REGIS CORPORATION

2018

ANNUAL REPORT & PROXY STATEMENT

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-12725

Regis Corporation
(Exact name of registrant as specified in its charter)

Minnesota	**41-0749934**
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
7201 Metro Boulevard, Edina, Minnesota	**55439**
(Address of principal executive offices)	(Zip Code)

(952) 947-7777

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.05 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting common equity held by non-affiliates computed by reference to the price at which common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter, December 31, 2017, was approximately $550,996,588. The registrant has no non-voting common equity.

As of August 15, 2018, the registrant had 44,265,743 shares of Common Stock, par value $0.05 per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the annual fiscal 2018 meeting of shareholders (the "2018 Proxy Statement") (to be filed pursuant to Regulation 14A within 120 days after the registrant's fiscal year-end of June 30, 2018) are incorporated by reference into Part III.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report, as well as information included in, or incorporated by reference from, future filings by the Company with the Securities and Exchange Commission and information contained in written material, press releases and oral statements issued by or on behalf of the Company contains or may contain "forward-looking statements" within the meaning of the federal securities laws, including statements concerning anticipated future events and expectations that are not historical facts. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements in this document reflect management's best judgment at the time they are made, but all such statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those expressed in or implied by the statements herein. Such forward-looking statements are often identified herein by use of words including, but not limited to, "may," "believe," "project," "forecast," "expect," "estimate," "anticipate," and "plan." In addition, the following factors could affect the Company's actual results and cause such results to differ materially from those expressed in forward-looking statements. These factors include the continued ability of the Company to implement its strategy, priorities and initiatives; our ability to attract, train and retain talented stylists; financial performance of our franchisees; acceleration of sale of certain salons to franchisees; The Beautiful Group's ability to transition and operate its salons successfully, as well as maintain adequate working capital; the ability of the Company to maintain a satisfactory relationship with Walmart; marketing efforts to drive traffic; changes in regulatory and statutory laws including increases in minimum wages; our ability to maintain and enhance the value of our brands; premature termination of agreements with our franchisees; our ability to manage cyber threats and protect the security of sensitive information about our guests, employees, vendors or Company information; reliance on information technology systems; reliance on external vendors; consumer shopping trends and changes in manufacturer distribution channels; competition within the personal hair care industry; changes in tax exposure; changes in healthcare; changes in interest rates and foreign currency exchange rates; failure to standardize operating processes across brands; financial performance of Empire Education Group; the continued ability of the Company to implement cost reduction initiatives; compliance with debt covenants; changes in economic conditions; changes in consumer tastes and fashion trends; exposure to uninsured or unidentified risks; reliance on our management team and other key personnel or other factors not listed above. Additional information concerning potential factors that could affect future financial results is set forth under Item 1A of this Form 10-K. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made in our subsequent annual and periodic reports filed or furnished with the SEC on Forms 10-Q and 8-K and Proxy Statements on Schedule 14A.

REGIS CORPORATION
FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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PART I

Item 1. Business

General:

Regis Corporation owns, franchises and operates beauty salons. The Company is listed on the NYSE under the ticker symbol "RGS." Unless the context otherwise provides, when we refer to the "Company," "we," "our," or "us," we are referring to Regis Corporation, the Registrant, together with its subsidiaries.

As of June 30, 2018, the Company-owned, franchised or held ownership interests in 8,168 locations worldwide. The Company's locations consist of 3,966 company-owned salons, 4,114 franchised salons and 88 locations in which we maintain a non-controlling ownership interest of less than 100%. Each of the Company's salon concepts generally offer similar salon products and services.

The major services supplied by the Company's salons are haircutting and styling (including shampooing and conditioning), hair coloring and other services. Service revenues comprise approximately 81% of total company-owned revenues. The percentage of company-owned service revenues in fiscal year 2018 attributable to haircutting and styling, hair coloring and other services were 77%, 16% and 7%, respectively.

In fiscal year 2017, we announced plans to expand the franchise side of our business, through organic growth and by selling certain company-owned salons to franchisees over time, as well as our review of strategic alternatives for company-owned mall-based locations. In January 2017, we began franchising the SmartStyle brand throughout the U.S. for the first time. In fiscal year 2018, the Company began to consider additional options to further expand its franchise business within its Supercuts company-owned salon portfolio.

In October 2017, the Company sold substantially all of its mall-based salon business in North America, representing 858 salons, and substantially all of its previous International segment, representing 250 salons in the UK, to The Beautiful Group ("TBG"), an affiliate of Regent, a private equity firm based in Los Angeles, California, who operates these locations as franchise locations. See Note 2 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K for further discussion on the sale of our mall-based salon business and the previous International segment, which are now reported as a discontinued operation. As a result of this transaction, the Company redefined its operating segments to reflect how the chief operating decision maker now evaluates the business. The Company now reports its operations in two operating segments: Company-owned salons and Franchise salons. Prior to this change, the Company had four operating segments: North American Value, North American Premium, North American Franchise and International. See Note 14 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

In January 2018, the Company closed 597 non-performing company-owned SmartStyle salons. The 597 non-performing salons generated negative cash flow of approximately $15 million during the twelve months ended September 30, 2017. The Company anticipates this action will allow the Company to reallocate capital and human resources to strategically grow its remaining SmartStyle salons with creative new offerings.

The Company's Company-owned salon operations are comprised of 3,966 company-owned salons operating in the United States (U.S.), Canada, and Puerto Rico. The Company's Franchise salon operations are comprised of 4,114 franchised salons operating in the United States, Canada, the United Kingdom and Puerto Rico. The Company's salons operate primarily under the trade names of SmartStyle, Supercuts, MasterCuts, Regis Salons, and Cost Cutters, and they generally serve two categories within the industry, value and premium. SmartStyle, Supercuts, MasterCuts, Cost Cutters, and other regional trade names are generally within the value category, offering high quality, convenience, and affordably priced hair care and beauty services and retail products. Regis Salons, among other trade names, are in the premium category, offering upscale hair care and beauty services and retail products. The Company's Company-owned business is primarily located mainly in strip center locations and Walmart Supercenters. The Company's Franchise business is primarily located in strip center locations, Walmart Supercenters and mall-based locations. During fiscal years 2018 and 2017, the number of guest visits at the Company's company-owned salons approximated 50 and 57 million, respectively.

Financial information about our segments and geographic areas for fiscal years 2018, 2017, and 2016 are included in Note 14 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

As we continue to evaluate our business and our mix of company-owned and franchise locations, future sales of company-owned salons to franchisees could impact our operations by decreasing total revenues and operating expenses.

Industry Overview:

The hair salon market is highly fragmented, with the vast majority of locations independently owned and operated. However, the influence of salon chains, both franchised and company-owned, continues to grow within this market. Management believes salon chains will continue to have significant influence on this market and will continue to increase their presence.

In every area in which the Company has a salon, there are competitors offering similar hair care services and products at similar prices. The Company faces competition from chains, such as Great Clips, Fantastic Sams, Sport Clips and Ulta Beauty, independently owned salons, department store salons located within malls, in-home hair services, booth rentals and blow dry bars.

At the individual salon level, barriers to entry are low; however, barriers exist for chains to expand nationally due to the need to establish systems and infrastructure, to recruit franchisees, experienced field and salon management and stylists, and to lease quality sites. The principal factors of competition in the hair care category are quality and consistency of the guest experience, convenience, location and price. The Company continually strives to improve its performance in each of these areas and to create additional points of brand differentiation versus the competition.

2018 Strategy:

The Company is focused on maximizing shareholder value. In order to successfully maximize shareholder value we place a balanced approach to our guests, employees and stylists, franchisees and shareholders. Our multi-year renewal strategy and key priorities are focused on loving our guests and stylists and initiatives to enhance shareholder value. Achieving our strategy requires a disciplined and thoughtful approach to investing and disinvesting in programming. We are focused on accelerating the growth of our franchise business, where we believe it enhances shareholder value, while materially improving the performance of our company-owned salons.

In fiscal year 2018, the Company has executed on various management initiatives to help stabilize performance and establish a platform for longer term revenue and earnings growth in company-owned salons and expanding its franchise business in order to maximize shareholder value. The core components of the various management initiatives are focused on improving upon our performance by better aligning company resources to demand while continuing to provide an exceptional guest experience, simplification of our business to grow revenues and disinvestment of certain programs that do not create value. As part of the various management initiatives, the Company has appointed several new key executives and personnel, including President of Franchise (in fiscal year 2017), Chief Financial Officer, Chief Marketing Officer, Chief Human Resources Officer, General Counsel, Chief Technology Officer, Senior Vice President, Merchandising and Vice President Creative.

In order to continue providing an exceptional guest experience, we have invested in salon technology by launching SmartStyle online same-day check-in, which allows our guests in Walmart locations to find a location near them, view wait times, check-in via our website or mobile application and upgrading our point-of-sale (POS) hardware to facilitate an efficient guest experience within the salons and deploying tablets in corporate-owned salons to open a channel of direct communication with our stylists, including technical education.

To maximize shareholder value, we are focused on simplification, variable labor management, quality revenue growth, and the allocation of our capital to value-maximizing initiatives. Our business historically has been structured geographically. To simplify and better focus our business on our guests, effective August 1, 2017, we re-aligned the existing field leadership team into three distinct field organizations based on our core brands: SmartStyle, Supercuts and Signature Style. This enables our field leaders to focus on specific brands. We continue to focus on managing variable stylist staffing in our corporate salons to improve financial results and in certain markets may execute price increases in our company-owned salons.

We continue to evaluate our investments and disinvest in non-value generating programs while investing in other value generating initiatives. In January 2018, we closed 597 non-performing company-owned SmartStyle salons. The 597 non-performing salons generated negative cash flow of approximately $15 million during the twelve months ended September 30, 2017. This action will allow us to reallocate capital and human resources to strategically grow our remaining SmartStyle salons with creative new offerings. In addition, we repurposed certain corporate programs and have invested in our creative digital capabilities to re-position Regis as the leading operator of value brands and technical education. Furthermore, we have launched a national SmartStyle digital advertising campaign to drive traffic to our SmartStyle locations in Walmart Supercenters and leverage our relationship with Walmart. We will continue this evaluation as we make decisions in the business.

At the same time, we are making thoughtful decisions to accelerate the growth of our franchise business, if we believe it enhances shareholder value, including the promotion of Eric Bakken to President of our Franchise business. This strategic initiative is intended to facilitate an ongoing multi-year transformation of our operating platform that balances our commitment to high-performing company-owned salons while enabling strategic optionality and the ongoing growth of our franchise business, where we believe it enhances shareholder value. In October 2017, we sold substantially all of our mall-based salon business in North America, representing 858 salons, and substantially all of our previous International segment, representing 250 salons in the UK, to TBG, who operates these locations as franchise locations.

Guests

Among other factors, consistent delivery of an exceptional guest experience, haircut quality, convenience, competitive pricing, salon location, inviting salon appearance and atmosphere, differentiating benefits and guest experience elements and comprehensive retail assortments, all drive guest traffic and improve guest retention.

Guest Experience. Our portfolio of salon concepts enable our guests to select different service scheduling options based upon their preference. We believe that in the value category, the ability to serve walk-in appointments and minimize guest wait times is an essential element in delivering an efficient guest experience. Our mobile applications and online check-in capabilities allow us to capitalize on our guests' desire for convenience. We continue to focus on stylist staffing and retention, optimizing schedules and leveraging our POS systems to help us balance variable labor hours with guest traffic and manage guest wait times. In the Premium category, our salons generally schedule appointments in advance of service. Our salons are located in high-traffic strip centers, Walmart Supercenters and shopping malls, with guest parking and easy access, and are generally open seven days per week, offering guests a variety of convenient ways to fulfill their beauty needs.

Affordability. The Company strives to offer an exceptional value for its services. In the value category, our guests expect outstanding service at competitive prices. These expectations are met with average service transactions ranging from $19 to $21. During fiscal year 2018, we greatly reduced the complexity of the service offerings within our SmartStyle portfolio with the introduction of "Everyday Simple Pricing" while also introducing a new "Express Haircut" service targeted towards the male guests who shop at Walmart and simplified the service offerings within our Signature Style portfolio. Pricing decisions are considered on a salon level basis and established based on local conditions.

Salon Appearance and Atmosphere. The Company's salons range from 500 to 5,000 square feet, with the typical salon approximating 1,200 square feet. Our salon repairs and maintenance program is designed to ensure we invest in salon cleanliness and safety, as well as in maintaining the normal operation of our salons. Our annual capital expenditures include funds to refresh the appeal and comfort of our salons.

