REGIS CORP
Form DEF 14A
September 06, 2017
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 x
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
ý Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material under §240.14a-12
Regis Corporation
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
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LETTER FROM THE CHAIR

Dear Fellow Shareholders,

On behalf of the entire Board of Regis Corporation, I would like to thank you for your continued support. As a leading provider of beauty salons and cosmetology education, Regis owns, franchises or holds ownership interests in more than 9,000 salon locations employing more than 45,000 employees.

During fiscal 2017 our Board took significant actions to catalyze a strategic transformation of our business. These actions are designed to specifically address systemic underperformance of company-owned salon operations and significantly expand our franchise operations. Early in the year, we announced a strategic shift toward converting company-owned and operated salons into franchised salons. In April 2017 the Board executed a CEO transition, appointing Hugh Sawyer as President and CEO. Hugh has significant experience in leading successful, transformational turnarounds in a variety of situations and industries. Hiring an experienced turnaround CEO, adept at implementing strategic transformations, enables the Company to fast track the changes necessary to drive increased operating performance. In addition to bringing on a new CEO, we have re-shaped our senior management team with a focus on execution of our turnaround strategy.

The Board believes that these changes establish a strong foundation to drive sustainable growth across the business. We are focused on implementing a clear strategy to improve performance over the next several years. While we recognize that there is still considerable work to be done, we are pleased with recent turnaround progress, including:

- Acceleration of the restructuring of our salon portfolio into franchised operations;
- Consideration of strategic alternatives for our underperforming mall segment; and
- An emphasis on a more guest-focused culture, with detailed, measurable operating goals to drive accountability.

Against the backdrop of the operational turnaround of our company-owned salons and a significant shift in our business toward greater franchise opportunities and the considerable uncertainty this created, the Board is focused on retaining and galvanizing our people around these turnaround goals. The Board views our short and long-term incentive structure as a critical lever in executing a successful turnaround. For 2017, our Compensation Committee made several changes to our executive compensation program to reflect shareholder feedback and to align incentive compensation with our strategic goals. Key changes include:

- Increased percentage of performance-based equity awards in our long-term incentive program;
- Alignment of CEO’s compensation to shareholder value creation;
- Lengthened performance period for performance-based equity awards; and
- Modified performance metrics to focus management on sustainable earning generation.

As our business evolves, our Compensation Committee will continue to use our incentive compensation programs to support our transformation goals and focus management on performance achievements that will drive value creation for shareholders.

Our Board and management team are working closely to address the challenges in our business and create transformational change for Regis. We also recognize success is measured by a sustainable increase in shareholder value. We remain committed to achieving that goal through serving our four key stakeholders: our guests, our employees, our franchise partners and our shareholders.

We are excited about the future of Regis Corporation and we appreciate the trust you have placed in the Board during this time of turnaround and strategic evolution.

Thank you for your continued investment in Regis.

Sincerely,

David P. Williams
Chairman of the Board

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held October 17, 2017

TO THE SHAREHOLDERS OF REGIS CORPORATION:

The Annual Meeting of the Shareholders (the “Annual Meeting”) of Regis Corporation (referred to as “we,” “us,” “our,” “Regi and the “Company”) will be held at our executive offices located at 7201 Metro Boulevard, Edina, Minnesota 55439, on October 17, 2017 commencing at 9:00 a.m., for the following purposes:

1. To elect the seven directors listed in the proxy statement to serve for a one-year term and until their successors are elected and qualified;

2. To approve, on an advisory basis, the compensation of our named executive officers (referred to as the “Say-on-Pay” proposal);

3. To approve, on an advisory basis, the frequency of future advisory votes on executive compensation (referred to as the “Say-on-Frequency” proposal);

4. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2018; and

5. 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 23, 2017 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 6, 2017

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS, OCTOBER 17, 2017

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 17, 2017 (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 23, 2017 a Notice of Internet Availability of Proxy Materials (the "Notice"), which mailing will commence on or about September 6, 2017. 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 Say-on-Pay proposal and the Say-on-Pay Frequency 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.

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VOTING RIGHTS AND REQUIREMENTS

Only shareholders of record as of the close of business on August 23, 2017 will be entitled to sign proxies or to vote. On that date, there were 46,407,575 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

The table below summarizes the proposals that will be voted on, the vote required to approve each item, voting options, how votes are counted and how the Board recommends you vote:

Proposal	Vote Required	Voting Options	Board Recommendation(1)	Broker Discretionary Voting Allowed(2)	Impact of Abstention
Item 1: Election of the seven director nominees listed in this Proxy Statement	Majority of votes cast “FOR” must exceed “AGAINST” votes(3)	“FOR” “AGAINST” “ABSTAIN”	“FOR”	No	None
Item 2: Advisory “Say-on-Pay” vote	Majority of votes cast “FOR” must exceed “AGAINST” votes(4)	“FOR” “AGAINST” “ABSTAIN”	“FOR”	No	None
Item 3: Advisory "Say-on-Pay Frequency" vote	Highest number of votes of the frequency alternatives presented(4)	"1 YEAR" "2 YEARS" "3 YEARS" "ABSTAIN"	“1 YEAR”	No	None
Item 4: Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2018	Majority of votes present in person or by proxy and entitled to vote on this item of business or, if greater, the vote required is a majority of the voting power of the minimum number of shares entitled to vote that would constitute a quorum at the Annual Meeting	“FOR” “AGAINST” “ABSTAIN”	“FOR”	Yes	“AGAINST”

(1) If you are a registered holder and you sign and submit your proxy card without indicating your voting instructions, your shares will be voted in accordance with the Board’s recommendation.

(2) A broker non-vote will not count as a vote for or against a director or the Say-on-Pay vote, or for any of the frequency alternatives on the Say-on-Pay Frequency proposal. For Item 4, a broker non-vote will have no effect unless a majority of the voting power of the minimum number of shares entitled to vote that would constitute a quorum at the Annual Meeting is required in order to approve the item, then a broker non-vote will have the same

effect as a vote "AGAINST."

(3) In an uncontested election of directors at which a quorum is present, if any nominee for director receives a greater number of votes "AGAINST" his or her election than votes "FOR" such election, our Corporate Governance Guidelines require that such person must promptly tender his or her resignation to the Board following certification of the shareholder vote. Our Corporate Governance Guidelines further provide that the Nominating and Corporate Governance Committee will then consider the tendered resignation and make a recommendation to the Board as to whether to accept or reject the tendered resignation. The Board will act on the tendered resignation, taking into account the Nominating and Corporate Governance Committee's recommendation, and publicly disclose its decision regarding

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the tendered resignation and the rationale behind the decision within 90 days from the date of the election. The nominee who tendered his or her resignation will not participate in the Board decisions. Cumulative voting in the election of directors is not permitted.

(4) The advisory Say-on-Pay and Say-on-Pay Frequency votes are not binding on us; however, we will consider the shareholders to have approved the compensation of our named executive officers if the number of votes cast "FOR" the proposal exceeds the number of shares voted "AGAINST" the proposal, and we will consider the shareholders to have selected the frequency for future advisory Say-on-Pay votes that receives the highest number of votes among the frequency alternatives presented.

ITEM 1
ELECTION OF DIRECTORS

Seven directors are to be elected at the Annual Meeting, each to hold office for one year until the 2018 annual meeting of shareholders and until their successors are elected and qualified. Based upon the recommendation of the Nominating and Corporate Governance Committee, the Board has nominated the seven persons named below for election as directors. Each of the Board's nominees are currently directors of Regis, and each nominee has consented to serve if elected. Stephen E. Watson, who has served a director for nine years, is 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 director nominees are:

	Age	Director Since	Independent Director/Nominee
Daniel G. Beltzman	42	2012	ü
David J. Grissen	60	2013	ü
Mark S. Light	55	2013	ü
Michael J. Merriman	61	2011	ü
M. Ann Rhoades	72	2015	ü
Hugh E. Sawyer III	63	2017	
David P. Williams	56	2011	ü Chair

	Principal Position	Other Public Company Directorships
Daniel G. Beltzman	General Partner, Birch Run Capital Advisors, LP	Walter Investment Management Corp. (since December 2015)

Mr. Beltzman founded Birch Run Capital Advisors, LP ("Birch Run"), a financial investment advisory firm, and has served as its General Partner since 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 fourteen years as an investor and manager of Birch Run and its predecessors, during which time he has studied the business models of many public companies, and developed a specific expertise in capital allocation.

Mr. Beltzman's financial experience and expertise, as well as his perspective as a significant shareholder of the Company, contribute valuable insights to the Board.

	Principal Position	Other Public Company Directorships
David J. Grissen	Group President of Marriott International, Inc.	-

Mr. Grissen has served as Group President of Marriott International, Inc., a global operator of hotels and related lodging facilities, since 2013. During his 30 years of experience with Marriott, he has held various positions, including Group President, Americas; President, 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 4,700 hotels and a work force of 160,000 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.

Mr. Grissen's experience leading a complex service organization that includes both franchised and owned operations contributes valuable perspectives to the Board. The Board believes that Mr. Grissen's experience building marketing platforms

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for multiple portfolio brands, and his experience in acquisitions and integration, help him guide the Company as it focuses on improving the guest experience through each of its brands.

