers. Accordingly, the primary duties and responsibilities of the Committee are:

to determine and approve, or make recommendations to the Board with respect to, the compensation of all executive officers; and

to consider and recommend the structure of, and changes to, our incentive compensation, equity-based plans and benefit programs.

### ***Role of Executive Officers in Compensation Decisions***

The Committee believes that in order for our executive compensation programs to be effective, management must have an opportunity to provide input. Committee meetings during fiscal 2013 were regularly attended by our Chief Executive Officer; Executive Vice President, Chief Administrative Officer and General Counsel; and other executives as needed. In particular, our Chief Executive Officer has an opportunity to present materials and discuss management's views regarding compensation issues. Our Chief Executive Officer furnishes his input to the Committee on the compensation of the Company's executive officers, including the other NEOs, and he may be present during deliberations and voting on the other executives' compensation. However, our Chief Executive Officer may not be present during deliberations and voting regarding his own compensation or during other executive sessions of the Committee.



*Role of the Independent Compensation Consultant*

As stated above, the Compensation Committee engaged Towers Watson as an independent consulting firm to provide executive compensation consulting services to the Committee. The Committee has assessed Towers Watson's independence pursuant to applicable SEC rules and concluded that no conflict of interest exists that would prevent Towers Watson from independently representing the Committee.

In advising the Committee, Towers Watson prepared competitive pay analyses regarding both the Peer Group and the broader retail market, and provides information on our performance compared to the Peer Group. Based on these analyses, Towers Watson advised the Committee on the level and design of compensation programs for our executive officers. The Chairperson of the Committee worked directly with Towers Watson to determine the scope of the work needed to assist the Committee in its decision-making processes. Towers Watson worked with management, at the direction of the Committee, to fully understand the historic, current and desired future direction of our pay policies and practices, as well as to facilitate the development of our compensation strategies, including the approach to determining compensation levels.

**Section 2: Elements of the Executive Compensation Program**

*Total Direct Compensation*

The compensation and benefits programs for our NEOs are intended to work together toward the alignment with shareholder interests, as well as the retention and motivation of the executive talent required to successfully manage and grow our business and to achieve our short-and long-term business objectives. Individual elements of our compensation packages are designed for different purposes. For fiscal 2013, the elements of compensation for our NEOs were base salary, annual non-equity incentive compensation (bonus), long-term equity incentive compensation and benefits. As previously stated, the Committee has a total direct compensation (i.e., base salary + annual and long-term incentives) executive pay philosophy that aims to provide an aggregate compensation package that is competitive around the median of the market relative to both our Peer Group and the broader retail market covered by the industry-specific survey data, while individual compensation elements may exceed or lag the market median. To this end, the Committee established the amount and mix of base salary and incentive compensation by referencing market practices for total direct compensation and for each element, subject to adjustments in the Committee's discretion based on company-wide and individual position and performance factors. In developing the total direct compensation package for an NEO, the Committee considered the internal relationship of pay across all executive positions. To tie compensation to performance, the Committee structured annual non-equity incentive compensation and the performance-based element of long-term incentive compensation in a manner that provided the opportunity to earn above market compensation for results above target, and below market compensation when the target is not achieved.

*Total Direct Compensation for 2013*

As a result of the review and the new philosophy described above, the Committee concluded that, commencing with fiscal 2013, certain aspects of our executive compensation program should be realigned to better reflect our business strategies, talent priorities and market practices. In particular, the Committee concluded that we have historically lagged the market in the amount of total direct compensation provided to our executive officers. This competitive shortfall was offset by historically above median values of other benefits.

The targeted levels of compensation that the Committee established were consistent with its compensation philosophy and support the organization's move toward a market median position over time with an emphasis on performance-based pay and a reduced emphasis on the historical benefits component of the program.

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For fiscal 2013, the total direct compensation (assuming target levels for incentive compensation) for our NEOs was generally 5% to 25% below the median of the Peer Group for executives holding comparable positions. However, Ms. Knudsen's total direct compensation was approximately one-third higher than the median because of the significance of the Company's products business, which distinguishes us from others in our industry. The Committee also considered Ms. Knudsen's tenure with the Company and the Committee determined not to reduce her compensation, but rather to adjust her compensation by moderating her incentive opportunities as appropriate. The exact level of total direct compensation for each NEO was based on a subjective determination that took into account the performance of the NEO, the Committee's judgment regarding individual responsibilities and performance, market competitiveness, length of service and other factors, including Company performance, but none of these factors have a direct correlation to the particular compensation levels. As a result of the above consideration, our Chief Executive Officer's total target direct compensation of \$4,710,808, calculated as described in the next sentence, was approximately 6% below the median. This total target direct compensation amount includes the one-time performance-based equity award he received, but excludes the one-time time-based equity award he received in connection with commencement of his employment, which was designed to compensate him for equity awards he forfeited upon resigning his prior employment. Additional information about the one-time equity grants is included below.

### *Base Salary*

The Committee views a competitive base salary as an important component to attract and retain executive talent. Base salaries also serve as a foundation for the annual non-equity incentive plan, which expresses the bonus opportunity as a percent of base salary.

The Committee strives to set a base salary that is appropriately competitive for each executive officer. After considering input from our Chief Executive Officer regarding the performance of the other NEOs, the Committee uses its judgment regarding individual responsibilities and performance, market competitiveness, length of service and other factors, including Company performance, that it deems relevant to determine the appropriate base salary and size of any salary increase for each NEO. This approach is applied for all executive officers.

### *Base Salary Decisions for Fiscal 2013*

The base salaries paid in fiscal 2013 to each of our NEOs are shown under the "Salary" column of the Summary Compensation Table. In connection with Towers Watson's review of our executive compensation in fiscal 2013, the Committee reviewed base salaries around the time that we hired our new Chief Executive Officer. A similar review was conducted in connection with the hiring of our new Chief Financial Officer later in the year. As a result, base salaries were set consistent with the compensation philosophy described above. For our NEOs who have been with our company for a long time, this generally resulted in a slight increase in their base salaries to advance the movement to the market median and to partially offset the reduction in benefits, as salaries have historically lagged the