Retail Assortments. The Company's salons sell nationally recognized hair care and beauty products, as well as a complete assortment of owned brand products. The Company's stylists are compensated and regularly trained to sell hair care and beauty products to their guests. Additionally, guests are encouraged to purchase products after stylists demonstrate their efficacy by using them in the styling of our guests' hair. The top selling brands within the Company's retail assortment include Regis DESIGNLINE, Paul Mitchell, Biolage, Redken, Sexy Hair Concepts, Nioxin, Kenra, It's a 10, Total Results, and Tigi. We also continued to expand our e-commerce initiative to distribute our Regis DESIGNLINE brand through new distribution channels to supplement our existing in-salon sales and raise brand awareness.

Technology. Our point of sale (POS) systems have the ability to collect guest and transactional data and enable the Company to invest in guest relationship management, gaining insights into guest behavior, communicating with guests and incenting return visits. Leveraging this technology allows us to monitor guest retention and to survey our guests for feedback on improving the guest experience. Our mobile applications allow guests to view wait times and interact in other ways with salons. We are currently making further investments to improve the speed of our POS technology, improving the overall guest experience.

Marketing. We are investing in advertising to drive traffic. This includes leveraging advertising and media, guest relationship management programs, digital programs, one-on-one communications and local tactical efforts (e.g., couponing), among other programs. Traffic driving efforts are targeted vs. a one-size-fits-all approach. Annual advertising and promotional plans are based on seasonality, consumer mindset, competitive positioning and return on investment. In fiscal year 2018, we entered into an industry-exclusive, multi-year sponsorship between Supercuts and Major League Baseball and select local club partnerships. We continually reallocate marketing investments into opportunities we believe represent the highest return to our shareholders.

Stylists

Our organization depends on its stylists to help deliver great guest experiences.

Field Leadership. As of August 1, 2017, we reorganized our field leadership by brand. This change will simplify and better focus our business by re-aligning the existing field leaders into three distinct field organizations: SmartStyle, Supercuts and Signature Style. Previously, these field leaders were responsible for a variety of brands, with different business models, services, pay plans and guest expectations. Post-reorganization, each field leader is dedicated to a specific brand. We believe the new structure will further enable our field leadership to focus on quality guest experiences, enable improved salon execution, drive same-store sales traffic growth and simplify our operations.

Development of our field leaders is a high priority because stylists depend on their salons and field leaders for coaching, mentoring and motivation. Our training curriculum serves as the foundation for ongoing leadership development. Role clarity and talent assessments help us identify ways to develop and upgrade field leadership. Execution disciplines are used to drive accountability, execution and business performance. Incentives are designed to align field interests with those of the Company's shareholders by rewarding behaviors focused on revenue and EBITDA growth. This organization structure also provides a clear career path for our people who desire to ascend within the Company.

Technical Education. We place a tremendous amount of importance in ongoing development of our stylists' craft. We intend to be the industry leader in technical training, including the utilization of digital training. Our stylists deliver a superior experience for our guests when they are well trained technically and experientially. We employ technical trainers who provide new hire training for stylists joining the Company from beauty schools and training for all stylists in current beauty care and styling trends. We supplement internal training with targeted vendor training and external trainers who bring specialized expertise to our stylists. We utilize training materials to help all levels of field employees navigate the running of a salon and essential elements of guest service training within the context of brand positions.

Recruiting. Ensuring that we attract, train and retain our stylists is critical to our success. We compete with all service industries for our stylists; to that end, we continue to enhance our recruiting efforts across all levels within our organization and are focused on showing our stylists a path forward. We cultivate a pipeline of field leaders through succession planning and recruitment venues from within and outside the salon industry. We also leverage beauty school relationships and participate in job fairs and industry events.

Technology. Our POS systems and salon workstations throughout North America enable communication with salons and stylists, delivery of online and digital training to stylists, salon level analytics on guest retention, wait times, stylist productivity, and salon performance. We are currently making further investments in our POS hardware and salon technology to improve the speed of our systems allowing for stylists to be more productive and improve overall guest and stylist satisfaction. We are also deploying tablets to salons to enhance the channel of communication with our stylists and enable digital training.

Salon Support

Our corporate headquarters is referred to as Salon Support. This acknowledges that loving our guests and stylists mandates a service-oriented, guest and stylist-focused mentality in supporting our field organization.

Organization. Salon Support and our associated priorities are aligned to our field organization to enhance the effectiveness and efficiency of the service we provide and optimize the guest experience.

Simplification. Our ongoing simplification efforts focus on improving the way we plan and execute across our portfolio of brands. Every program, communication, and report that complicates our operations and takes time away from our guests is being assessed for simplification or elimination. Simplifying processes and procedures around scheduling, inventory management, day-to-day salon execution, communication and reporting improve salon service. Our organization also remains focused on eliminating non-essential costs and on profit enhancing initiatives that do not harm the guest experience.

Salon Concepts:

The Company's salon concepts focus on providing high quality hair care services and professional hair care products. A description of the Company's salon concepts are listed below:

SmartStyle. SmartStyle salons offer a full range of custom styling, cutting, and hair coloring, as well as professional hair care products and are currently located exclusively in Walmart Supercenters. SmartStyle has primarily a walk-in guest base with value pricing. Service revenues represent approximately 69% of total company-owned SmartStyle revenues. Additionally, the Company has 561 franchised SmartStyle and Cost Cutters salons located in Walmart Supercenters.

Supercuts. Supercuts salons provide consistent, high quality hair care services and professional hair care products to its guests at convenient times and locations at value prices. This concept appeals to men, women, and children. Service revenues represent approximately 91% of total company-owned Supercuts revenues. Additionally, the Company has 1,739 franchised Supercuts locations throughout North America.

Signature Style. Signature Style salons are made up of acquired regional company-owned salon groups operating under the primary concepts of Hair Masters, Cool Cuts for Kids, Style America, First Choice Haircutters, Famous Hair, Cost Cutters, BoRics, Magicuts, Holiday Hair, Head Start, Fiesta Salons, Roosters and TGF, as well as other concept names. Most concepts offer a full range of custom hairstyling, cutting and coloring services, as well as professional hair care products. Service revenues represent approximately 89% of total company-owned Signature Style salons revenues. Additionally, the Company has 745 franchised locations of Signature Style salons.

MasterCuts. MasterCuts salons are a full service, mall-based salon group which focuses on the walk-in consumer who demands moderately priced hair care services. MasterCuts salons emphasize quality hair care services, affordable prices, and time saving services for the entire family. These salons offer a full range of custom styling, cutting and hair coloring services, as well as professional hair care products. The Company has 302 franchised MasterCuts locations throughout North America.

Regis Salons. Regis Salons are primarily mall-based, full service salons providing complete hair care and beauty services aimed at moderate to upscale, fashion conscious consumers. At Regis Salons both appointments and walk-in guests are common. These salons offer a full range of custom styling, cutting and hair coloring services, as well as professional hair care products. Regis Salons compete in their existing markets primarily by providing high quality services. Included within the Regis Salon concept are various other trade names, including Carlton Hair, Sassoon salons and academies, Hair by Stewarts, Hair Excitement, and Renee Beauty. The Company has 505 franchised Regis Salons locations throughout North America.

International Salons. International salons are now franchised locations operating in the United Kingdom and Germany primarily under the Supercuts, Regis, and Sassoon concepts. These salons offer similar levels of service as our North American salons. Sassoon is one of the world's most recognized names in hair fashion and appeals to women and men looking for a prestigious full service hair salon. Salons are usually located in prominent high-traffic locations and offer a full range of custom hairstyling, cutting and coloring services, as well as professional hair care products.

The tables on the following pages set forth the number of system-wide locations (company-owned and franchised) and activity within the various salon concepts.

System-wide location counts

	June 30,		
	2018	2017	2016
Company-owned salons:			
SmartStyle/Cost Cutters in Walmart stores	1,660	2,652	2,683
Supercuts	928	980	1,053
Signature Style	1,378	1,468	1,604
Mall locations (Regis and MasterCuts)(1)	—	898	1,124
Total North American salons	3,966	5,998	6,464
Total International salons(1)(2)	—	275	328
Total, Company-owned salons	3,966	6,273	6,792
as a percent of total Company-owned and Franchise salons	49.1%	70.3%	73.1%
Franchised salons:			
SmartStyle/Cost Cutters in Walmart stores(3)	561	176	125
Supercuts	1,739	1,687	1,579
Signature Style	745	770	792
Total non-mall franchise locations	3,045	2,633	2,496
Mall locations (Regis and MasterCuts)(1)	807	—	—
Total North American salons	3,852	2,633	2,496
Total International salons(1)(2)	262	13	—
Total, Franchised salons	4,114	2,646	2,496
as a percent of total Company-owned and Franchise salons	50.9%	29.7%	26.9%
Ownership interest locations:			
Equity ownership interest locations	88	89	195
Grand Total, System-wide	8,168	9,008	9,483

Constructed Locations (net relocations)

	Fiscal Years		
	2018	2017	2016
Company-owned salons:			
SmartStyle/Cost Cutters in Walmart stores	1	37	51
Supercuts	—	2	5
Signature Style	1	—	1
Mall locations (Regis and MasterCuts)(1)	—	—	—
Total North American salons	2	39	57
Total International salons(1)(2)	1	2	9
Total, Company-owned salons	3	41	66
Franchised salons:			
SmartStyle/Cost Cutters in Walmart stores(3)	1	—	—
Supercuts	68	111	146
Signature Style	8	27	24
Mall locations (Regis and MasterCuts)(1)	—	—	—
Total North American salons	77	138	170
Total International salons(1)(2)	2	8	—
Total, Franchised salons	79	146	170

Closed Locations

	Fiscal Years		
	2018	2017	2016
Company-owned salons:			
SmartStyle/Cost Cutters in Walmart stores(4)	(605)	(11)	(7)
Supercuts	(20)	(51)	(17)
Signature Style	(76)	(123)	(77)
Mall locations (Regis and MasterCuts)(1)	(14)	(226)	(103)
Total North American salons	(715)	(411)	(204)
Total International salons(1)(2)	(14)	(50)	(37)
Total, Company-owned salons	(729)	(461)	(241)
Franchised salons:			
SmartStyle/Cost Cutters in Walmart stores(3)	(4)	(6)	(2)
Supercuts	(72)	(44)	(22)
Signature Style	(40)	(43)	(32)
Mall locations (Regis and MasterCuts)(1)	(63)	—	—
Total North American salons	(179)	(93)	(56)
Total International salons(1)(2)	(15)	—	—
Total, Franchised salons	(194)	(93)	(56)

Conversions (including net franchisee transactions)(5)

	Fiscal Years		
	2018	2017	2016
Company-owned salons:			
SmartStyle/Cost Cutters in Walmart stores	(388)	(57)	—
Supercuts	(32)	(24)	(27)
Signature Style	(15)	(13)	(31)
Mall locations (Regis and MasterCuts)(1)	(884)	—	—
Total North American salons	(1,319)	(94)	(58)
Total International salons(1)(2)	(262)	(5)	—
Total, Company-owned salons(6)	(1,581)	(99)	(58)
Franchised salons:			
SmartStyle/Cost Cutters in Walmart stores(3)	388	57	—
Supercuts	56	41	62
Signature Style	7	(6)	(4)
Mall locations (Regis and MasterCuts)(1)	870	—	—
Total North American salons	1,321	92	58
Total International salons(1)(2)	262	5	—
Total, Franchised salons(6)	1,583	97	58

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(1) In October 2017, the Company sold substantially all of its mall-based salon business in North America, representing 858 salons, and substantially all of its previous International segment, representing approximately 250 salons in the UK, to TBG, who operates these locations as franchise locations. The mall-based business and the previous International segment have been reported as a discontinued operation. See Note 2 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K for further discussion.

(2) Canadian and Puerto Rican salons are included in the North American salon totals.

(3) Franchised SmartStyle salons in Walmart stores includes salons originally opened as Magicuts locations in Canadian Walmart stores that were rebranded to SmartStyle.

(4) In January 2018, the Company closed 597 non-performing company-owned SmartStyle locations.

(5) During fiscal years 2018, 2017, and 2016, the Company acquired zero, one, and one salon locations, respectively, from franchisees. During fiscal years 2018, 2017, and 2016, the Company sold 1,581, 100, and 59 salon locations, respectively, to franchisees.

(6) During fiscal year 2018, two conversions were completed that were incomplete as of June 30, 2017.

Salon Franchising Program:

General. We have various franchising programs supporting our 4,114 franchised salons as of June 30, 2018, consisting mainly of Supercuts, SmartStyle, Cost Cutters, Regis salons, MasterCuts, First Choice Haircutters, Roosters, Magicuts salons. These salons have been included in the discussions regarding salon counts and concepts.