	Principal Position	Other Public Company Directorships
Mark S. Light	Retired Executive	-

Mr. Light served as Chief Executive Officer of Signet Jewelers Limited, the world's largest retailer of diamond jewelry, until his retirement in July 2017. Signet operates approximately 3,000 stores primarily under the name brands of Kay Jewelers, Zales, Jared The Galleria Of Jewelry, H.Samuel, Ernest Jones, Peoples and Piercing Pagoda. Mr. Light started in Signet's US Division, Sterling Jewelers Inc., as a sales associate 39 years ago, progressed through various management positions, and served as Signet Chief Executive Officer from November 2014 to July 2017, as well as a member of its board of directors.

Mr. Light brings his 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, to assist the Board in its efforts to improve the salon experience and the Company's operational performance.

	Principal Position	Other Public Company Directorships
Michael J. Merriman	Operating Advisor, Resilience Capital Partners, LLC	Nordson Corporation (since 2008) (Audit Committee Chair) OMNOVA Solutions Inc. (since 2008) (Nominating and Corporate Governance Committee Chair) Invacare Corporation (since May 2014) (Audit Committee Chair)

Mr. Merriman joined Resilience Capital Partners, LLC, a private equity firm, in 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. In addition to his current directorships listed above, Mr. Merriman served as a director of American Greetings Corporation from 2006 until it went private in August 2013 and 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. 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.

	Principal Position	Other Public Company Directorships
M. Ann Rhoades	President, People Ink	-

Ms. Rhoades has served as the President of People Ink, Inc., a human resources consulting firm, since its inception in 1999. From 1999 through 2002, Ms. Rhoades served as JetBlue's Executive Vice President, People. From 1995 to 1999, Ms. Rhoades was the Executive Vice President, Team Services for Promus Hotel/DoubleTree Hotels Corporation. From 1989 to 1995, Ms. Rhoades was the Vice President, People for Southwest Airlines. Ms. Rhoades has served as a director of JetBlue Airways (2001 to May 2015), Restoration Hardware, Inc. (1999 to 2001 and 2005 to 2009), and P.F. Chang's China Bistro, Inc. (2003 to 2012). Ms. Rhoades serves on the boards of the University of New Mexico Alumni Association, New Mexico Appleseed, Safer New Mexico Now and Nexphase Capital, a private equity firm.

Ms. Rhoades brings to our Board her deep experience as a leader and director in a variety of consumer-facing public companies. The Board believes her particular expertise in human resources helps us in our mission to make Regis the place where stylists can have successful and satisfying careers, which will drive great guest experiences and in turn, guests for life.

	Principal Position	Other Public Company Directorships
Hugh E. Sawyer	President and Chief Executive Officer, Regis Corporation	-

Mr. Sawyer has served as President and Chief Executive Officer of Regis, as well as a director, since April 2017. Mr. Sawyer was previously a Managing Director of Huron Consulting Group Inc. (“Huron”), a management consulting firm, beginning in January 2010, and led the Operational Improvement Service Line for Huron's Business Advisory Practice. He has more than 35 years of experience leading operational improvements, turnarounds, mergers and acquisitions and strategic transformations for both public and private companies across a diverse group of industries. While at Huron, he served as Interim President and CEO of JHT Holdings, Inc., a provider of specialized transportation and logistics services, from January 2010 to March 2012; as the Chief Administrative Officer of Fisker Automotive Inc. (now known as Fisker Inc.), a manufacturer of hybrid electric vehicles, from January 2013 to March 2013 and as Chief Restructuring Officer of Fisker Automotive from March 2013 to October 2013; and as Interim President of Euramax International, Inc., a global manufacturer of building products, from February 2014 to August 2015. Including Regis, he has served as the president or chief executive officer of nine companies, including Wells Fargo Armored Service Corporation, The Cunningham Group, Inc., National Linen Service, Inc., Aegis Communications Group, Inc., Allied Holdings, Inc., and Legendary Holdings, Inc. Mr. Sawyer has also served as a director of numerous public and private companies, including Energy Future Competitive Holdings Company LLC and Texas Competitive Electric Holdings Company LLC from 2013 to October 2016, and Edison Mission Energy from July 2012 to April 2014 and thereafter on the Board of Managing Trustees of the EME Reorganization Trust until December 2016.

The Board believes that Mr. Sawyer 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. Sawyer's extensive experience leading operational improvements in other companies also enables him to provide important insights to the Board related to the Company’s strategy.

	Principal Position	Other Public Company Directorships
David P. Williams	Executive Vice President and Chief Financial Officer, Chemed Corporation	-

Chemed Corporation is a provider, through its subsidiaries, of hospice care and repair and maintenance services, and Mr. Williams has served as its Chief Financial Officer since February 2004. From 1998 until 2004, Mr. Williams was the Senior Vice President and Chief Financial Officer of Chemed's Roto-Rooter Group subsidiary, 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 its 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 qualify 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 corporate governance, the Board and management have undertaken a number of initiatives to improve our corporate governance policies and practices over recent years. Below is a summary of the key corporate governance practices in effect at Regis:

Corporate Governance Practices

Corporate Governance Practice	Regis Policy
Board Independence and Leadership	All of our directors, other than our President and Chief Executive Officer, are independent, and we have an independent Chair of the Board.
Board Refreshment and Shareholder Insight	All of our nominees joined the Board at or after the 2011 annual meeting of shareholders, and three of them were identified as candidates by, or in coordination with, our shareholders. Mr. Watson, who has served on our Board since 2008, is not standing for re-election.
Annual Election of Directors	All of our directors have one-year terms and stand for election each year.
Majority Voting Standard	Our Board and shareholders have adopted a majority voting standard for the election of directors. Our Corporate Governance Guidelines also require incumbent directors who do not receive a majority vote to tender their resignation to the Board.
10% Threshold for Special Meetings	Shareholders holding 10% or more of our outstanding stock have the right to call a special meeting of shareholders.
Related Party Transactions	Our Board has 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. We did not have any related party transactions during fiscal 2017.
Director Stock Ownership	Under our Corporate Governance Guidelines, our directors are required to hold all common stock received as part of their compensation for service as a director until he or she ceases to be a member of the Board. All of our directors own stock in the Company.
Executive Compensation Best Practices	Our key fiscal 2017 compensation practices and policies are described below in more detail under "Executive Compensation — Compensation Discussion and Analysis" (the "CD&A"), including: - Focus on performance-based incentives; - Meaningful stock ownership guidelines for executives; - Independent compensation consultant; - Annual say-on-pay vote;

- Prohibition on repricing without shareholder approval;
- Clawback policy applicable to all executive officers; and
- Prohibition on hedging and restrictions on pledging transactions.

Shareholder Outreach	We have engaged with our shareholders and based on the feedback we received, have adopted executive compensation and governance changes, including those detailed under "Executive Summary — Recent Compensation Program Changes Incorporate Shareholder Feedback" below.
Shareholder Rights Plan	Our shareholder rights plan (sometimes called a “poison pill”) expired by its terms in December 2016 and was not renewed.

Shareholders and other interested persons may view our Corporate Governance Guidelines on our website at 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. You may request copies, which will be provided free of charge, by writing to our 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 ours;

- 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 ours; 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 that, 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. Sawyer, our President and Chief Executive Officer, is independent. The Board determined that the independence of Mr. Williams, Chief Financial Officer of the parent company of Roto-Rooter, and Mr. Grissen, Group President of Marriott International, Inc., is not impaired by the fact that the Company pays Roto-Rooter and Marriott for plumbing and hotel services, respectively. 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 Chair 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 standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The composition of these committees at fiscal year-end is set forth below.

	Audit	Compensation	Nominating and Corporate Governance
Daniel G. Beltzman		ü	ü
David J. Grissen	ü ACFE		ü Chair
Mark S. Light	ü	ü	
Michael J. Merriman		ü Chair	ü
M. Ann Rhoades	ü	ü	
Hugh E. Sawyer			
Stephen E. Watson		ü	ü
David P. Williams	ü Chair, ACFE		ü

ACFE denotes Audit Committee Financial Expert

	Audit	Compensation	Nominating and Corporate Governance
Meetings during fiscal 2017	4	5	4

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 charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee may be viewed on our website at 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 Corporate Secretary at 7201 Metro Boulevard, Edina, Minnesota 55439. The charters include information regarding the committees' composition, purpose and responsibilities.

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, generally 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 each of Mr. Williams, Mr. Merriman and Mr. Grissen, all whom are independent directors, is an audit committee financial expert (ACFE) for purposes of the SEC rules and possesses 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 to determine and approve, or make recommendations to the Board with respect to, the compensation and benefits packages of the executive officers; and to consider and recommend incentive compensation and equity-based plans. The Compensation Committee also reviews director compensation, oversees the evaluation of the CEO, and evaluates its own performance on an annual basis. Additional information about the responsibilities of the Compensation Committee is provided below under “Executive Compensation—Compensation Discussion and Analysis.” The Board has determined that all members of the Compensation Committee also meet the NYSE definition of independence applicable to Compensation Committee members.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee discharges the Board’s responsibilities related to general corporate governance, including Board organization, membership and evaluation. It monitors Board education and orientation of new directors, and manages the annual CEO 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. While the Board has overall responsibility for risk management, each of the Board committees has supporting responsibility for risk management and makes periodic updates to the full Board. Their specific areas of responsibility are:

- The Audit Committee discusses and approves policies with respect to risk assessment and risk management. Throughout the year, its agendas include discussions of the Company's enterprise risk management program and top risks. The Audit Committee oversees the management of financial risks and 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 pursuant to our Code of Ethics and reviews governance and compliance issues with a view to managing associated risks.