We provide our franchisees with a comprehensive system of business training, stylist education, site approval and lease negotiation, construction management services, professional marketing, promotion, and advertising programs, and other forms of on-going support designed to help franchisees build successful businesses.

Standards of Operations. The Company does not control the day-to-day operations of its franchisees, including employment, benefits and wage determination, establishing prices to charge for products and services, business hours, personnel management, and capital expenditure decisions. However, the franchise agreements afford certain rights to the Company, such as the right to approve locations, suppliers and the sale of a franchise. Additionally, franchisees are required to conform to the Company's established operational policies and procedures relating to quality of service, training, salon design and decor, and trademark usage. The Company's field personnel make periodic visits to franchised salons to ensure they are operating in conformity with the standards for each franchising program. All of the rights afforded to the Company with regard to franchised operations allow the Company to protect its brands, but do not allow the Company to control the franchise operations or make decisions that have a significant impact on the success of the franchised salons. The Company's franchise agreements do not give the Company any right, ability or potential to determine or otherwise influence any terms and/or conditions of employment of franchisees' employees (except for those, if any, that are specifically related to quality of service, training, salon design, decor, and trademark usage), including, but not limited to, franchisees' employees' wages and benefits, hours of work, scheduling, leave programs, seniority rights, promotional or transfer opportunities, layoff/recall arrangements, grievance and dispute resolution procedures, dress code, and/or discipline and discharge.

Franchise Terms. Pursuant to a franchise agreement with the Company, each franchisee pays an initial fee for each store and ongoing royalties to the Company. In addition, for most franchise concepts, the Company collects advertising funds from franchisees and administers the funds on behalf of the concepts. Franchisees are responsible for the costs of leasehold improvements, furniture, fixtures, equipment, supplies, inventory, payroll costs and certain other items, including initial working capital. The majority of franchise agreements provide the Company a right of first refusal if the store is to be sold and the franchisee must obtain the Company's approval in all instances where there is a sale of a franchise location.

Additional information regarding each of the major franchised brands is listed below:

Supercuts

Supercuts franchise agreements have a perpetual term, subject to termination of the underlying lease agreement or termination of the franchise agreement by either the Company or the franchisee. All new franchisees enter into development agreements, which give them the right to enter into a defined number of franchise agreements. These franchise agreements are site specific. The development agreement provides limited territorial protection for the stores developed under those franchise agreements. Older franchisees have grandfathered expansion rights which allow them to develop stores outside of development agreements and provide them with greater territorial protections in their markets. The Company has a comprehensive impact policy that resolves potential conflicts among Supercuts franchisees and/or the Company's Supercuts locations regarding proposed store sites.

SmartStyle and Cost Cutters in Walmart Supercenters

The majority of existing SmartStyle and Cost Cutters franchise agreements for salons located in Walmart Supercenters have a five year term with a five year option to renew. The franchise agreements are site specific. As announced in January 2017, this business grew primarily through conversions from corporate to franchise-owned salons.

Cost Cutters (not located in Walmart Supercenters), First Choice Haircutters and Magicuts

The majority of existing Cost Cutters franchise agreements have a 15 year term with a 15 year option to renew (at the option of the franchisee), while the majority of First Choice Haircutters franchise agreements have a ten year term with a five year option to renew. The majority of Magicuts franchise agreements have a term equal to the greater of five years or the current initial term of the lease agreement with an option to renew for two additional five year periods. The current franchise agreement is site specific. Franchisees may enter into development agreements with the Company which provide limited territorial protection.

Roosters Men's Grooming Center

Roosters franchise agreements have a ten-year term with a ten-year option to renew (at the option of the franchisee). New franchisees enter into a franchise agreement concurrent with the opening of their first store, along with a development agreement under which they have the right to open two additional locations.

Regis and MasterCuts

The Regis and MasterCuts franchise agreements have a ten-year term with a ten-year option to renew (at the option of the franchisee). The franchise agreements are site specific.

Franchisee Training. The Company provides new franchisees with training, focusing on the various aspects of salon management, including operations, personnel management training, marketing fundamentals, and financial controls. Existing franchisees receive training, counseling and information from the Company on a regular basis. The Company provides salon managers and stylists with technical training for franchisees.

Salon Markets and Marketing:

Company-Owned Salons

The Company utilizes various marketing vehicles for its salons, including traditional advertising, guest relationship management, digital marketing programs and promotional/pricing based programs. Most marketing vehicles including radio, print, online, digital and television advertising are developed and supervised at the Company's Salon Support headquarters. The Company reviews its brand strategy with the intent to create more clear communication platforms, identities and differentiation points for our brands to drive consumer preference.

Franchised Salons

Most franchise concepts maintain separate advertising funds that provide comprehensive marketing and sales support for each system. The Supercuts advertising fund is the Company's largest advertising fund and is administered by a council consisting of primarily franchisee representatives. The council has overall control of the advertising fund's expenditures and operates in accordance with terms of the franchise operating and other agreements. All stores, company-owned and franchised, contribute to the advertising funds. Depending on the brand, the funds are allocated to the brand contributing market for media placement and local marketing activities or to the creation of national advertising and system-wide activities.

Affiliated Ownership Interest:

The Company maintains a noncontrolling 54.6% ownership interest in Empire Education Group, Inc. ("EEG"), which is accounted for as an equity method investment. See Note 1 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K. EEG operates accredited cosmetology schools. Contributing the Company's beauty schools in fiscal 2008 to EEG leveraged EEG's management expertise, while enabling the Company to maintain a vested interest in the beauty school industry. Additionally, we utilize our EEG relationship to recruit stylists straight from beauty school.

Corporate Trademarks:

The Company holds numerous trademarks, both in the United States and in many foreign countries. The most recognized trademarks are "SmartStyle®," "Supercuts®," "MasterCuts®," "Regis Salons®," "Cost Cutters®," "Hair Masters®," "First Choice Haircutters®," and "Magicuts®."

"Sassoon" is a registered trademark of Procter & Gamble. The Company has a license agreement to use the Sassoon name for existing salons and academies and new salon development.

Corporate Employees:

As of June 30, 2018, the Company had approximately 27,000 full and part-time employees worldwide, of which approximately 24,000 employees were located in the United States. The Company believes its employee relations are amicable.

Executive Officers:

Information relating to the Executive Officers of the Company follows:

Name	Age	Position
Hugh Sawyer	64	President and Chief Executive Officer
Andrew Lacko	48	Executive Vice President and Chief Financial Officer
Eric Bakken	51	Executive Vice President and President of Franchise
Chad Kapadia	49	Executive Vice President and Chief Technology Officer
Jim Lain	54	Executive Vice President and Chief Operating Officer
Laura Alexander	35	Senior Vice President, Merchandise
Rachel Endrizzi	42	Senior Vice President and Chief Marketing Officer
Shawn Moren	51	Senior Vice President and Chief Human Resources Officer
Amanda Rusin	36	Senior Vice President and General Counsel and Secretary

Hugh Sawyer has served as President and Chief Executive Officer, as well as a member of the Board of Directors, since April 2017. Before joining Regis Corporation, he served as a Managing Director of Huron Consulting Group Inc. ("Huron") from January 2010 to April 2017. While at Huron, he served as Interim President and CEO of JHT Holdings, Inc. from January 2010 to March 2012, as the Chief Administrative Officer of Fisker Automotive Inc. 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. from February 2014 to August 2015. Mr. Sawyer has served as President or CEO of nine companies (including Regis) and on numerous Boards of Directors. In February 2018, Mr. Sawyer was appointed to the Board of Directors of Huron.

Andrew Lacko was appointed to Executive Vice President and Chief Financial Officer in July 2017. Before joining Regis Corporation, he served as Senior Vice President, Global Financial Planning, Analysis and Corporate Development, of Hertz Global Holdings, Inc. since 2015 and as Vice President - Financial Planning and Analysis of Hertz Global Holdings, Inc. beginning in January 2014. Before joining Hertz, Mr. Lacko served as Vice President, Financial Planning and Analysis at First Data Corp. from 2013 to January 2014. Prior to that, Mr. Lacko served in senior financial planning and analysis and investor relations roles at Best Buy Co., Inc. from 2008 to 2013.

Eric Bakken has served as President of Franchise and Executive Vice President since April 2017. He also served as Executive Vice President, Chief Administrative Officer, Corporate Secretary and General Counsel from April 2013 to January 2018. He also served as Interim Chief Financial Officer from September 2016 to January 2017. He served as Executive Vice President, General Counsel and Business Development and Interim Corporate Chief Operating Officer from 2012 to April 2013, and performed the function of interim principal executive officer between July 2012 and August 2012. Mr. Bakken joined the Company in 1994 as a lawyer and became General Counsel in 2004.

Chad Kapadia was appointed to Executive Vice President and Chief Technology Officer in June 2018. Before joining Regis Corporation, he served as Head of Engineering at Target Corporation's New Ventures and Accelerators. Prior to Target Corporation, Mr. Kapadia served in technology positions of increasing responsibility including Chief Technology Officer and Product Head at Swissclear Global, Inc. and as an Engineering Leader and founding member of Netflix, Inc.'s Content Platform Engineering and Media Pipeline.

Jim Lain has served as Executive Vice President and Chief Operating Officer since November 2013. Before joining Regis Corporation, he served as Vice President at Gap, Inc. from August 2006 to November 2013.

Laura Alexander was appointed as Senior Vice President, Merchandise in June 2018. Ms. Alexander served as Vice President, Walmart Relations and SmartStyle Franchise Administration from July 2017 to June 2018. Ms. Alexander joined the Company in 2012 and served in various roles within the legal, franchise and Walmart Relations departments.

Rachel Endrizzi has served as Senior Vice President and Chief Marketing Officer since May 2017. She joined Regis Corporation in 2004 and most recently served as Vice President, Branding and Marketing Communications.

Shawn Moren was appointed to Senior Vice President and Chief Human Resources Officer in August 2017. Before joining Regis Corporation, she served as Senior Vice President, Human Resources, for Bluestem Group, Inc. from July 2013 to August 2017. Prior to that, she served as Vice President, Human Resources, Retail, Supply Chain & Corporate for SUPERVALU during 2013 and as Group Vice President, Human Resources for SUPERVALU from March 2012 to March 2013.

Amanda Rusin was appointed as Senior Vice President and General Counsel and Secretary in January 2018. Before joining Regis Corporation, she served as Assistant General Counsel at Polaris Industries, Inc. from September 2015 to December 2017 and Senior Attorney at Polaris Industries, Inc. from June 2014 to September 2015. Before joining Polaris Industries, Inc. Ms. Rusin served as Commercial Director at Cargill, Incorporated from August 2013 to May 2014 and Attorney at Cargill, Incorporated from June 2008 to August 2013.

Governmental Regulations:

The Company is subject to various federal, state, local and provincial laws affecting its business as well as a variety of regulatory provisions relating to the conduct of its beauty related business, including health and safety.

In the United States, the Company's franchise operations are subject to the Federal Trade Commission's Trade Regulation Rule on Franchising (the FTC Rule) and by state laws and administrative regulations that regulate various aspects of franchise operations and sales. The Company's franchises are offered to franchisees by means of an offering circular/disclosure document containing specified disclosures in accordance with the FTC Rule and the laws and regulations of certain states. The Company has registered its offering of franchises with the regulatory authorities of those states in which it offers franchises and in which such registration is required. State laws that regulate the franchisor-franchisee relationship presently exist in a substantial number of states and, in certain cases, apply substantive standards to this relationship. Such laws may, for example, require that the franchisor deal with the franchisee in good faith, may prohibit interference with the right of free association among franchisees and may limit termination of franchisees without payment of reasonable compensation. The Company believes that the current trend is for government regulation of franchising to increase over time. However, such laws have not had, and the Company does not expect such laws to have, a significant effect on the Company's operations.

In Canada, the Company's franchise operations are subject to franchise laws and regulations in the provinces of Ontario, Alberta, Manitoba, New Brunswick and Prince Edward Island. The offering of franchises in Canada occurs by way of a disclosure document, which contains certain disclosures required by the applicable provincial laws. The provincial franchise laws and regulations primarily focus on disclosure requirements, although each requires certain relationship requirements such as a duty of fair dealing and the right of franchisees to associate and organize with other franchisees.

The Company believes it is operating in substantial compliance with applicable laws and regulations governing all of its operations.

The Company maintains an ownership interest in EEG. Beauty schools derive a significant portion of their revenue from student financial assistance originating from the U.S. Department of Education's Title IV Higher Education Act of 1965. For the students to receive financial assistance at the school, the beauty schools must maintain eligibility requirements established by the U.S. Department of Education.