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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. The Compensation Committee is also advised by its compensation consultant, which annually reviews the risk relating to the Company's compensation practices. Our leadership team regularly meets with our General Counsel and head of Internal Audit to discuss and evaluate risk management. Our General Counsel and head of Internal Audit then present their findings for a robust discussion with the Audit Committee and, when appropriate, the Board.

Board Leadership

Since fiscal 2012, our board leadership structure has had separate positions for the Chief Executive Officer and Chair of the Board. In October 2016, upon the recommendation of the Nominating and Corporate Governance Committee, the Board named David Williams as the new Chair. Mr. Williams is one of our independent directors, as was his predecessor as Chair, Stephen Watson. The Board believes that having an independent Chair 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 seven meetings during the fiscal year ended June 30, 2017. 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. At the 2016 annual meeting of shareholders, all but one of the directors attended.

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 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 that 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 Chair of the Nominating and Corporate Governance Committee, c/o the Corporate Secretary, Regis Corporation, 7201 Metro Boulevard, Edina, Minnesota 55439.

EXECUTIVE COMPENSATION
Compensation Discussion and Analysis

This CD&A describes the basic objectives, principles, decisions and rationale underlying our compensation policies as well as the material elements of the compensation of our executive officers identified below (the “Named Executive Officers” or “NEOs”) for fiscal 2017:

Name	Title	Period of Employment
Hugh E. Sawyer III	President and Chief Executive Officer ("CEO")	April 2017 - present
Daniel J. Hanrahan	Former President and CEO	August 2012 - April 2017
Michael C. Pomeroy	Former Interim Chief Financial Officer	February 2017 - June 30, 2017
Steven M. Spiegel	Former Executive Vice President and Chief Financial Officer	December 2012 - September 2016
Eric A. Bakken	Executive Vice President, President - Franchise, General Counsel and Corporate Secretary, and Former Interim Chief Financial Officer (Sept. 2016 - Jan. 2017)	January 1994 - present
Jim B. Lain	Executive Vice President and Chief Operating Officer	November 2013 - present
Carmen D. Thiede	Former Senior Vice President, Chief Human Resources Officer	October 2013 - July 2017
Annette L. Miller	Senior Vice President, Chief Merchandising Officer	December 2014 - present
Heather L. Passe	Former Senior Vice President, Chief Marketing Officer	July 2012 - February 2017

Key executive team developments during fiscal 2017 that are relevant to this year's executive compensation outcomes are:

- Mr. Spiegel, our Chief Financial Officer, left the Company in September 2016.
- Ms. Passe's employment terminated on February 28, 2017.
- On April 17, 2017, the Board appointed Mr. Sawyer President and CEO of the Company, replacing Mr. Hanrahan.
- Mr. Bakken temporarily succeeded Mr. Spiegel, serving as Interim Chief Financial Officer from September 2016 to January 2017.
- From February 1, 2017 to June 30, 2017, Mr. Pomeroy served as Interim Chief Financial Officer, as a contracted service employee under the terms of an engagement letter between the Company and Huron Consulting Services, LLC, his employer ("Huron"). Mr. Pomeroy was paid directly by Huron. He was not eligible for our annual incentive or equity compensation and is excluded from the discussions in this CD&A of how the Compensation Committee sets executive compensation for its executive officers. The fees paid by the Company to Huron for Mr. Pomeroy's services are represented in the Summary Compensation Table under "All Other Compensation."
- Effective July 1, 2017, Mr. Andrew H. Lacko began to serve as our new Executive Vice President and Chief Financial Officer. Mr. Lacko’s compensation is not included in the discussions of our executive pay for fiscal 2017, but will be included in next year’s proxy statement relating to fiscal 2018.
- Ms. Thiede left the Company effective July 21, 2017.

This CD&A is organized into the following sections and should be read in conjunction with the detailed compensation tables beginning on page 33.

Section 1: Executive Summary

Our Business and Operating Environment

Regis Corporation is a leader in beauty salons and cosmetology education. The Company owns, franchises and operates beauty salons under trade names including Supercuts, SmartStyle, MasterCuts, Regis Salons, Sassoon Salon, Cost Cutters, Roosters and First Choice Haircutters. At June 30, 2017, we owned, franchised or held ownership interests in 9,008 salon locations, primarily in the U.S., Canada, Puerto Rico and the United Kingdom. We also maintain an ownership interest in Empire Education Group.

We operate in a highly competitive industry. In nearly every area in which we operate, there are competitors offering similar hair care services and products at similar prices. Many of our salons are located in strip center and mall-based locations, resulting in many salons being partly dependent on the volume of traffic around these locations in order to generate both service and product revenues. We have experienced a proliferation of alternative channels of distribution, like blow dry bars, booth rental facilities, discount brick-and-mortar and online professional products retailers, as well as manufacturers selling direct to consumers online. In some shopping malls, we have experienced declines in traffic due to changes in consumer preferences favoring retail locations other than malls or online shopping. These trends have each presented challenges to our business in recent years.

The Board hired Mr. Hanrahan as CEO in August 2012 to stabilize the business following multiple years of declining earnings and same-store sales. During his tenure, we made considerable progress, including upgrading our salon infrastructure, strengthening our balance sheet, growing our franchise business, and posting our first positive same-store sales and earnings growth since 2008 in fiscal year 2016. However, in recognition of continued performance challenges and the Board's belief that an aggressive turnaround strategy was necessary, the Board determined to make a change and hire Mr. Sawyer as President and CEO, effective April 17, 2017.

Leadership Changes to Drive our Transformation

After conducting a robust review of our restructuring efforts and growth opportunities, the Board appointed Mr. Sawyer as President and CEO in April 2017. Having served as CEO of eight companies prior to Regis, often in highly complex turnaround situations, Mr. Sawyer brings deep experience in executing strategic transformations and implementing operational improvements to drive growth. In addition, he most recently served as a leader of Huron

Consulting Group's Operational Improvement Service Line and worked on-site evaluating our business during the six months prior to his CEO appointment. Mr. Sawyer also has significant governance experience, having served on thirteen boards of directors. In evaluating Mr. Sawyer as a CEO candidate, the Board believed that both his deep turnaround skill set and his strong pre-existing knowledge of Regis would enable him to effectively lead our transformation.

Immediately after joining us as President and CEO, Mr. Sawyer worked with the Board to re-shape the executive team in order to accelerate our turnaround. Selected executive leadership team appointments since April include the appointment of Mr. Bakken to the newly-established role President - Franchise and key appointments of a Chief Financial Officer, Chief

Marketing Officer, Chief Human Resources Officer, Vice President of Walmart Relations and Vice President - Creative. The Board believes that our refreshed, highly skilled management team is well-positioned to execute our turnaround and has a strong sense of urgency to create sustainable value for our shareholders.

Decisive Actions during Fiscal 2017 to Improve Company Performance

In response to recent challenging performance, the Board and management have taken significant actions to accelerate our critical turnaround. Key steps include:

Ø October 2016	Appointed Mr. Williams as the new Chair of the Board Announced a strategic shift towards the ongoing growth of our franchise business and accelerated sales of certain company-owned stores to new and existing franchisees
Ø November 2016	Initiated engagement with Huron Consulting Group to develop execution strategy for shift to expanded franchise
Ø January 2017	Began franchising our SmartStyle brand
Ø April 2017	Executed a CEO transition, appointing Mr. Sawyer, a seasoned turnaround expert with highly relevant expertise, t our transformation
Ø May 2017	Announced our consideration of strategic alternatives for our mall-based salons
Ø July 2017	Announced a field reorganization of the company-owned salons by brand/concept to enable our field leadership to quality guest experiences, enable improved salon execution, drive same-store sales, traffic growth and simplify ou Redefined our reportable segments, which provides investors increased transparency to our franchise business
Ø August 2017	shareholders on our recent initiatives, including a 120-day plan to stabilize performance and establish a platform f longer-term revenue and earnings growth in company-owned salons by focusing on strategic pricing, stylist sched simplifying our business while focusing on our brands to drive traffic and grow revenues

Our actions over the past year are aimed at accelerating profitable revenue growth, optimizing the balance sheet and creating value for our shareholders.

Executive Compensation Overview for Fiscal 2017

Our executive compensation programs are based on our belief that attracting, retaining and motivating talented executives is critical to the maintenance of our competitive advantage in the haircare industry and to the achievement of the business goals set by the Board. Accordingly, our executive compensation programs are designed to reward executives for achievement of our financial and business goals, while also aligning our executives' interests with those of our shareholders. The below table provides additional detail on each element of executive compensation in fiscal 2017.

Element	Form	Metric	Performance Period	Objective
Base Salary	Cash	Fixed	N/A	Provide a base level of compensation for executive talent
Annual Non-Equity Cash Incentive ("Bonus")	Cash	Cash Flow per Share (70%) Same Store Sales % Change (30%)	1 year	Motivate executives to meet and exceed objectives aligned with our annual strategic plan

Long-Term Incentive Compensation	Performance Stock Units (PSUs) 60% *	Adjusted EPS*	3 years*	Provide market-competitive equity-based compensation opportunities that enhance executive retention while aligning interests of executives and shareholders
	Restricted Stock Units (RSUs) 40%	Time-Based Vesting (value driven by stock price)	Vest ratably over 3 years	

* Change for fiscal 2017. Please see “Recent Compensation Program Changes Incorporate Shareholder Feedback” below for additional detail.

Key Fiscal 2017 Compensation Decisions Support our Transformation

During fiscal 2017, the Compensation Committee (the "Committee") made several decisions relating to the Company's compensation programs to accelerate our turnaround and incentivize management to drive value creation for our shareholders.

Compensation Changes Galvanize Executives around Expanding our Franchise Model

To help catalyze our strategic shift toward growing our franchise business and retain key leaders throughout the organization, the Committee made two key changes in January 2017:

- Provided key leaders, excluding our CEO, with a supplemental performance-based retention award

- Awards vest based on achievement of challenging, pre-defined objectives for growing our franchise business, measured through June 2018; payout requires a five-fold increase in the pace of sales of company-owned salons to franchisees

- This award is designed to maintain continuity during a critical period and specifically incentivize our leadership team to take actions that will drive franchise-growth goals, during a time of considerable uncertainty and necessary business transformation

- Amended our broad-based severance policy

- Included a temporary policy to accelerate vesting of certain equity awards for employees who are involuntarily terminated without cause through August 31, 2018, as well as a longer-term shift to lump sum payments and allowing non-competitive employment without offset during the severance period

- These policy amendments establish an incentive for our employees and management team to focus on execution during a critical period of our turnaround despite meaningful uncertainty due to transformation, leadership changes, and business structure changes.

Key Committee Decisions in Connection with our Leadership Transition

The Committee made several decisions during fiscal 2017 in connection with changes in our leadership team:

- Compensation structure for new President and CEO, Mr. Sawyer: The Committee determined to link the vast majority of his compensation to share price improvement in order to create immediate alignment with shareholders and emphasize value creation as a clear objective of our turnaround.

Hugh Sawyer Initial Compensation

Base Salary	Annual salary of $950,000
Cash Bonus	Cash bonus of $585,000 in consideration of forfeited compensation from his prior employer
Long-Term Equity Incentive	Long-term equity awards with an aggregate value of $5 million to establish an immediate connection to long-term stock performance Ø $4 million stock-settled Stock Appreciation Rights (SARs); $1 million performance-contingent RSUs Ø While each award will vest after a two-year period, SARs will not become exercisable and RSUs will not be settled until three years after the grant date

76% of Mr. Sawyer's at-hire compensation is tied to performance

Mr. Sawyer will not receive additional annual incentive (bonus) and equity awards until fiscal 2018 and for fiscal 2019, respectively:

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Hugh Sawyer Ongoing Compensation

	Fiscal 2017	Fiscal 2018	Fiscal 2019
Base Salary	$950,000	$950,000 (1)	$950,000 (1)
Annual Incentive (Bonus) Target	-	$1,092,500 (1)	$1,092,500 (1)
Long-Term Equity Incentive	-	-	TBD (2)
Sign-On Bonus	$585,000		
Initial Equity Awards	$5,000,000		

(1) May be increased in the Committee's discretion.
(2) The Committee has not yet determined the value of this grant. The prior CEO, Mr. Hanrahan, received $2,600,000.

- Payments in connection with the termination of Mr. Hanrahan and Ms. Passe: The Committee authorized severance payments to both executives upon termination that were consistent with our severance policies, as amended, including payment for their earned but unvested PSU awards.

Please see "Other Compensatory Decisions During Fiscal 2017" for additional detail on each of the above compensation decisions.

2017 Pay-For-Performance Results

When setting executive compensation for fiscal 2017, the Committee continued its focus on incentivizing management to both create shareholder value and return excess capital to our shareholders, by setting challenging performance expectations compared to fiscal 2016's results for same-store sales and cash flow per share and once again delivered executive pay opportunities primarily through performance-based elements of pay.

For fiscal 2017, the Company reported a net loss of $16.1 million, or a loss of $0.35 per share, compared to a net loss of $11.3 million, or a loss of $0.23 per share in the prior year. Total revenue decreased 5.5%, to $1,691.9 million, and same-store sales decreased 1.8% year over year. However, the Company's franchise business continues to grow, and we announced royalties of $48.3 million compared to $47.5 million for the previous year as well as a change in segment reporting that gives investors greater transparency to the franchise business. Though these year-long results did not meet our expectations, we saw improvement in the fourth quarter of the year, which we believe was due to initiatives introduced by our new CEO, Mr. Sawyer, including actions related to his 120-day plan.

Given the strong performance orientation, actual compensation outcomes were below target for all of the Named Executive Officers. Specifically, while the annual cash incentive was earned at only 42% of target as a result of achieving above-threshold performance in cash flow per share (focused on effective and efficient Adjusted EBITDA growth, as defined below,) and below-threshold performance in same-store sales growth, the Committee exercised negative discretion in deciding not to pay out any cash incentives to the Company's officers (Vice President and above) in light of overall performance in fiscal 2017. We believe that the Committee’s decision reflects a program that drives accountability and pay-for-performance alignment.

Recent Compensation Program Changes Incorporate Shareholder Feedback

The Committee, the Board and executive leadership are committed to considering the perspectives of our shareholders on all aspects of our business, including executive compensation.

Following our 2015 Say-on-Pay vote, management and members of our Board, including the Chair of the Committee, conducted robust, productive engagement with our shareholders to solicit their views on our executive compensation program. We reached out to our top ten largest shareholders, representing approximately 64% of our common stock in total, and held meetings with holders of approximately 56% of our common stock. Feedback from engagement was relayed to our full Committee, informing the Committee’s broader review of our executive compensation program during fiscal 2016. Accordingly, the Committee implemented a number of compensation changes that directly respond to our shareholders and that enhance alignment with our strategic goals. The majority of these program enhancements became effective in fiscal 2017.

Key Shareholder Feedback Area / Theme	Actions Taken	Effective
Performance Stock Units One-year performance period is not adequately long term	The Committee increased the performance period for PSUs from one year to three years In addition, the Committee moved to further emphasize performance awards and full-value awards in our long-term incentive program: fiscal 2017 long-term awards comprise 60% PSUs and 40% RSUs, compared to 40% PSUs, 40% SARs, and 20% RSUs in prior years	FY 2017
Overlapping Performance Metrics Same metrics, targets and weightings in both the short- and long-term incentive programs is problematic	The Committee established separate metrics, targets and weightings for the short- and long-term incentive	FY 2017

	programs: Ø Short-term award payouts are based on Company performance against cash flow per share (weighted 70%) and same-store sales (weighted 30%) Ø PSU awards are based on three-year cumulative pre-tax adjusted EPS performance	
Peer Group Benchmarking process includes too many larger peers	The Committee reviewed and revised our peer group Ø Removed three former peers with significantly higher revenues and/or market cap that are not in our industry Ø Included two new peers used by both	FY 2017

Disclosures of Adjustments with regard to Key Incentive Metrics Adjustments made for compensation purposes to Adjusted EBITDA and CAPEX made it difficult to ascertain rigor of goals	leading proxy advisory firms in their fiscal 2016 reports Starting with our 2016 proxy statement, we included a table detailing the adjustments used by the Committee for compensation purposes from GAAP to Adjusted EBITDA in years that we made a payout based on these metrics	FY 2016

After disclosing these changes in our proxy statement last fall, we received strong support for our Say-on-Pay vote at our 2016 annual meeting of shareholders. Our Committee and Board remain committed to engaging with our shareholders to discuss our executive compensation programs, especially as we execute our transformation to drive value creation for our investors.

Positioning Our Executive Compensation Programs for the Future

The Committee remains committed to delivering appropriate and competitive total direct compensation for our NEOs, with a significant portion of that compensation being performance-based, and to administering its programs in a manner consistent with good governance practices. The Committee anticipates the Company’s compensation programs and policies will evolve in connection with the transformation of our business, under the leadership of our new CEO. To assist with this effort, the Committee retained a new compensation consultant in July 2017 to advise the Committee on executive compensation decisions for fiscal 2018 and beyond. The Committee selected Pay Governance as its new consultant and directed Pay Governance to conduct a holistic review of the Company’s executive compensation programs and practices. This work is currently ongoing. In addition, Pay Governance is assisting the Committee in considering appropriate changes to our incentive compensation metrics in light of the transformation of our business.

Section 2: How We Design Executive Pay

Compensation Philosophy

The Committee has adopted a compensation philosophy that centers on the following guiding principles:

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

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- 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 with shareholder interests by designing a compensation portfolio that pays for performance.