Financial Information about Foreign and North American Operations

Financial information about foreign and North American markets is incorporated herein by reference to Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 and segment information in Note 14 to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

Available Information

The Company is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended (Exchange Act). The Company therefore files periodic reports, proxy statements and other information with the Securities and Exchange Commission (SEC). Such reports may be obtained by visiting the Public Reference Room of the SEC at 100 F Street NE, Washington, DC 20549, or by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site (*www.sec.gov*) that contains reports, proxy and information statements and other information.

Financial and other information can be accessed in the Investor Information section of the Company's website at *www.regiscorp.com*. The Company makes available, free of charge, copies of its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC.

Item 1A. Risk Factors

We are in the process of implementing a new strategy, priorities and initiatives and any inability to execute and evolve our strategy over time could adversely impact our financial condition and results of operations.

Hugh E. Sawyer became our President and Chief Executive Officer and a member of our Board of Directors in April 2017. The transition has resulted in, and could further result in, changes in business strategy and operations as Mr. Sawyer seeks to continue to improve the performance of company-owned salons while at the same time accelerate the growth of our franchise model. As part of our strategic transformation, we reorganized our field structure by brand/concept; sold substantially all of our mall-based salon business in North America and substantially all of our previous International segment in the United Kingdom to the Beautiful Group ("TBG"), which operates these locations as franchised locations; closed 597 non-performing company-owned SmartStyle salons (including 8 TGF salons) as part of the operational restructuring of the SmartStyle portfolio; and implemented various initiatives intended to stabilize performance and establish a platform for long-term growth, including investments in digital marketing and mobile applications designed to improve the guest experience and a multi-year sponsorship with Major League Baseball for our Supercuts® brand designed to support the growth of both company-owned and franchised Supercuts salons.

Our success depends, in part, on our ability to grow our franchise model, including attracting and retaining qualified franchisees. We announced plans in fiscal year 2017 to expand the franchise side of our business, including by selling certain company-owned salons to franchisees over time. In January 2017, we began franchising the SmartStyle brand throughout the U.S. for the first time. In October 2017, we sold substantially all of our mall-based salons, consisting of 858 Regis Salons and MasterCuts locations, and substantially all of our International business to a new single franchisee, TBG. Growth and development of our franchise model is ongoing. During fiscal year 2018, excluding the TBG transactions, new and existing franchisees opened 525 salons, of which 77 were organic and 448 were the sale of a company-owned salon to a franchisee. The potential growth of our franchise model will take time to execute and may create additional costs, expose us to additional legal and compliance risks, cause disruption to our current business and impact our short-term operating results. Further, in order to enhance services to its franchisees, the Company may need to invest in certain new capabilities and/or services.

Our success also depends, in part, on our ability to improve sales, as well as both cost of service and product and operating margins at our company-owned salons. Same-store sales are affected by average ticket and same-store guest visits. A variety of factors affect same-store guest visits, including the guest experience, staffing and retention of stylists and salon leaders, price competition, fashion trends, competition, current economic conditions, product assortment, customer traffic at Walmart where our SmartStyle locations reside, marketing programs and weather conditions. These factors may cause our same-store sales to differ materially from prior periods and from our expectations.

In addition to a new President and Chief Executive Officer, since April 2017 we have appointed a new President of Franchise, Chief Financial Officer, Chief Marketing Officer, Chief Human Resources Officer, General Counsel, Chief Technology Officer, Senior Vice President of Merchandise and Vice President Creative. The process of integrating new talent and implementing any new strategies, priorities and initiatives involves inherent risks, including timing risks, and the changes we implement could harm our culture, relationships with customers, franchisees, suppliers, employees or other third parties and may be disruptive to our business. While we believe the pursuit of these changes will have a positive effect on our business in the long term, we cannot provide assurance that these changes will lead to the desired results. If we do not effectively and successfully execute on these changes, it could have a material adverse effect on our business.

It is important for us and our franchisees to attract, train and retain talented stylists and salon leaders.

Guest loyalty is dependent upon the stylists who serve our guests and the customer experience in our company-owned and franchised salons. Qualified, trained stylists are a key to a memorable guest experience that creates loyal customers. In order to profitably grow our business, it is important for our company-owned salons and franchisees to attract, train and retain talented stylists and salon leaders and to adequately staff our salons. Because the salon industry is highly fragmented and comprised of many independent operators, the market for stylists is highly competitive. In addition, increases in minimum wage requirements may impact the number of stylists considering careers outside the beauty industry. There is also a low unemployment rate and high competition for employees in the service industry, particularly licensed employees, which drives increased competition for stylists and could result in retention and hiring difficulties. In some markets, we and our franchisees have experienced a shortage of qualified stylists. Offering competitive wages, benefits, education and training programs are important elements to attracting and retaining qualified stylists. In addition, due to challenges facing the for-profit education industry, cosmetology schools, including our joint venture EEG, have experienced declines in enrollment, revenues and profitability in recent years. If the cosmetology school industry sustains further declines in enrollment or some schools close entirely, or if stylists leave the beauty industry, we expect that we and our franchisees would have increased difficulty staffing our salons in some markets. If our company-owned salons or franchisees are not successful in attracting, training and retaining stylists or in staffing our salons, our same-store sales or the performance of our franchise business could experience periods of variability or sales could decline and our results of operations could be adversely affected.

Our continued success depends in part on the success of our franchisees, who operate independently.

As of June 30, 2018, approximately 50% of our salons were franchised locations and we intend to expand our number of franchised locations, where we believe it will enhance shareholder value. We derive revenues associated with our franchised locations from royalties, service fees and product sales to franchised locations. Our financial results are therefore dependent in part upon the operational and financial success of our franchisees. As we increase our focus on our franchise business, our dependence on our franchisees grows.

We have limited control over how our franchisees' businesses are run. Though we have established operational standards and guidelines, they own, operate and oversee the daily operations of their salon locations. If franchisees do not successfully operate their salons in compliance with our standards, our brand reputation and image could be harmed and our financial results could be affected. We could experience greater risks as the scale of our franchise owners increases. Further, some franchise owners may not successfully execute the turnaround of under-performing salons which we have transferred to them.

In addition, our franchisees are subject to the same general economic risks as our Company, and their results are influenced by competition for both guests and stylists, market trends, price competition and disruptions in their markets due to severe weather and other external events. Like us, they rely on external vendors for some critical functions and to protect their company data. They may also be limited in their ability to open new locations by an inability to secure adequate financing, especially since many of them are small businesses with much more limited access to financing than our Company, or by the limited supply of favorable real estate for new salon locations. They may experience financial distress as a result of over-leveraging, which could negatively affect our operating results as a result of delayed payments to us. The bankruptcy of a franchisee could also expose us to liability under leases, which are generally sub-leased by us to our franchisees.

A deterioration in the financial results of our franchisees, or a failure of our franchisees to renew their franchise agreements, could adversely affect our operating results through decreased royalty payments, fees and product revenues.

Acceleration of the sale of certain company-owned salons to franchisees may not improve our operating results and could cause operational difficulties.

During fiscal year 2018, we accelerated the sale of company-owned salons to new and existing franchisees. During fiscal year 2018 we entered into agreements to sell 448 of our company-owned salons across our brands to new and existing franchisees (of which 388 were SmartStyle salons).

Success will depend on a number of factors, including franchisees' ability to improve the results of the salons they purchase and their ability and interest in continuing to grow their business. We also must continue to attract qualified franchisees and work with them to make their business successful. Moving a salon from company-owned to franchise-owned is expected to reduce our consolidated revenues, increase our royalty revenue and decrease our operating costs; however, the actual benefit from a sale is uncertain and may not be sufficient to offset the loss of revenues.

In addition, challenges in supporting our expanding franchise system could cause our operating results to suffer. If we are unable to effectively select and train new franchisees and support and manage our growing franchisee base, it could affect our brand standards, cause disputes between us and our franchisees, and potentially lead to material liabilities.

TBG's inability to transition and operate its salons successfully could adversely affect our business, financial condition and results of operations or cash flows, and could prevent the transaction from delivering the anticipated benefits and enhancing shareholder value.

In October 2017, we sold substantially all of our mall-based salon business in North America and substantially all of our International segment to TBG, an affiliate of Regent, which is operating them as a franchisee. The success of TBG depends upon a number of factors that are beyond our control, including, among other factors, market conditions, retail trends in mall locations, industry trends, stylist recruiting and retention, customer traffic, the capabilities of TBG, TBG's ability to maintain adequate working capital, technology and landlord issues. In particular, we remain liable under the leases for certain of these salons until the end of their various terms, and we could be required to make payments if TBG fails to do so, which could adversely impact our results of operations or cash flows.

Under the agreements with TBG, we receive fees for certain services, fees for certain transition services, and product sales revenue; however, the amount of these fees is tied to the success of the business as operated by TBG. As of June 30, 2018, it is taking longer than we originally anticipated for TBG to implement the changes intended to improve the business of the mall-based salons and the International business, and there is no assurance that TBG will be successful in doing so in the future. In addition, several of the services we provided to TBG under the transition services agreement ended in the fourth quarter of fiscal year 2018, thereby reducing this current income stream. We anticipate we will attempt to reduce related general and administrative costs and other associated expenses in connection with providing these transition services; however it will take time for us to reduce all of these costs even though the related income stream has ended.

In connection with the purchase agreements, subleases, transition services and other related agreements with the Company, from time to time, TBG has been delinquent on its payments to the Company and to third parties. It is foreseeable that TBG may in the future continue to have cash flow and working capital issues, which could have significant adverse impacts on our business, including a need to record reserves on receivables from TBG. In August 2018, we restructured certain payments due to us from TBG in the form of promissory notes representing approximately $11.7 million in working capital receivables and $8.0 million in accounts receivables, a majority of which was for inventory payables. All notes have a maturity date of August 2, 2020. Under the working capital notes, if no default has occurred under such notes and certain other conditions are met, such notes will be forgiven as of the maturity date and will be exchanged for a three-year contingent payment right that is payable to us upon the occurrence of certain TBG monetization events. Based on the likelihood of future forgiveness of the working capital notes, the Company recorded a full reserve against such notes. Should the Company need to record reserves against its current and future receivables from TBG or their ability to meet the requirements of the promissory notes, these reserves would be recorded within general and administrative expenses. TBG may in the future need to restructure (operationally, legally, or otherwise) these businesses, operations and obligations. The Company has certain rights and remedies under the various agreements with TBG, including, but not limited to, utilization of collateral, litigation, reversion of the leases in respect of certain divested salons back to the Company and enforcement of a guarantee. If the divested salons were to revert, we may have difficulty supporting the businesses because of the challenges involved in quickly and sufficiently staffing the salons and corporate functions to support an influx in company-owned stores, addressing the stores' performance issues, implementing required data privacy requirements in the United Kingdom and resuming support for the salons' IT and marketing requirements. Overall, TBG's inability to transition and operate the salons successfully, or its ability to make payments when due under the promissory notes or otherwise under the franchise agreements and transition service agreements, could adversely affect our business, including increased litigation risks, financial condition and results of operations or cash flows, and could prevent the transaction from delivering the anticipated benefits and shareholder value.

The continued unit growth and operation of the SmartStyle business is dependent on our relationship with Walmart.

At June 30, 2018, we had 2,221 SmartStyle or Cost Cutters salons within Walmart locations, including 2 salons opened during fiscal year 2018 (net of relocations). Walmart is by far our largest landlord, and we are Walmart's largest tenant. Our business within each of those 2,221 salons relies primarily on the traffic of visitors to the Walmart in which it is located, so our success is tied to Walmart's success in bringing shoppers into their stores. We have limited control over the locations and markets in which we open new SmartStyles, as we only have potential opportunities in locations offered to us by Walmart. Furthermore, Walmart has the right to close up to 100 of our salons per year for any reason, upon payment of certain penalties; to terminate lease agreements for breach, such as if we failed to conform with required operating hours, subject to a notice and cure period; and to terminate the lease if the Walmart store in which it sits is closed. During fiscal year 2017, we began franchising select SmartStyle branded locations. Future franchising activity will require the approval of Walmart. Operating both company-owned and franchised SmartStyles adds complexity in overseeing franchise compliance and coordination with Walmart.

Our future growth and profitability may depend, in part, on our ability to build awareness and drive traffic with advertising and marketing efforts, and on delivering a quality guest experience to drive repeat visits to our salons.

Our future growth and profitability may depend on the effectiveness, efficiency and spending levels of our marketing and advertising efforts to drive awareness and traffic to our salons. In addition, delivering a quality guest experience is crucial in order to drive repeat visits to our salons. We are developing our marketing and advertising strategies, including national and local campaigns, to build awareness, drive interest, consideration and traffic to our salons. We are also focusing on improving guest experiences to provide brand differentiation and preference, and to ensure we meet our guests' needs. If our marketing, advertising and improved guest experience efforts do not generate sufficient customer traffic and repeat visits to our salons, our business, financial condition and results of operations may be adversely affected.

Changes in regulatory and statutory laws, such as increases in the minimum wage and changes that make collective bargaining easier, and the costs of compliance and non-compliance with such laws, may result in increased costs to our business.

With 8,168 locations and approximately 27,000 employees worldwide, our financial results can be adversely impacted by regulatory or statutory changes in laws. Due to the number of people we employ, laws that increase minimum wage rates, employment taxes, overtime requirements or costs to provide employee benefits or administration may result in additional costs to our Company.

A number of U.S. states, Canadian provinces and municipalities in which we do business have recently increased or are considering increasing the minimum wage, with increases generally phased over several years depending upon the size of the employer. Increases in minimum wages and overtime pay increase our costs, and our ability to offset these increases through price increases may be limited. In fact, increases in minimum wages increased our costs over the last five years. In addition, a growing number of states, provinces, and municipalities have passed or are considering requirements for paid sick leave, family leave, predictive scheduling (which imposes penalties for changing an employee's shift as it nears), and other requirements that increase the administrative complexity of managing our workforce. Finally, changes in labor laws, such as recent legislation in Ontario and Alberta designed to facilitate union organizing, could increase the likelihood of some of our employees being subjected to greater organized labor influence. If a significant portion of our employees were to become unionized, it would have an adverse effect on our business and financial results.

Increases in minimum wages, administrative requirements and unionization could also have an adverse effect on the performance of our franchisees, especially if our franchisees are treated as a "joint employer" with us by the National Labor Relations Board (NLRB) or as a large employer under minimum wage statutes because of their affiliation with us. In addition, we must comply with state employment laws, including the California Labor Code, which has stringent requirements and penalties for non-compliance.

Various state and federal laws govern our relationship with our franchisees and our potential sale of a franchise. If we fail to comply with these laws, we could be liable for damages to franchisees and fines or other penalties. A franchisee or government agency may bring legal action against us based on the franchisee/franchisor relationship. Also, under the franchise business model, we may face claims and liabilities based on vicarious liability, joint-employer liability, or other theories or liabilities. All such legal actions not only could result in changes to laws and interpretations, making it more difficult to appropriately support our franchisees and, consequently, impacting our performance, but, also, such legal actions could result in expensive litigation with our franchisees or government agencies that could adversely affect both our profits and our important relations with our franchisees. In addition, other regulatory or legal developments may result in changes to laws or the franchisor/franchisee relationship that could negatively impact the franchise business model and, accordingly, our profits.

In addition to employment and franchise laws, we are also subject to a wide range of federal, state, provincial and local laws and regulations, including those affecting public companies, product manufacture and sale, and governing the franchisor-franchisee relationship, in the jurisdictions in which we operate. Compliance with new, complex and changing laws may cause our expenses to increase. In addition, any non-compliance with laws or regulations could result in penalties, fines, product recalls and enforcement actions or otherwise restrict our ability to market certain products or attract or retain employees, which could adversely affect our business, financial condition and results of operations.

Our success depends substantially on the value of our brands.

Our success is dependent, in large part, upon our ability to maintain and enhance the value of our brands, our customers' connection to our brands, and a positive relationship with our franchisees. Brand value can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity, including via social media, or result in litigation. Some of these incidents may relate to the way we manage our relationship with our franchisees, our growth strategies, our development efforts, or the ordinary course of our, or our franchisees', business. Other incidents may arise from events that are or may be beyond our ability to control and may damage our brands, such as actions taken (or not taken) by one or more franchisees or their employees relating to health, safety, welfare, or otherwise; litigation and claims; security breaches or other fraudulent activities associated with our payment systems; and illegal activity targeted at us or others. Consumer demand for our products and services and our brands' value could diminish significantly if any such incidents or other matters erode consumer confidence in us or our products or services, which would likely result in lower sales and, ultimately, lower royalty income, which in turn could materially and adversely affect our business and operating results.

Premature termination of franchise agreements can cause losses.

Our franchise agreements may be subject to premature termination in certain circumstances, such as failure of a franchisee to cure a monetary default. If terminations occur for this or other reasons, we may need to enforce our right to damages for breach of contract and related claims, which may cause us to incur significant legal fees and expenses. Any damages we ultimately collect could be less than the projected future value of the fees and other amounts we would have otherwise collected under the franchise agreement. In addition, with many of our brands, we remain liable under the lease and, therefore, will be obligated to pay rent or enter into a settlement with the landlord, and we may not be made whole by the franchisee. A significant loss of franchisee agreements due to premature terminations could hurt our financial performance or our ability to grow our business.

Cybersecurity incidents could result in the compromise of sensitive information about our guests, employees, vendors or company and expose us to business disruption, negative publicity, costly government enforcement actions or private litigation and our reputation could suffer.

The normal operations of our business involve processing, transmission and storage of personal information about our guests as well as employees, vendors and our Company. Cyber-attacks designed to gain access to sensitive information by breaching mission critical systems of large organizations and their third party vendors are constantly evolving, and high profile electronic security breaches leading to unauthorized release of sensitive guest information have occurred at a number of large U.S. companies in recent years. Despite the security measures and processes we have in place, our efforts, and those of our third party vendors, to protect sensitive guest and employee information may not be successful in preventing a breach in our systems, or detecting and responding to a breach on a timely basis. As a result of a security incident or breach in our systems, our systems could be interrupted or damaged, or sensitive information could be accessed by third parties. If that happened, our guests could lose confidence in our ability to protect their personal information, which could cause them to stop visiting our salons altogether. Such events could lead to lost future sales and adversely affect our results of operations. In addition, as the regulatory environment relating to retailers and other companies' obligations to protect sensitive data becomes stricter, a material failure on our part to comply with applicable regulations could subject us to fines or other regulatory sanctions and potentially to lawsuits. These laws are changing rapidly and vary among jurisdictions. Furthermore, while our franchisees are independently responsible for data security at franchised locations, a breach of guest or vendor data at a franchised location could also negatively affect public perception of our brands. More broadly, our incident response preparedness and disaster recovery planning efforts may be inadequate or ill-suited for a security incident and we could suffer disruption of operations or adverse effects to our operating results.

We rely heavily on our information technology systems for our key business processes. If we experience an interruption in their operation, our results of operations may be affected.

The efficient operation of our business is dependent on our management information systems. We rely heavily on our management information systems to collect daily sales information and guest demographics, generate payroll information, monitor salon performance, manage salon staffing and payroll costs, manage our two distribution centers and other inventory and other functions. Such systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, hackers, security breaches, and natural disasters. In addition, certain of our management information systems are developed and maintained by external vendors, including our POS system, and some are outdated or of limited functionality, not owned by the Company or not exclusively provided by the Company. The failure of our management information systems to perform as we anticipate, meet the continuously evolving needs of our business, or provide an affordable long-term solution, could disrupt our business operations and result in other negative consequences, including remediation costs, loss of revenue, and reputational damage.

We rely on external vendors for products and services critical to our operations.

We rely on external vendors for the manufacture of our owned brand products, other retail products we sell, and products we use during salon services such as color and chemical treatments. We also rely on external vendors for various services critical to our operations and the security of certain Company data. Our dependence on vendors exposes us to operational, reputational, financial, and compliance risk.

If our product offerings do not meet our guests' expectations regarding safety and quality, we could experience lost sales, increased costs, and exposure to legal and reputational risk. All of our vendors must comply with applicable product safety laws, and we are dependent on them to ensure that the products and packages we buy, for either use on a guest during a service or resale to the public, comply with all safety and quality standards. Events that give rise to actual, potential, or perceived product safety concerns or mislabeling could expose us to government enforcement action and/or private litigation and result in costly product recalls and other liabilities. In addition, we do not own the formulas for certain of our owned brand products, and could be unable to sell those products if the vendor decided to discontinue working with us.

Our vendors are also responsible for the security of certain Company data, as discussed above. In the event that one of our key vendors becomes unable to continue to provide products and services, or their systems fail, are compromised or the quality of their systems deteriorate, we may suffer operational difficulties and financial loss.

Consumer shopping trends and changes in manufacturer choice of distribution channels may negatively affect both service and product revenues.

Both our owned and franchised salons are partly dependent on the volume of traffic around their locations in order to generate both service and product revenues. Supercuts salons and most of our other brands are located mainly in strip center locations, and SmartStyle salons are located within Walmart Supercenters, so they are especially sensitive to Walmart traffic. Customer traffic may be adversely affected by changing consumer shopping trends that favor alternative shopping locations, such as the internet. In recent years we have experienced substantial declines in traffic in some shopping malls in particular. While we no longer own mall-based salons, as they are now operated by TBG, traffic patterns at those salons will affect our potential franchise royalties and product sales revenues.

In addition, we are experiencing a proliferation of alternative channels of distribution, like blow dry bars, booth rental facilities, discount brick-and-mortar and online professional products retailers, and manufacturers selling direct to consumers online, which may negatively affect our product and service revenue. Also, product manufacturers may decide to utilize these other distribution channels to a larger extent than in the past and they generally have the right to terminate relationships with us without much advance notice. These trends could reduce the volume of traffic around our salons, and in turn, our revenues may be adversely affected.

If we are not able to successfully compete in our business markets, our financial results may be affected.

Competition on a market by market basis remains challenging as many smaller chain competitors are franchise systems with local operating strength in certain markets and the hair salon industry as a whole is fragmented and highly competitive for customers, stylists and prime locations. Therefore, our ability to attract guests, raise prices and secure suitable locations in certain markets can be adversely impacted by this competition. Our strategies for competing are complicated by the fact that we have multiple brands in multiple segments, which compete on different factors.

We also face significant competition for prime real estate, particularly in strip malls. We compete for lease locations not only with other hair salons, but with a wide variety of businesses looking for similar square footage and high-quality locations.

Furthermore, our reputation is critical to our ability to compete and succeed. Our reputation may be damaged by negative publicity on social media or other channels regarding the quality of services we provide. There has been a substantial increase in the use of social media platforms, which allow individuals to be heard by a broad audience of consumers and other interested persons. Negative or false commentary regarding us or the products or services we offer may be posted on social media platforms at any time. Customers value readily available information and may act on information without further investigation or regard to its accuracy. The harm to our reputation may be immediate, without affording us an opportunity for redress or correction. Our reputation may also be damaged by factors that are mostly or entirely out of our control, including actions by a franchisee or a franchisee's employee. If we are not able to successfully compete, our ability to grow same-store sales and increase our revenue and earnings may be impaired.

We could be subject to changes in tax rates, the adoption of new U.S. or international tax legislation or exposure to additional tax liabilities.

We are subject to income taxes in the U.S. and other foreign jurisdictions. Significant judgment is required in determining our tax provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are subject to the examination of our income tax returns, payroll taxes and other tax matters by the Internal Revenue Service and other tax authorities and governmental bodies. The Company regularly assesses the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of its provision for income taxes and payroll tax accruals. There can be no assurances as to the outcome of these examinations. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical tax provisions and employment taxes. The results of an audit or litigation could have a material effect on our consolidated financial statements in the period or periods for which that determination is made.

Our effective income tax rate in the future could be adversely affected by a number of factors, including changes in the mix of earnings in countries with different statutory tax rates, changes in tax laws, the outcome of income tax audits, and any repatriation of non-U.S. earnings on which we have not previously provided U.S. taxes.

Changes to healthcare laws in the U.S. may increase the number of employees who participate in our healthcare plans, which may significantly increase our healthcare costs and negatively impact our operating results.

We offer comprehensive healthcare coverage to eligible employees in the United States. Historically, a majority of our eligible employees do not participate in our healthcare plans. Due to changes to healthcare laws in the United States, it is possible that enrollment in the Company's healthcare plans may increase as individual penalties for failing to have insurance increase pursuant to the Affordable Care Act (ACA), and as employees continue to assess their changing healthcare alternatives, including if Medicaid coverage decreases or health insurance exchanges become less favorable. Furthermore, under the ACA, potential fees and or penalties may be assessed against us as a result of individuals either not being offered healthcare coverage within a limited timeframe or if coverage offered does not meet minimum care and affordability standards. An increase in the number of employees who elect to participate in our healthcare plans, changing healthcare-related requirements or if the Company fails to comply with one or more provisions of ACA may significantly increase our healthcare-related costs and negatively impact our operating results.

Changes to interest rates and foreign currency exchange rates may impact our results from operations.