- For fiscal 2017, as in 2016, the Committee incentivized management to drive increases in cash flow per share, as it believed increasing cash flow per share is a leading indicator for eventual stock price appreciation. It also tied compensation to increases in same-store sales, as in past years.

- For fiscal 2017, the Committee moved to further emphasize performance awards and full-value awards in its long-term incentive program. Long-term awards were made up of two components (60% PSUs and 40% RSUs), compared to 40% PSUs, 40% SARs, and 20% RSUs in prior years.

- For fiscal 2017, the Committee adopted a new performance measure for the PSUs and increased the performance period of those units to three years. This performance measure is cumulative adjusted earnings per share because we believe that improvements in this measure correlate to increased stock price performance and encourage the leadership team to deliver sustained financial performance.

The Committee also recognizes the need to remain flexible to address particular circumstances as they arise so that we can remain competitive in retaining talent and incentivize executives to achieve our current strategic objectives. During fiscal 2017, the Board replaced the Company's CEO, and the Committee designed the equity awards made in connection with the commencement of Mr. Sawyer's employment to tie his compensation directly to the extent to which he increases the Company's stock price over his first two years as CEO. See "Compensatory Arrangements with Mr. Sawyer."

Review of External Market Data

The Committee considers compensation in the external market as one factor in its executive compensation decisions, both relevant broad retail industry data and data from a group of companies it considers its peers. At the beginning of fiscal 2017, with the assistance of its independent compensation consultant, Willis Towers Watson, the Committee reviewed and revised the list of companies in its peer group, which was first selected in 2013.

After review, the Committee re-aligned its peer group, eliminating three companies formerly used as peers that now have significantly higher revenues and/or market capitalization and are not in the Company's industry (Advance Auto Parts, Keurig Green Mountain, and H&R Block) and adding two new peers that are similar to the Company in revenue and/or market capitalization and are in similar industries (multi-unit, quick-service restaurants Ruby Tuesday and Buffalo Wild Wings, both of which are also franchisors).

Boyd Gaming Corp.	Fred’s, Inc.	Ruby Tuesday
Brinker International, Inc.	Jack in the Box, Inc.	Sally Beauty Holdings, Inc.
Buffalo Wild Wings	Outerwall, Inc.	Service Corporation International
Cracker Barrel Old Country Store	Panera Bread Co.	The Cheesecake Factory, Inc.

DineEquity, Inc.	Penn National Gaming, Inc.	Ulta Beauty, Inc.
Fossil Group, Inc. (1)	Revlon, Inc.	

(1) Note that Fossil Group, Inc. is excluded for purposes of benchmarking Chief Executive Officer compensation because its chief executive officer does not receive any annual compensation.

The Committee reviewed the compensation of its then-NEOs against this revised peer group in early fiscal 2017 as part of its determination of fiscal 2017 compensation. In addition, it received broader retail market data from multiple survey sources, including Towers Watson Compensation DataBank-Retail Industry; Towers Watson Compensation Survey Report-Retail Industry; and Mercer Retail Industry Survey. Data from these broader sources were adjusted to our revenue size.

Role of the Compensation Committee

The Committee is charged with developing and administering the base salary, annual and long-term incentives, 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 within our peer group, as identified above, 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 2017 were regularly attended by our Chief Executive Officer; Chief Administrative Officer, Corporate Secretary and General Counsel; Chief Human Resources Officer; 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 was not present during deliberations and voting regarding his own compensation or during other executive sessions of the Committee.

Role of the Independent Compensation Consultant

Throughout fiscal 2017, the Committee used Willis Towers Watson as an independent consulting firm to provide executive compensation consulting services to the Committee. The Committee assessed Willis Towers Watson’s independence pursuant to applicable SEC rules and concluded that no conflict of interest exists that would prevent Willis Towers Watson from independently representing the Committee.

In advising the Committee, Willis Towers Watson prepared competitive pay analyses regarding both the peer group and the broader retail market for the elements of annual compensation and provided information on the performance of our business compared to the peer group. Based on these analyses, Willis Towers Watson advised the Committee on the level and design of the annual compensation programs for our executive officers. The Chair of the Committee worked directly with Willis Towers Watson to determine the scope of the work needed to assist the Committee in its decision-making processes. Willis Towers Watson worked with management, at the direction of the Committee, to fully understand the future business direction and the historical, 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.

In July 2017, the Committee retained a new compensation consultant to advise the Committee on executive compensation decisions for fiscal 2018 and beyond. The Committee selected Pay Governance as its new consultant, replacing Willis Towers Watson. In connection with its selection of Pay Governance, the Committee assessed Pay Governance's independence pursuant to applicable SEC and NYSE rules and concluded that no conflict of interest exists that would prevent Pay Governance from independently advising the Committee.

Section 3: Elements of the Executive Compensation Program in Fiscal 2017

Target Compensation Mix for Fiscal 2017

The Committee established the 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 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. Target total compensation for Mr. Hanrahan, our former CEO, was slightly higher than fiscal 2016 due to an increase in his long-term incentive award value, and average target total compensation increased slightly for our other NEOs on average due primarily to increases in base salary, as discussed below.

Base Salary Decisions for Fiscal 2017

The Committee, assisted by its independent compensation consultant, increased the base salaries of most of our NEOs, other than Mr. Hanrahan, near the beginning of fiscal 2017. These increases took into account both salary and target total compensation against market comparisons, as well as each individual's historical increases. Before this action, base salary was generally flat from fiscal 2013 through 2016, absent promotions and newly hired executives.

	Base Salary at June 30, 2016 (Annualized) ($)	Base Salary at June 30, 2017 (or Date of Termination, if earlier) (Annualized) ($)	Increase (%)
Daniel J. Hanrahan	850,000	850,000	-
Steven M. Spiegel	400,000	440,000	10
Eric A. Bakken	450,000	495,000	10
Jim B. Lain	400,000	400,000	-
Carmen D. Thiede	360,000	400,000	11
Annette L. Miller	360,000	375,000	4
Heather L. Passe	360,000	375,000	4

Annual Incentive Decisions for Fiscal 2017

Annual non-equity incentive compensation (“AIC”) for our NEOs is determined each year under our Short Term Incentive Plan (the “Short Term Plan”). The AIC earned by our NEOs for fiscal 2017 is reported under the “Non-Equity Incentive Plan” column of the Summary Compensation Table. AIC amounts are governed by the Short Term Plan and the AIC performance criteria, and payout levels are set each year by the Committee, in accordance with the terms of the Short Term Plan. The target AIC amounts are established by the Committee as a percentage of base salary. Fiscal 2017 target AIC was flat year over year for the continuing executives. Mr. Sawyer is first eligible to earn an annual non-equity incentive award in fiscal 2018 at a target of 115% of his base salary, pursuant to his employment agreement.

	Target AIC (as a Percentage (%) of Salary)	Target AIC ($)
Daniel J. Hanrahan	125	1,062,500
Steven M. Spiegel	60	264,000
Eric A. Bakken	60	297,000
Jim B. Lain	60	240,000
Carmen D. Thiede	50	200,000
Annette L. Miller	50	187,500
Heather L. Passe	50	187,500

Each year, the Committee evaluates our annual strategic plan to determine if the financial metrics are appropriate to measure achievement of our objectives and to motivate executives, and sets corresponding financial metrics to be included in the AIC awards. For fiscal 2017, the Committee established the following metrics:

Performance Measure	Weighting	Performance Goal		Award Multiplier
1. (Adjusted EBITDA - CAPEX) divided by Fully Diluted Outstanding Shares ("cash flow per share")	70%	Maximum	$1.79 per share	200%
		Target	$1.37 per share	100%
		Threshold	$1.24 per share	50%
2. Same-Store Sales (SSS) Percentage Change	30%	Maximum	4%	200%
		Target	1%	100%

Threshold	0%	50%

In fiscal 2017, the Committee determined to use essentially the same performance measures as fiscal 2016, with target performance goals set higher than the prior year's actual results. The Committee set the target for payouts on fiscal 2017 cash flow per share performance at $1.37 per share, compared to the fiscal 2016 actual result of $1.28. For same-store sales, the Committee similarly set a target of 1.0% growth, compared to fiscal 2016's actual performance of an increase of 0.2%.

Under the terms of the plan, actual performance for fiscal 2017 would have resulted in a payout of 42.39%, based on same-store sales results falling below threshold goals at a decrease of 1.8% and cash flow per share results slightly exceeding threshold goals, at $1.27. However, based on its assessment of the overall performance of the Company, the Committee exercised its negative discretion to provide that no annual incentive amounts would be paid to any of the Company's officers, defined for these purposes as the Vice Presidents and above, for fiscal 2017.

	Actual AIC ($)
Daniel J. Hanrahan	$0
Steven M. Spiegel	N/A
Eric A. Bakken	$0
Jim B. Lain	$0
Carmen D. Thiede	N/A
Annette L. Miller	$0
Heather L. Passe	$0

In setting the metrics for fiscal 2017, the Committee defined Adjusted EBITDA as net income (loss) excluding interest expense, income taxes, depreciation and amortization, adjusted to exclude equity in income (loss) of affiliated companies, discontinued operations and identified discrete items impacting comparability for each respective period (i.e., expenses, charges, or favorable or unfavorable impacts of extraordinary, unusual, infrequent or non-recurring items and other similar items) including, for fiscal 2017, discrete items that arise during the course of the year, severance charges incurred in strategically reorganizing our teams in the field and position eliminations, tax charges or benefits arising from regulatory audits, unusual costs associated with labor or employment claims and issues, impacts from new labor overtime rules in excess of budgeted amounts, sales of divisions or businesses, impact of Affordable Care Act auto-enrollment, and foreign currency gains or loss variances from budgeted assumptions. The Committee defined CAPEX as the purchase of tangible fixed assets held for use in the operation of the business, classified as property and equipment, including accruals of capital expenditures received but not paid for by the end of the fiscal year, reduced by certain tenant allowance receipts and cash proceeds from sales of property to franchisees (to the extent of our net carrying value in such property). Outstanding shares were defined as the number of fully diluted outstanding shares at the end of the performance period.

Long-Term Incentive Decisions for Fiscal 2017

The Committee considers equity-based long-term incentive compensation (“LTI”) to be critical to the alignment of executive compensation with the creation of shareholder value. Therefore, LTI represented more than half of Mr. Hanrahan's compensation at target, and 35% of the other NEOs' compensation, on average. The Committee set the value of LTI awards to our then-current NEOs at the beginning of fiscal 2017 as follows:

	Target Value of Long-Term Incentive ($)
Daniel J. Hanrahan	2,600,000
Steven M. Spiegel	400,000
Eric A. Bakken	400,000
Jim B. Lain	400,000
Carmen D. Thiede	250,000
Annette L. Miller	250,000
Heather L. Passe	400,000

For fiscal year 2017, the Committee changed the targeted long-term incentive mix for the NEOs. Specifically, the Committee moved from using three vehicles (40% PSUs, 40% SARs and 20% time-based RSUs) to using two vehicles (60% PSUs and 40% RSUs). This change was made to further emphasize the performance-based element of the program (PSUs) by making it the majority of the weight, while recognizing that a time-based element will drive retention during the business transformation.

Increased Emphasis on Performance-Based Long-Term Compensation in Fiscal 2017

2016 LTI Mix	2017 LTI Mix
40% PSUs	60% PSUs
40% SARs 20% RSUs	40% RSUs

We use the term performance stock units, or PSUs, to denote grants of stock units that are earned based on the achievement of the performance goals established by the Committee. PSUs granted in fiscal 2016 and earlier had a one-year performance period, after which any earned units had an additional two-year service-based vesting requirement, prior to settling in shares of stock. Beginning with PSUs granted in fiscal 2017, the PSUs have a three-year performance period, at which time any earned units settle in shares of stock.

All of our long-term equity incentive compensation awards for fiscal 2017 were granted pursuant to our 2004 Amended and Restated Long Term Incentive Plan (the "2004 Long Term Plan"). For our equity awards, the grant date for the awards is the date the grant becomes effective. The terms of these awards are described in more detail below in the narrative accompanying the Grants of Plan-Based Awards in 2017 table. The 2004 Long Term Plan was replaced in October 2016 by our 2016 Long Term Incentive Plan (the "2016 Long Term Plan"), upon approval by our shareholders.

Upon grant, LTI awards to our NEOs for fiscal 2017 were as follows:

	60% PSUs (# Granted)	40% RSUs (#)	Total Value (at Target) ($)
Daniel J. Hanrahan (1)	124,105	82,736	2,600,000
Steven M. Spiegel (1)	19,093	12,728	400,000
Eric A. Bakken	19,093	12,728	400,000
Jim B. Lain	19,093	12,728	400,000
Carmen D. Thiede	11,933	7,955	250,000
Annette L. Miller	11,933	7,955	250,000
Heather L. Passe (1)	19,093	12,728	400,000

(1) The fiscal 2017 PSUs granted to Mr. Hanrahan, Mr. Spiegel, and Ms. Passe were forfeited upon their termination of employment.

In addition to changing the long-term incentive mix, the performance measure used in the PSUs was changed to Adjusted Earnings Per Share (EPS). The Committee made this change for several reasons:

- Consistent with investor feedback and our longer term objectives, this ended the use of same-store sales and cash flow per share in both the short-term and long-term incentive plans;

- Also, consistent with investor feedback and our longer term objectives, this allowed us to set a three-year goal, as opposed to a one-year goal; and

- The Committee chose Adjusted EPS because it believed that it is a measure that directly aligns with stock price performance and, when measured over a three-year period, will encourage sustained value creation and pay-for-performance.

While the Committee received and considered input from some of the Company's shareholders that prefer the use of a relative metric in long-term incentive design, it ultimately decided that a relative metric was not the right fit for the Company at this time because the Company does not have true peers on which to form that comparison. As the largest publicly-traded hair salon company, for peer group purposes the Committee looks primarily to quick-serve restaurant chains like Panera and Ruby Tuesday as well as companies in the beauty industry which have very different operations, like Revlon and Ulta.

The Committee defined Adjusted EPS as the Company's cumulative pre-tax earnings per share, adjusted to exclude any income (loss) attributable to its investment in its affiliate Empire Education Group, and identified discrete items impacting comparability for each respective period (i.e., expenses, charges, or favorable or unfavorable impacts of extraordinary, unusual, infrequent or non-recurring items and other similar items), consistent with those set forth in the definition of "Adjusted EBITDA" above. It is computed on a cumulative basis (that is, Adjusted EPS for fiscal 2017 plus Adjusted EPS for fiscal 2018 plus Adjusted EPS for fiscal 2019), and in calculating each year's result, uses the fully diluted outstanding shares at the end of that fiscal year.

The fiscal 2017 PSUs have a three-year performance period, from July 1, 2016 to June 30, 2019. After conclusion of the performance period, the number of PSUs earned will vest immediately upon certification by the Committee. The number of units earned will depend on the extent to which performance goals are attained, as follows (with interpolation between):

Performance Measure	Extent to which Performance Goal is Reached	Award Multiplier to # of Units Earned
	Maximum	200%
Adjusted EPS	Target	100%
	Threshold	50%

The Committee established the target for the fiscal 2017 PSUs with reference to the forecasts for fiscal 2017, 2018 and 2019 performance developed in management's 2016 three-year operating plan, which represented an expectation of improved performance relative to the Company's prior financial results. The Committee set challenging metrics for executive compensation by setting the target 15% above management's forecasted growth in earnings for fiscal 2017, for example. As discussed, fiscal 2017 results were disappointing in comparison to plan. Our future earnings per share will be heavily influenced by the transformation in process in our business, and it is uncertain whether, and to what extent, the fiscal 2017 PSUs will be earned.

Other Compensatory Decisions During Fiscal 2017

During the past year, our company experienced numerous meaningful changes, which the Board and Committee believe will ultimately help position the Company for future success. Most critically, we announced a strategic shift to accelerate and expand our franchise model. In an effort to support retention of key talent and incentivize successful efforts to expand the franchise model and reduce the number of company-owned salons that we manage, the Committee approved the following arrangements:

Changes to Severance Program

In January 2017, the Committee adopted a temporary policy under which employees who are terminated by the Company without cause through August 31, 2018 are entitled to accelerated vesting of unvested RSUs and SARs. This includes acceleration or payment in cash for the value of any earned but unvested PSUs that would otherwise be forfeited upon an executive's involuntary termination without cause, as they remained subject only to time-based vesting requirements. The Committee determined, at the discretion of the CEO (or in the case of our CEO, the Committee), that such payments were equitable because the performance conditions had been satisfied during the executive's leadership. The Committee implemented this change to reinforce our focus on strong execution during a critical turnaround period, despite the dynamic nature of our organizational structure.

At the same time, the Committee provided that any future severance payments would be paid in a lump sum upon termination, rather than as salary continuation (whenever feasible without adverse tax consequences to the employee), and that, for employees with employment agreements under which cash severance would be offset by earnings from other employment, the Committee provided that cash severance would no longer be offset by earnings from non-competitive employment (as determined according to the terms of their employment agreement). These changes were also adopted to incentivize executives to remain with the Company through its transformation in spite of the uncertainty caused by strategic change.

These policy changes do not apply to Mr. Sawyer, as specified in his employment agreement.

Special Incentive Program Based on Franchise Goals

The Committee also adopted a supplemental performance-based cash retention program for certain leaders below the CEO level, to align their compensation with the strategic emphasis towards the growth of our franchise business and to maintain continuity during a critical 18-month period in our transformation. The NEOs who are eligible, and the maximum amounts they may earn under this program, are as follows:

	Maximum Value of Special Retention Incentive ($)
Eric A. Bakken	445,500
Jim B. Lain	360,000
Carmen D. Thiede	300,000
Annette L. Miller	281,300
Heather L. Passe	281,300

The actual amount earned will depend on the achievement of certain objectives related to our franchise business during the 18-month period from January 1, 2017 to June 30, 2018. The achievement of these objectives would represent a more than five-fold increase in the pace of sales of company-owned salons to franchisees. In execution of these objectives, management has taken aggressive action to open the SmartStyle brand to franchisees for the first time in the U.S. during the second half of fiscal 2017, as well as acceleration of sales of other salons to franchisees.