Changes in interest rates and foreign currency exchange rates will have an impact on our expected results from operations. Historically, we have managed the risk related to fluctuations in these rates through the use of fixed rate debt instruments and other financial instruments.

Failure to simplify and standardize our operating processes across our brands could have a negative impact on our financial results.

Standardization of operating processes across our brands, marketing and products will enable us to simplify our operating model and decrease our costs. Failure to do so could adversely impact our ability to grow revenue and realize further efficiencies within our results of operations.

If our joint venture with Empire Education Group is unsuccessful, our financial results may be affected.

We have a joint venture arrangement with Empire Education Group (EEG), an operator of accredited cosmetology schools. Due to significantly lower financial projections resulting from continued declines in EEG's enrollment, revenue and profitability, we recorded a $13.0 million non-cash impairment charge in fiscal year 2016, resulting in a full-impairment of our investment. If EEG is unsuccessful in executing its business plan, or if economic, regulatory and other factors, including declines in enrollment, revenue and profitability continue for the for-profit secondary education market, our financial results may be affected by certain potential liabilities related to this joint venture.

Failure to control costs may adversely affect our operating results.

We must continue to control our expense structure. Failure to manage our cost of product, labor and benefit rates, advertising and marketing expenses, operating lease costs, other store expenses or indirect spending could delay or prevent us from achieving increased profitability or otherwise adversely affect our operating results.

If we fail to comply with any of the covenants in our financing arrangement, we may not be able to access our existing revolving credit facility, and we may face an accelerated obligation to repay our indebtedness.

We have a financing arrangement that contains financial and other covenants. If we fail to comply with any of the covenants, it may cause a default under our financing arrangement, which could limit our ability to obtain additional financing under our existing credit facility, require us to pay higher levels of interest or accelerate our obligation to repay our indebtedness.

Changes in the general economic environment may impact our business and results of operations.

Changes to the U.S., Canadian and United Kingdom economies have an impact on our business. General economic factors that are beyond our control, such as recession, inflation, deflation, tax rates and policy, energy costs, unemployment trends, extreme weather patterns, other casualty events and other matters that influence consumer confidence and spending, may impact our business. In particular, visitation patterns to our salons can be adversely impacted by increases in unemployment rates and decreases in discretionary income levels.

Changes in consumer tastes, hair product innovation, fashion trends and consumer spending patterns may impact our revenue.

Our success depends in part on our ability to anticipate, gauge and react in a timely manner to changes in consumer tastes, hair product innovation, fashion trends and consumer spending patterns. If we do not timely identify and properly respond to evolving trends and changing consumer demands for hair care, our sales may decline significantly. Furthermore, we may accumulate additional inventory and be required to mark down unsold inventory to prices that are significantly lower than normal prices, which could adversely impact our margins and could further adversely impact our business, financial condition and results of operations.

Operational failure at one of our distribution centers would impact our ability to distribute product.

We operate two distribution centers, one near Chattanooga, Tennessee, and one near Salt Lake City, Utah. These supply our North America company-owned salons and many of our franchisees with retail products to sell and products used during salon services. A technology failure or natural disaster that caused one of the distribution centers to be inoperable would cause disruption in our business and could negatively impact our revenues.

Our enterprise risk management program may leave us exposed to unidentified or unanticipated risks.

We maintain an enterprise risk management program that is designed to identify, assess, mitigate, and monitor the risks that we face. There can be no assurance that our frameworks or models for assessing and managing known risks, compliance with applicable law, and related controls will effectively mitigate risk and limit losses in all market environments or against all types of risk in our business. If conditions or circumstances arise that expose flaws or gaps in our risk management or compliance programs, the performance and value of our business could be adversely affected.

Insurance and other traditional risk-shifting tools may be held by or available to Regis in order to manage certain types of risks, but they are subject to terms such as deductibles, retentions, limits and policy exclusions, as well as risk of denial of coverage, default or insolvency. If we suffer unexpected or uncovered losses, or if any of our insurance policies or programs are terminated for any reason or are not effective in mitigating our risks, we may incur losses that are not covered or that exceed our coverage limits and could adversely impact our results of operations, cash flows and financial position.

The franchise arrangements require each franchisee to maintain certain insurance coverages and levels. Certain extraordinary hazards, however, may not be covered, and insurance may not be available (or may be available only at prohibitively expensive rates) with respect to many other risks. Moreover, any loss incurred could exceed policy limits and policy payments made to franchisees may not be made on a timely basis. Any such loss or delay in payment could have a material and adverse effect on a franchisee’s ability to satisfy its obligations under its franchise arrangement, including its ability to make royalty payments.

We rely on our management team and other key personnel.

We depend on the skills, working relationships, and continued services of key personnel, including our management team and others throughout our organization. We are also dependent on our ability to attract and retain qualified personnel, for whom we compete with other companies both inside and outside our industry. Our business, financial condition or results of operations may be adversely impacted by the unexpected loss of any of our management team or other key personnel, or more generally if we fail to identify, recruit, train and/or retain talented personnel. Additionally, the Chief Executive Officer's current employment agreement may expire, by its terms, before the Company's multi-year strategic transformation is complete, and no succession plan has yet been determined.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's corporate offices are headquartered in a 139,000 square foot, two building complex in Edina, Minnesota that is owned by the Company.

The Company also operates offices in Edina, Minnesota; and Toronto, Canada. These offices are occupied under long-term leases.

The Company owns distribution centers located in Chattanooga, Tennessee and Salt Lake City, Utah. The Chattanooga facility currently utilizes 230,000 square feet while the Salt Lake City facility utilizes 210,000 square feet. The Salt Lake City facility can be expanded to 290,000 square feet to accommodate future growth.

The Company operates all of its salon locations under leases or license agreements. Salons operating within strip centers and Walmart Supercenters have leases with original terms of at least five years, generally with the ability to renew, at the Company's option, for one or more additional five year periods. Salons operating within department stores in Canada operate under license agreements, while freestanding or shopping center locations have real property leases comparable to the Company's company-owned locations.

The Company also leases the premises in which approximately 94% of our franchisees operate and has entered into corresponding sublease arrangements with the franchisees. These leases have a five year initial term and one or more five year renewal options. All lease costs are passed through to the franchisees. Remaining franchisees who do not enter into sublease arrangements with the Company negotiate and enter into leases on their own behalf.

None of the Company's salon leases are individually material to the operations of the Company and the Company expects that it will be able to renew its leases on satisfactory terms as they expire or identify and secure other suitable locations. See Note 8 to the Consolidated Financial Statements.

Item 3. Legal Proceedings

The Company is a defendant in various lawsuits and claims arising out of the normal course of business. Like certain other large retail employers, the Company has been faced with allegations of purported class-wide consumer and wage and hour violations. Litigation is inherently unpredictable and the outcome of these matters cannot presently be determined. Although the actions are being vigorously defended, the Company could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations in any particular period.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Repurchase of Equity Securities

Regis common stock is listed and traded on the New York Stock Exchange under the symbol "RGS."

The accompanying table sets forth the high and low closing bid quotations for each quarter during fiscal years 2018 and 2017 as reported by the New York Stock Exchange (under the symbol "RGS"). The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

As of August 10, 2018, Regis shares were owned by approximately 11,000 shareholders based on the number of record holders and an estimate of individual participants in security position listings. The closing stock price was $17.47 per share on August 10, 2018.

	Fiscal Years			
	2018		2017	
Fiscal Quarter	High	Low	High	Low
1st Quarter	$ 14.59	$ 9.40	$ 14.49	$ 12.18
2nd Quarter	16.68	13.79	15.56	11.56
3rd Quarter	17.13	14.66	15.61	11.37
4th Quarter	18.63	14.31	11.71	9.02

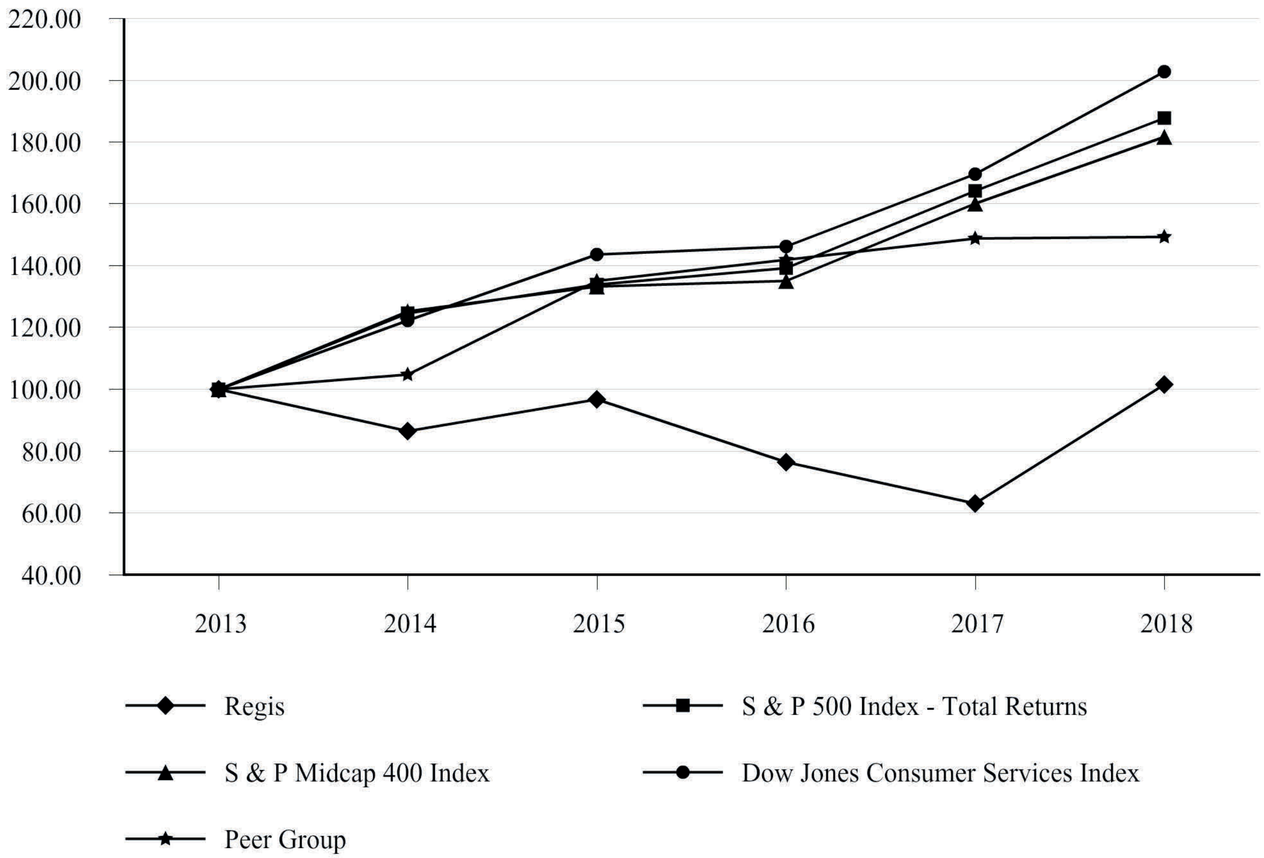
In accordance with its capital allocation policy, the Company no longer pays dividends.

The following graph compares the cumulative total shareholder return on the Company's stock for the last five years with the cumulative total return of the Standard and Poor's 500 Stock Index and the cumulative total return of a peer group index (the Peer Group) constructed by the Company. In addition, the Company has included the Standard and Poor's 400 Midcap Index and the Dow Jones Consumer Services Index in this analysis because the Company believes these two indices provide a comparative correlation to the cumulative total return of an investment in shares of Regis Corporation.

The Peer Group consists of the following companies: Boyd Gaming Corp., Brinker International, Inc., Buffalo Wild Wings, Inc., Cracker Barrel Old Country Store, DineEquity, Inc., Fossil Group, Inc., Fred's, Inc., Jack in the Box, Inc., Panera Bread Co., Penn National Gaming, Inc., Revlon, Inc., Ruby Tuesday, Inc., Sally Beauty Holdings, Inc., Service Corporation International, The Cheesecake Factory, Inc. and Ulta Salon, Cosmetics & Fragrance Inc. The comparison has omitted Panera Bread Co., Buffalo Wild Wings, Inc., and Ruby Tuesday, Inc. as they are no longer trading public market. The Peer Group is a self-constructed peer group of companies that have comparable annual revenues and market capitalization and are in the beauty industry or other industries where guest service, multi-unit expansion or franchise play a part. The Company reviewed and adjusted its Peer Group used for executive compensation purposes in early fiscal 2017, resulting in this Peer Group. Information regarding executive compensation will be set forth in the 2018 Proxy Statement.

The comparison assumes the initial investment of $100 in the Company's common stock, the S&P 500 Index, the Peer Group, the S&P 400 Midcap Index and the Dow Jones Consumer Services Index on June 30, 2013 and that dividends, if any, were reinvested.

Comparison of 5 Year Cumulative Total Return
Assumes Initial Investment of $100
June 2018



	June 30,											
	2013		2014		2015		2016		2017		2018	
Regis	$	100.00	$	86.42	$	96.74	$	76.42	$	63.04	$	101.52
S & P 500		100.00		124.61		133.86		139.20		164.11		187.70
S & P 400 Midcap		100.00		125.24		133.25		135.02		160.09		181.71
Dow Jones Consumer Services Index		100.00		122.24		143.56		146.19		169.55		202.72
Peer Group		100.00		104.72		135.08		141.91		148.78		149.33

In May 2000, the Company's Board of Directors (Board) approved a stock repurchase program with no stated expiration date. Since that time and through June 30, 2018, the Board has authorized $450.0 million to be expended for the repurchase of the Company's stock under this program. All repurchased shares become authorized but unissued shares of the Company. The timing and amounts of any repurchases depends on many factors, including the market price of the common stock and overall market conditions. As of June 30, 2018, 19.9 million shares have been cumulatively repurchased for $414.7 million, and $35.3 million remained outstanding under the approved stock repurchase program.

In August 2018, the Company's Board of Directors authorized an additional $200.0 million for share repurchases.

The Company repurchased the following common stock through its share repurchase program:

	Fiscal Years		
	2018	2017	2016
Repurchased Shares	1,469,057	—	7,647,819
Average Price (per share)	$16.86	$—	$13.19
Price range (per share)	$15.55 - $17.90	$—	$10.94 - $15.95
Total	$24.8 million	$—	$101.0 million

The following table shows the stock repurchase activity by the Company or any “affiliated purchaser” of the Company, as defined in Rule 10b-18(a)(3) under the Exchange Act, by month for the three months ended June 30, 2018:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs (in thousands)
4/1/18 - 4/30/18	—	—	18,982,137	50,430
5/1/18 - 5/31/18	451,731	16.88	19,433,868	42,832
6/1/18 - 6/30/18	431,359	17.53	19,865,227	35,272
Total	883,090	$ 17.16	19,865,227	$ 35,272

Item 6. Selected Financial Data

Beginning with the period ended September 30, 2017, the operations of the mall-based business and International segment were accounted for as a discontinued operation. All periods presented reflect the mall-based business and International segment as a discontinued operation.

The following table sets forth selected financial data derived from the Company's Consolidated Financial Statements in Part II, Item 8. The table should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", and Item 8, "Financial Statements and Supplementary Data", of this Report on Form 10-K.

	Fiscal Years				
	2018	2017	2016	2015	2014
	(Dollars in thousands, except per share data)				
Revenues	$ 1,214,074	$ 1,268,460	$ 1,291,933	$ 1,290,339	$ 1,306,361
Operating income (loss)(a)	274	14,081	23,764	5,665	1,599
Income (loss) from continuing operations(a)	61,886	(896)	(5,587)	(30,834)	(102,506)
Income (loss) from continuing operations per diluted share	1.32	(0.02)	(0.12)	(0.56)	(1.81)
Dividends declared, per share	—	—	—	—	0.12

	June 30,				
	2018	2017	2016	2015	2014
	(Dollars in thousands)				
Total assets, including discontinued operations	$ 856,735	$ 1,011,488	$ 1,035,932	$ 1,160,843	$ 1,414,291
Long-term debt and capital lease obligations, including current portion	90,000	120,599	119,606	118,830	291,845

(a) The following significant items affected each of the years presented:

- During fiscal year 2018, the Company recorded a $68.1 million income tax benefit resulting from the federal rate reduction and a partial release of the U.S. valuation allowance as a result of the Tax Cuts and Jobs Act (the “Tax Act”), $41.2 million ($32.5 million, net of taxes) of expenses associated with the January 2018 SmartStyle portfolio restructure and other related costs, $11.1 million of non-cash fixed asset impairment charges, $8.0 million of gain on company-owned life insurance policies, and $2.7 million ($2.2 million, net of taxes) of severance expense related to terminations.

- During fiscal year 2017, the Company recorded $7.9 million of non-cash fixed asset impairment charges, $8.4 million of severance expense related to the termination of former executive officers including the Company's Chief Executive Officer, $7.7 million of non-cash tax expense related to tax benefits on certain indefinite-lived assets that the Company cannot recognize for reporting purposes and $5.3 million of expense for a one-time non-cash inventory expense related to salon tools.

- During fiscal year 2016, the Company recorded a $13.0 million other than temporary non-cash impairment charge to fully impair its investment in EEG, $10.5 million of non-cash fixed asset impairment charges and $7.9 million of non-cash tax expense related to tax benefits on certain indefinite-lived assets that the Company cannot recognize for reporting purposes.

- During fiscal year 2015, the Company recorded its share of a non-cash deferred tax asset valuation allowance recorded by EEG of $6.9 million, non-cash other than temporary impairment charges of its investment in EEG of $4.7 million, $7.9 million of non-cash fixed asset impairment charges, $8.9 million of non-cash tax expense related to tax benefits on certain indefinite-lived assets that the Company cannot recognize for reporting purposes and established a non-cash $2.1 million valuation allowance against its Canadian deferred tax assets.

- During fiscal year 2014, the Company recorded non-cash fixed asset impairment charges of $10.0 million, non-cash charges of $15.9 million, net of tax for the Company's share of goodwill and fixed asset impairment charges recorded by EEG and established a non-cash $86.6 million valuation allowance against the U.S. and U.K. deferred tax assets.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results.

BUSINESS DESCRIPTION

Regis Corporation (RGS) owns, franchises and operates beauty salons. As of June 30, 2018, the Company-owned, franchised or held ownership interests in 8,168 worldwide locations. Our locations consisted of 8,080 system-wide North American and International salons, and in 88 locations we maintain a non-controlling ownership interest less than 100 percent. Each of the Company’s salon concepts generally offer similar salon products and services. As of June 30, 2018, we had approximately 27,000 corporate employees worldwide. See discussion within Part I, Item 1.

In October 2017, the Company sold substantially all of its mall-based salon business in North America, representing 858 company-owned salons, and substantially all of its International segment, representing approximately 250 company-owned salons, to TBG, who operates these locations as franchise locations. See Note 2 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K as the results of operations for the mall-based business and International segment are accounted for as a discontinued operation for all periods presented. Discontinued operations are discussed at the end of this section.

In January 2018, the Company closed 597 non-performing company-owned SmartStyle salons. The 597 non-performing salons generated negative cash flow of approximately $15 million during the twelve months ended September 30, 2017. The action delivers on the Company's commitment to restructure its salon portfolio to improve shareholder value and position the Company for long-term growth. The Company anticipates this action will allow the Company to reallocate capital and human resources to strategically grow its remaining SmartStyle salons with creative new offerings. A summary of costs associated with the SmartStyle salon restructuring for fiscal year 2018 is as follows:

	Financial Line Item	Fiscal Year 2018
		(Dollars in thousands)
Inventory reserves	Cost of Service	$ 656
Inventory reserves	Cost of Product	586
Severance	General and administrative	897
Long-lived fixed asset impairment	Depreciation and amortization	5,460
Asset retirement obligation	Depreciation and amortization	7,680
Lease termination and other related closure costs	Rent	27,290
Deferred rent	Rent	(3,291)
Total		$ 39,278

In addition, the Company recorded approximately $1.9 million of other related costs to the SmartStyle restructuring, primarily warehouse related costs. Substantially all related costs associated with the SmartStyle salon restructuring requiring cash outflow were complete as of June 30, 2018.

RESULTS OF OPERATIONS

Beginning in the first quarter of fiscal year 2018, the Company redefined its operating segments to reflect how the chief operating decision maker evaluates the business as a result of the sale of the mall-based business (primarily comprised of MasterCuts and Regis branded salons) and International segment. The Company now reports its operations in two operating segments: Company-owned salons and Franchise salons. The Company's operating segments are its reportable operating segments. Prior to this change, the Company had four operating segments: North American Value, North American Premium, North American Franchise, and International.

Beginning with the period ended September 30, 2017, the mall-based business and International segment were accounted for as a discontinued operation for all periods presented. Discontinued operations are discussed at the end of this section. See Note 2 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K for further discussion on this transaction.

Beginning in the first quarter of fiscal year 2018, costs associated with field leaders that were previously recorded within Cost of Service and Site Operating expense are now categorized within General and Administrative expense as a result of the field reorganization that took place in the first quarter of fiscal year 2018. The estimated impact of the field reorganization (decreased) increased Cost of Service, Site Operating expense and General and Administrative expense by $(26.5), $(5.8) and $32.3 million, respectively, for fiscal year 2018. This expense classification does not have a financial impact on the Company's reported operating (loss) income, reported net income (loss) or cash flows from operations.

In the past field leaders were responsible for a geographical area that included a variety of brands, with different business models, services, pay plans and guest expectations. They also served as salon managers with a home salon that they spent a large portion of their time serving guests rather than field leadership. Post-reorganization, each field leader is dedicated to a specific brand/concept, as well as geography, and are focused solely on field leadership.

Consolidated Results of Operations

The following table sets forth, for the periods indicated, certain information derived from our Consolidated Statement of Operations. The percentages are computed as a percent of total revenues, except as otherwise indicated.

	Fiscal Years								
	2018	2017	2016	2018	2017	2016	2018	2017	2016
	(Dollars in millions)			% of Total Revenues (1)			Basis Point (Decrease) Increase		
Service revenues	$ 899.1	$ 960.3	$ 978.6	74.1%	75.7%	75.7%	(160)	—	(90)
Product revenues	258.7	259.8	265.8	21.3	20.5	20.6	80	(10)	70
Franchise royalties and fees	56.4	48.3	47.5	4.6	3.8	3.7	80	10	20
Cost of service (2)	530.6	610.4	609.0	59.0	63.6	62.2	(460)	140	130
Cost of product (2)	140.6	126.3	130.0	54.4	48.6	48.9	580	(30)	(90)
Site operating expenses	127.2	127.8	135.1	10.5	10.1	10.5	40	(40)	(50)
General and administrative	174.0	157.3	157.0	14.3	12.4	12.2	190	20	(50)
Rent	183.1	180.5	184.2	15.1	14.2	14.3	90	(10)	(30)
Depreciation and amortization	58.2	52.1	52.9	4.8	4.1	4.1	70	—	(70)
Operating income	0.3	14.1	23.8	—	1.1	1.8	(110)	(70)	140
Interest expense	10.5	8.6	9.2	0.9	0.7	0.7	20	—	(10)
Interest income and other, net	6.7	2.8	3.7	0.5	0.2	0.3	30	(10)	20
Income tax benefit (expense) (3)	65.4	(9.2)	(9.0)	1,844.3	110.8	49.6	N/A	N/A	N/A
Equity in loss of affiliated companies, net of income taxes	—	—	14.8	—	—	1.1	—	(110)	—

(1) Cost of service is computed as a percent of service revenues. Cost of product is computed as a percent of product revenues.
(2) Excludes depreciation and amortization expense.
(3) Computed as a percent of income (loss) from continuing operations before income taxes and equity in loss of affiliated companies. The income taxes basis point change is noted as not applicable (N/A) as the discussion below is related to the effective income tax rate.

Fluctuations in major revenue categories, operating expenses and other income and expense were as follows:

Consolidated Revenues

Consolidated revenues primarily include revenues of company-owned salons, product and equipment sales to franchisees and franchise royalties and fees. The following tables summarize revenues and same-store sales by concept, as well as the reasons for the percentage change:

	Fiscal Years		
	2018	2017	2016
	(Dollars in thousands)		
Company-owned salons			
SmartStyle	$ 463,502	$ 523,903	$ 522,700
Supercuts	283,843	290,016	295,401
Signature Style	356,669	375,627	394,903
Total Company-owned salons	1,104,014	1,189,546	1,213,004
Franchise salons			
Product	53,703	30,623	31,406
Royalties and fees	56,357	48,291	47,523
Total franchise salons revenue	110,060	78,914	78,929
Consolidated revenues	$ 1,214,074	$ 1,268,460	$ 1,291,933
Percent change from prior year	(4.3)%	(1.8)%	0.1%
Salon same-store sales increase (decrease) (1)	0.5 %	(0.5)%	1.8%

(1) Same-store sales are calculated on a daily basis as the total change in sales for company-owned locations which were open on a specific day of the week during the current period and the corresponding prior period. Quarterly and fiscal year same-store sales are the sum of the same-store sales computed on a daily basis. Locations relocated within a one mile radius are included in same-store sales as they are considered to have been open in the prior period. Same-store sales are calculated in local currencies to remove foreign currency fluctuations from the calculation.