If participants are involuntarily terminated without cause, they would receive a payout after the end of the performance period based on the Company’s actual results. Participants who voluntarily terminate employment, such as Ms. Thiede, forfeit their right to an award. Any bonus received under this program would be in addition to any amounts received pursuant to the Company’s annual incentive plan.

In addition to our strategic emphasis towards the growth of our franchise business, fiscal 2017 was also a time of changes in our executive leadership, and the Committee approved the following special compensatory arrangements:

Compensatory Arrangements with Mr. Sawyer

In April 2017, the Board appointed Mr. Sawyer as President and CEO, replacing Mr. Hanrahan. In connection with his appointment, the Company entered into an employment agreement with Mr. Sawyer with an initial term of three years, and thereafter renewing annually. He is entitled to an annual base salary of $950,000, a target annual bonus opportunity of 115% of his annual base salary (with eligibility beginning in fiscal 2018), and a sign-on bonus of $585,000 to compensate him for forfeited compensation from his former employer (furthermore, a pro-rated portion of this bonus must be repaid if he terminates employment under certain circumstances, such as voluntary termination without Good Reason within the first year of his start date). The Company also agreed to reimburse Mr. Sawyer up to $175,000 for temporary housing expenses for 18 months and to pay him any unspent portion if he remains employed after 18 months.

In addition, the Committee approved sign-on equity awards to Mr. Sawyer with an aggregate value of $5.0 million, comprised of approximately $4.0 million of stock-settled SARs and $1.0 million of performance-contingent RSUs. Mr. Sawyer’s initial equity awards are scheduled to vest on the second anniversary of the date of grant subject to his continued service through that date, and in the case of his RSUs, also subject to the satisfaction of performance goals related to the Company’s stock price, and subject in each case to certain accelerated vesting events. Furthermore, his SARs will not become exercisable and his RSUs will not be settled until the third anniversary of the date of grant, and his SARs will be exercisable until the tenth anniversary of the date of grant. Mr. Sawyer did not receive an additional equity grant when the Company made its fiscal 2018 annual equity grants in August 2017. Commencing August 2018 (for fiscal 2019), Mr. Sawyer will be eligible to receive annual equity grants commensurate with his position.

The Committee designed Mr. Sawyer's compensation to be strongly performance-based, both upon hire and on an ongoing basis, with 76% of his compensation at hire and approximately 80% in future years tied to the Company's performance. In addition, Mr. Sawyer will not receive an annual incentive award for fiscal 2017 or a long-term incentive for fiscal 2018.

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	Fiscal 2017 ($)	Fiscal 2018 ($)		Fiscal 2019 ($)	
Base Salary	950,000	950,000	(1)	950,000	(1)
Annual Incentive (Bonus) Target	-	1,092,500	(1)	1,092,500	(1)
Long-Term Incentive Award	-	-		TBD	(2)
Sign-On Bonus	585,000	-		-	
Sign-On Equity	5,000,000	-		-	

(1) May be increased in the Committee's discretion.

(2) The Committee has not yet determined the value of this grant. The prior CEO, Mr. Hanrahan, received $2,600,000.

The Committee believes that the sign-on equity grants to Mr. Sawyer were appropriate and in the best interests of the Company because they:

- Immediately align Mr. Sawyer's compensation with the Company's shareholders
- Give Mr. Sawyer an opportunity to share in value created by stock price appreciation since he joined the Company
- Reflect the market for CEO talent in our industry and among our peer group
- Represent a one-time grant that was not supplemented by an annual equity grant for fiscal 2018

The Committee, assisted by its independent compensation consultant, Willis Towers Watson, structured Mr. Sawyer's sign-on equity awards so that they have value only if the Company's stock price increases within the next two years from the stock price prior to the date the Company announced Mr. Sawyer's appointment. The equity awards consist primarily of SARs, which only provide the holder with value if the stock price increases. In addition, 20% of the value at grant was in performance-contingent RSUs, which include a performance condition that provides that they will vest only if the Company's stock price reaches certain levels by the two-year anniversary of the date of grant.

Separation Agreement with Mr. Hanrahan

In connection with the termination of Mr. Hanrahan's employment, he received the severance benefits triggered by a termination without cause under his employment agreement, as amended, the terms of his outstanding equity awards, and the policies of the Company applicable to terminations without cause, including payment for his earned but unvested PSUs, as reflected in “Changes to Severance Program” above. These amounts are detailed below under “Potential Payments Upon Termination or Change in Control — Actual Payments upon Termination to NEOs No Longer Employed” below. As a condition of these payments, pursuant to his employment agreement, Mr. Hanrahan was required to execute a separation agreement, which included non-competition and non-solicitation provisions as well as a release of claims.

Separation Agreement with Ms. Passe

Ms. Passe received the severance benefits triggered by a termination without cause under her employment agreement, as well as the policies of the Company applicable to terminations without cause, including payment for her earned but unvested PSUs. She also received a commitment to reimbursement for certain career transition services. These amounts are detailed below under “Potential Payments Upon Termination or Change in Control — Actual Payments Upon Termination to NEOs No Longer Employed” below. As a condition of these payments, pursuant to her employment agreement, Ms. Passe was required to execute a separation agreement, which included non-competition and non-solicitation provisions as well as a release of claims.

Other Outstanding Awards

From time to time, the Committee may also make equity grants in other circumstances, such as recruiting new executive talent, upon the promotion of an executive, and to retain key individuals. During the past three fiscal years, we have made the following special grants, which remained outstanding as of June 30, 2017. These are also reflected in the Outstanding Equity Awards table below.

- Sign-on Equity Awards to Mr. Sawyer in April 2017, as detailed above under "Compensatory Arrangements with Mr. Sawyer."

- Sign-on Equity Awards to Ms. Miller in December 2014, of RSUs and SARs (reflecting the Company's share price on the date of her commencement of employment), vesting in December 2017.

- Retention RSU Grants in August 2014, to the then-NEOs other than our CEO, which cliff vest on the third anniversary of the date of grant, assuming continued employment. These grants were made to recognize the important work the executive team accomplished in fiscal 2014 in the effort to reorganize the Company and to lay the groundwork that we believe will lead to long-term strategic success, and to retain and incentivize them to continue their work toward these objectives. These awards vested by their terms in August 2017.

Benefits

Consistent with our current compensation philosophy, we provide minimal benefits, and these benefits align with the market median and with current market practices. The benefits we provided our NEOs in fiscal 2017 are summarized in the footnotes to the Summary Compensation Table or are otherwise reported in the accompanying tables, including footnotes. Current benefits for our NEOs include core benefits available to all full-time employees (e.g., coverage for medical, dental, prescription drugs, basic life insurance, and long-term disability coverage).

During fiscal 2016, we added an additional optional retirement savings option, the Regis Individual Secured Retirement Plan (the "RiSRP"), to provide our NEOs and other Company officers a post-tax option to save money for retirement. We provide the same Company match in the RiSRP as under the Executive Retirement Savings Plan. Both plans are described in detail below under “Summary of Executive Agreements.”

Prior to fiscal 2013, we also provided certain supplemental retirement benefits, additional life insurance benefits and certain gross-up payments. Where applicable, these benefits are described below under “Summary of Executive Agreements.” These benefits were eliminated or frozen prior to fiscal 2013 and continue to be provided only in the case of certain grandfathered agreements, as described below.

Section 4: Governance Policies and Additional Compensation-Related Items

We believe in holding ourselves to a high standard of ethics, transparency, and accountability. Accordingly, we have adopted corporate governance practices and policies that in many cases go beyond SEC and stock exchange requirements to reflect emerging best practices.

Compensation Practice	Regis Policy
Independent Compensation Committee	Our Compensation Committee is composed solely of directors who are independent under the standards of the SEC and the NYSE, including the higher standards applicable to Compensation Committee members.
Clawback Policy	During fiscal 2017, we amended our "clawback" policy so that it permits us to recover certain equity as well as cash incentive payments from executive officers whose misconduct or negligence resulted in a significant financial restatement.
Limited Severance Benefits and Perks	We have benchmarked and implemented market severance terms (generally, base salary plus bonus, or two times base plus bonus after a change in control), while retaining our "double trigger" structure.
No Tax Gross-Ups	We do not provide tax gross-ups on perquisites, and gross-ups on "golden parachute" payments are available only on a grandfathered basis. Mr. Bakken is the only currently employed NEO who so qualifies.
Frozen Supplemental Retirement Benefit Plan	We froze the benefits under our supplemental retirement benefit plan as of June 30, 2012, as well as certain executive life insurance benefits. Mr. Bakken is the only currently employed NEO who so qualifies.
Stock Ownership Guidelines	We have meaningful stock ownership guidelines for our executives, discussed in more detail below.
Hedging Restrictions/Prohibitions	Our insider trading policy prohibits our employees, officers and directors from engaging in transactions that "hedge" their investments in our stock.
Pledging Restrictions/Prohibitions	Our insider trading policy prohibits our employees, officers and directors from holding our stock in a margin account or pledging it as collateral for a loan, except in the limited circumstance that an individual has demonstrated financial capacity to repay the loan without resort to the pledged securities and obtains General Counsel approval.
Independent Compensation Consultant	Willis Towers Watson advised our independent Compensation Committee during fiscal 2017. For fiscal 2018, the Committee has retained Pay Governance to provide these services.
Annual Risk Assessment	We conduct an annual risk assessment of our compensation programs, which is led by our independent compensation consultant.
Annual Say-on-Pay Vote	We offer our shareholders the opportunity to cast an advisory vote on our executive compensation every year.

No Repricing or Exchange of Underwater Options/SARs	Our plan prohibits the repricing or exchange of underwater stock options and stock appreciation rights without shareholder approval.

Stock Ownership by Named Executive Officers

The Board believes that each of our officers who has reached the level of Senior Vice President or above should be a shareholder and should have a significant financial stake in the Company. Accordingly, the Committee adopted stock ownership requirements, which are reflected in our Corporate Governance Guidelines, requiring each officer to hold our common stock having a fair market value equal to a multiple of their base salary, as set forth below:

- Chief Executive Officer—3x annual base salary
- Executive Vice President—2x annual base salary
- Senior Vice President—1x annual base salary

The current stock ownership requirements were established in April 2013. The guidelines require officers to retain at least 75% of the shares received from equity compensation awards, net of shares withheld or tendered to satisfy withholding taxes, until the stock ownership requirement is satisfied. All shares beneficially owned by an officer are included in the calculation, except that shares subject to performance-based vesting conditions and shares subject to unexercised stock options and SARs are not included. For purposes of the stock ownership calculation, the shares are valued at the greater of (i) the average closing price of a share of the Company's common stock during the most recent fiscal year and (ii) the closing price on the last day of the most recent fiscal year.

As set forth in the table below, as of June 30, 2017, all of our currently employed NEOs held stock greater than our stock ownership policy minimum, other than Mr. Pomeroy, who was not subject to the policy, and Mr. Sawyer, who joined our company in April 2017 and whose sign-on equity awards are not counted as they are subject to pending performance-based vesting conditions. See "Compensatory Arrangements with Mr. Sawyer" for more detail on these awards.

	Stock Ownership Guideline	Current Ownership Level
Hugh E. Sawyer	3x	0.1x
Michael C. Pomeroy	N/A	N/A
Eric A. Bakken	2x	2.9x
Jim B. Lain	2x	2.8x
Carmen D. Thiede	1x	2.5x
Annette L. Miller	1x	1.2x

The Nominating and Corporate Governance Committee is responsible for measuring and monitoring compliance with these guidelines.

Employment Agreements and Post-Employment Compensation

Each of the NEOs named in this proxy statement is party to a written employment agreement with the Company, with the exception of Mr. Pomeroy. Pursuant to their employment agreements, all of our NEOs are entitled to certain compensation and other benefits if their employment terminates due to certain articulated reasons (including in connection with a change in control), as described below under "Summary of Executive Agreements." The employment agreements with our NEOs contain covenants not to compete or solicit, as well as confidentiality provisions, that the Committee considers especially valuable in the event of an executive's termination of employment. They provide for payment of post-termination payments, conditioned upon signing and not rescinding a release of claims and compliance with the restrictive covenants in the employment agreement.

The Committee and the Board recognize the importance to us and our shareholders of avoiding the distraction and loss of key management personnel that may occur in connection with any rumored or actual change in control of the Company. Accordingly, the Committee and Board have structured change in control provisions to incentivize executives to remain employed while a transaction is under consideration or pending, and not to favor one transaction structure over another merely because of the impact on the executive’s compensation. These provisions are discussed in the section captioned “Summary of Executive Agreements.”

Deductibility of Executive Compensation

Code Section 162(m) imposes a $1 million limit on the amount that a public company may deduct for compensation paid to a company’s chief executive officer or any of its three other most highly compensated executive officers (other than its chief financial officer) who are employed as of the end of the year. This limitation does not apply to compensation that meets

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the requirements under Section 162(m) for “qualifying performance-based” compensation (i.e., compensation paid only if the individual’s performance meets pre-established objective goals based on performance criteria approved by shareholders). The Committee’s policy is to design compensation programs that further the best interests of the Company and our shareholders and that preserve the tax deductibility of compensation expenses. Non-equity incentive compensation paid to executive officers under the Short Term Plan and stock options, SARs and PSUs awarded under the Long Term Plan are designed to qualify as performance-based compensation. The Committee also believes, however, that it must maintain the flexibility to take actions that it deems to be in our best interests but that may not qualify for tax deductibility under Section 162(m). In this regard, the Committee recognizes that if the amount of base salary and any other compensation that is not determined to be performance-based under Section 162(m), such as time-vested restricted stock, guaranteed bonuses for new executives, discretionary bonus payouts or bonus payouts that are adjusted to exclude certain items that would have negatively impacted the bonus calculation, for any of our executive officers exceeds $1 million, any amounts over $1 million will not be deductible for federal income tax purposes. The amount of any non-deductible compensation has not had a material impact on our consolidated tax position.

As required under the tax rules, we must obtain shareholder approval of the material terms of the performance goals for qualifying performance-based compensation every five years. We last received shareholder approval of the Short Term Plan in 2014, of the extension of the term of the 2004 Long Term Plan in 2013, and of the 2016 Long Term Plan in 2016.

Regulatory Considerations

The Committee considered (i) the impact of the $1 million limit on the deductibility of non-performance based compensation imposed by Code Section 162(m), (ii) the accounting treatment of various types of equity-based compensation under Accounting Standards Codification (ASC) Topic 718, and (iii) the non-deductibility of excess parachute tax payments under Code Section 280G (and the related excise tax imposed on covered employees under Code Section 4999) in its design of executive compensation programs. In addition, the Committee considered other tax and accounting provisions in developing the compensation programs for our NEOs. These included the special rules applicable to non-qualified deferred compensation arrangements under Code Section 409A, as well as the overall income tax rules applicable to various forms of compensation. While the Committee strove to compensate our NEOs in a manner that produced favorable tax and accounting treatment, its main objective was to develop fair and equitable compensation arrangements that appropriately motivate, reward and retain those executives.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with the management of the Company. Based on its review and related discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Michael J. Merriman, Chair
Daniel G. Beltzman
Mark S. Light
M. Ann Rhoades
Stephen E. Watson
Members of the Compensation Committee

SUMMARY COMPENSATION TABLE

The following table shows, for each person who served as our principal executive officer and principal financial officer, whether permanently or in an interim capacity, in fiscal 2017, the three other most highly compensated executive officers in fiscal 2017 who were still serving as such on June 30, 2017, and one additional person who would have been among the three other most highly compensated executive officers but for the fact that she was no longer an executive officer on June 30, 2017 (together referred to as the Named Executive Officers or "NEOs"), information concerning compensation earned for services in all capacities during each of the fiscal years ended June 30, 2017, 2016, and 2015.

Name and Principal Position	Year	Salary($)(1)	Bonus($)(2)	Stock Awards ($)(3)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total($)
Hugh E. Sawyer III President and Chief Executive Officer(6)	2017	197,917	585,000	730,044	3,680,000	—	—	4,682	5,197,643
Daniel J. Hanrahan Former President and Chief Executive Officer(7)	2017	698,250	—	2,599,992	—	—	—	9,406,633	12,704,875
	2016	882,000	—	1,716,471	533,520	1,315,694	—	38,280	4,485,965
	2015	882,000	—	4,349,984	2,899,980	1,755,994	—	46,746	9,934,704
Michael C. Pomeroy Interim Chief Financial Officer(8)	2017	—	—	—	—	—	—	300,000	300,000
Eric A. Bakken Executive Vice President, President - Franchise, Former Interim Chief Financial Officer, General Counsel and Corporate Secretary	2017	519,500	—	399,990	—	—	—	31,625	951,115
	2016	482,000	—	239,997	160,000	334,341	142,940	73,375	1,432,653
	2015	482,000	—	319,984	159,998	371,858	—	94,781	1,428,621
Steven M. Spiegel Former Executive Vice President and Chief Financial Officer(9)	2017	111,333	—	399,990	—	—	—	19,995	531,318
	2016	432,000	—	239,997	160,000	297,192	—	91,826	1,221,015
	2015	432,000	—	319,984	159,998	330,540	—	95,856	1,338,378
Jim B. Lain Executive Vice President and Chief Operating Officer	2017	432,000	—	399,990	—	—	—	10,465	842,455
	2016	432,000	—	209,993	140,000	297,192	—	13,820	1,093,005
	2015	432,000	—	269,971	139,995	330,540	—	22,051	1,194,557

Carmen D. Thiede Senior Vice President and Chief Human Resources Officer(10)	2017	425,333	—	249,992	—	—	—	41,565	716,890
Annette L. Miller Executive Vice President and Chief Merchandising Officer	2017	407,000	—	249,992	—	—	—	21,772	678,764
Heather L. Passe Former Senior Vice President and Chief Marketing Officer(11)	2017	268,833	—	399,990	—	—	—	1,217,552	1,886,375
	2016	392,000	—	239,997	160,000	222,894	—	32,961	1,047,852
	2015								