Decreases in consolidated revenues were driven by the following:

	Fiscal Years		
Factor	2018	2017	2016
Same-store sales	0.5 %	(0.5)%	1.8%
Closed salons	(7.4)	(2.0)	(2.2)
New company-owned stores	0.2	0.5	0.7
Franchise	2.4	—	0.5
Foreign currency	0.3	(0.1)	(0.9)
Other	(0.3)	0.3	0.2
Total	(4.3)%	(1.8)%	0.1%

Same-store sales by concept by fiscal year are detailed in the table below:

	Fiscal Years		
	2018	2017	2016
SmartStyle	0.3 %	(0.4)%	3.4 %
Supercuts	1.7 %	0.4 %	2.0 %
Signature Style	(0.2)%	(1.4)%	(0.2)%
Consolidated same-store sales	0.5 %	(0.5)%	1.8 %

Fiscal Year Ended June 30, 2018 Compared with Fiscal Year Ended June 30, 2017

Consolidated Revenues

The same-store sales increase of 0.5% during fiscal year 2018 was due to a 3.4% increase in average ticket price, partly offset by a 2.9% decrease in same-store guest visits. We closed 701 company-owned salons, constructed (net of relocations) 3 company-owned salons and sold (net of buybacks) 448 company-owned salons during fiscal year 2018 (2018 Net Salon Count Changes). Our franchisees closed 194 salons and constructed (net of relocations) 79 salons during the same period. Consolidated revenues are primarily comprised of service and product revenues, as well as franchise royalties and fees.

Service Revenues

The $61.3 million decrease in service revenues during fiscal year 2018 was primarily due to the 2018 Net Salon Count Changes. The same-store service sales increase of 0.5% was primarily a result of a 3.8% increase in average ticket price, partly offset by a 3.3% decrease in same-store guest visits. Service revenues were also favorably impacted by a cumulative adjustment related to discontinuing a piloted loyalty program and foreign currency.

Product Revenues

The $1.2 million decrease in product revenues during fiscal year 2018 was primarily due to 2018 Net Salon Count Changes and an unfavorable impact of hurricanes in the southern United States, partly offset by product sold to TBG and same-store product sales increases of 0.2%. The increase in same-store product sales was primarily a result of a 3.7% increase in average ticket price, partly offset by a 3.5% decrease in same-store transactions.

Royalties and Fees

The increase of $8.1 million in royalties and fees during fiscal year 2018 was primarily due to higher franchise fees due to an increase in the number of new salons opened in fiscal year 2018 compared to the prior year and higher royalties due to the increase of 1,468 in franchised locations and same-store sales increases at franchised locations.

Cost of Service

The 460 basis point decrease in cost of service as a percent of service revenues during fiscal year 2018 was primarily due to the change in expense categorization as a result of the field reorganization that took place during the first quarter of fiscal year 2018. After considering the change in expense categorization, cost of service as a percent of service revenues decreased 180 basis points as a result of improved stylist productivity, one-time benefit from a settlement and cost savings associated with salon tools, partly offset by state minimum wage increases, higher commissions expense as a result of same-store sales increases and higher health insurances costs. Cost of service was also negatively impacted by hurricanes in the southern United States.

Cost of Product

The 580 basis point increase in cost of product as a percent of product revenues during fiscal year 2018 was primarily due to franchise product sold to TBG, shift into lower margin product sales to franchisees and inventory reserves related to the January 2018 SmartStyle portfolio restructure, less favorable shrink as compared to the prior year and a promotional sale implemented in the fourth quarter, partly offset by a one-time benefit from a settlement.

Site Operating Expenses

Site operating expenses decreased $0.5 million during fiscal year 2018. After considering the change in expense categorization as a result of the field reorganization that took place during the first quarter of fiscal year 2018, site operating expenses increased $5.2 million primarily due to higher marketing costs associated with the SmartStyle marketing campaign and fees associated with an industry exclusive sponsorship with Major League Baseball, unfavorable actuarial adjustments related to workers' compensation accruals and higher contract maintenance, repairs and services costs, partly offset by the 2018 Net Salon Count Changes.

General and Administrative

General and administrative expense (G&A) increased $16.7 million during fiscal year 2018. After considering the change in expense categorization as a result of the field reorganization that took place during the first quarter of fiscal year 2018, G&A decreased $15.6 million, primarily due to an $8.0 million gain associated with life insurance proceeds in connection with the passing of a former executive officer, lower severance expense due to the prior year including severance related to the termination of former executive officers including the Company's Chief Executive Officer and professional fees, partly offset by increases in incentive compensation accruals.

Rent

Rent expense increased by $2.6 million during fiscal year 2018 primarily due to lease termination fees and other related closure costs associated with the January 2018 SmartStyle portfolio restructure, rent inflation, partly offset by the 2018 Net Salon Count Changes and a deferred rent adjustment related to the January 2018 SmartStyle portfolio restructure.

Depreciation and Amortization

Depreciation and amortization expense (D&A) increased $6.1 million during fiscal year 2018, primarily due to costs associated with returning certain SmartStyle locations to their pre-occupancy condition in connection with the January 2018 SmartStyle restructuring and higher fixed asset impairment charges, partly offset by lower depreciation due to a reduced salon base.

Interest Expense

Interest expense increased by $1.9 million during fiscal year 2018 primarily due to the premium and unamortized debt discount expense associated with paying off the 5.5% senior term note originally due December 2019, partly offset by savings resulting from a reduced interest rate and lower debt levels.

Interest Income and Other, net

The $3.8 million increase in interest income and other, net during fiscal year 2018 was primarily due to income from transition services related to TBG, higher gains on refranchised salons, incremental interest income, increased gift card breakage, partly offset by a non-recurring insurance recovery benefit in the prior year.

Income Taxes

During fiscal year 2018, the Company recognized an income tax benefit of $65.4 million on $3.5 million of loss from continuing operations before income taxes and equity in loss of affiliated companies as compared to recognizing income tax expense of $9.2 million on $8.3 million of income from continuing operations before income taxes and equity in loss of affiliated companies during fiscal year 2017.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). In connection with the Tax Act, the Company recorded a provisional net tax benefit of $68.1 million in continuing operations for the twelve months ended June 30, 2018. The net tax benefit is primarily attributable to the impact of the corporate rate reduction on our deferred tax assets and liabilities along with a partial release of the U.S. valuation allowance. The benefit recognized on current losses and the partial valuation allowance release is solely attributable to tax reform and the law change that allows for the indefinite carryforward of net operating losses ("NOLs") arising in tax years ending after December 31, 2017. Prior law limited the carryforward period to 20 years. As a result of the new tax rules, companies can now consider its indefinite lived deferred tax liabilities as a source of income to support the realization of its existing deferred tax assets that upon reversal are expected to generate indefinite lived NOLs. Consequently, the Company was able to remove the valuation allowance associated with these deferred tax assets. The Company continues to maintain a valuation allowance on the historical balance of its finite lived federal NOLs, tax credits and various state tax attributes. We are still analyzing certain aspects of the Tax Act and refining our calculations, which could potentially affect the measurement of our deferred tax balances and ultimately cause us to revise our provisional estimate in future periods in accordance with SAB 118. In addition, changes in interpretations, assumptions, and guidance regarding the new tax legislation, as well as the potential for technical corrections to the Tax Act, could have a material impact to the Company’s effective tax rate in future periods.

The recorded tax provision and effective tax rate for the twelve months ended June 30, 2018 were different than what would normally be expected primarily due to the impact of the Tax Act and state conformity of the new federal provisions, closure of the IRS examination and the deferred tax valuation allowance.

Additionally, the Company is currently paying taxes in Canada and certain states in which it has profitable entities.

See Note 9 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

Equity in Loss of Affiliated Companies, Net of Income Taxes

The Company has not recorded any equity income or losses related to its investment in EEG subsequent to the impairment in fiscal year 2016. The Company will record equity income related to the Company's investment in EEG once EEG's cumulative income exceeds its cumulative losses, measured from the date of impairment.

Loss from Discontinued Operations, Net of Income Taxes

During fiscal year 2018, the Company recognized $53.2 million of loss, net of taxes from discontinued operations, primarily due to asset impairment charges based on the sale prices and the carrying values of the mall-based salon business and the International segment, the recognition of net loss of amounts previously classified within accumulated other comprehensive income, professional fees associated with the transactions and losses from operations. See Note 2 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

Fiscal Year Ended June 30, 2017 Compared with Fiscal Year Ended June 30, 2016

Consolidated Revenues

The same-store sales decrease of 0.5% during fiscal year 2017 was due to a decrease of 4.6% in same-store guest visits, partly offset by an increase of 4.1% in average ticket price. The Company closed 185 company-owned salons, constructed (net of relocations) 39 company-owned salons and sold (net of buybacks) 99 company-owned salons to franchisees during the same period (2017 Net Salon Count Changes). Our franchisees closed 93 salons and constructed (net of relocations) 146 salons during fiscal year 2017. Consolidated revenues are primarily comprised of service and product revenues, as well as franchise royalties and fees.

Service Revenues

Decrease of $18.3 million in service revenues during fiscal year 2017 was primarily due to the 2017 Net Salon Count Changes and same-store service sales decrease of 0.3%. The decrease in same-store service sales was primarily the result of a 4.4% decrease in same-store guest visits, partly offset by a 4.1% increase in average ticket price.

Product Revenues

Decrease of $6.0 million in product revenues during fiscal year 2017 was primarily due to the 2017 Net Salon Count Changes and same-store product sales decrease of 1.5%. The decrease in same-store product sales was primarily the result of a 3.2% decrease in same-store transactions, partly offset by a 1.7% increase in average ticket price.

Royalties and Fees

The increase of $0.8 million in royalties and fees during fiscal year 2017 was primarily due to the increase of 150 franchised locations and same-store sales increases at franchised locations.

Cost of Service

The 140 basis point increase in cost of service as a percent of service revenues during fiscal year 2017 was primarily the result of lower stylist productivity, state minimum wage increases, a one-time inventory expense related to salon tools and a non-recurring rebate in the prior year, partly offset by mix improvement from closing underperforming salons, lower incentive expenses and favorable usage versus the prior year.

Cost of Product

The 30 basis point decrease in cost of product as a percent of product revenues during fiscal year 2017 was primarily due to the closure of salons with higher product costs as a percent of product revenues and favorable shrink versus the prior year.

Site Operating Expenses

Site operating expenses decreased $7.3 million during fiscal year 2017 primarily due to the 2017 Net Salon Count Changes, lower self-insurance costs and cost savings associated with salon telecom costs.

General and Administrative

G&A increased $0.3 million during fiscal year 2017 primarily due to severance related to the termination of former executive officers including the Company's Chief Executive Officer and higher professional fees, partly offset by lower incentive compensation and cost savings.

Rent

Rent expense decreased by $3.7 million during fiscal year 2017 primarily due to the 2017 Net Salon Count Changes, partly offset by rent inflation and lease termination fees.

Depreciation and Amortization

D&A decreased $0.8 million during fiscal year 2017, primarily due to lower depreciation on a reduced salon base, partly offset by increased fixed asset impairment charges.

Interest Expense

Interest expense decreased by $0.6 million during fiscal year 2017 primarily due to the senior term note modification and the amendment to the revolving credit facility in fiscal year 2016.

Interest Income and Other, net

The $0.9 million decrease in interest income and other, net during fiscal year 2017 was primarily due to gains on refranchised salons sold in the prior year and a prior year insurance recovery.

Income Taxes

During fiscal year 2017, the Company recognized income tax expense of $9.2 million on $8.3 million of income from continuing operations before income taxes and equity in loss of affiliated companies as compared to recognizing income tax expense of $9.0 million on $18.2 million of income from continuing operations before income taxes and equity in loss of affiliated companies during fiscal year 2016.

The recorded tax expense for fiscal year 2017 was different than would normally be expected primarily due to the impact of the valuation allowance against the majority of our deferred tax assets. Approximately $7.7 million of the tax expense relates to non-cash tax expense for tax benefits on certain indefinite-lived assets that the Company could not recognize for reporting purposes. See Note 9 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

Equity in Loss of Affiliate Companies, Net of Income Taxes

The Company has not recorded any equity income or losses related to its investment in EEG subsequent to the impairment in fiscal year 2016. The Company will record equity income related to the Company's investment in EEG once EEG's cumulative income exceeds its cumulative losses, measured from the date of impairment.

Loss from Discontinued Operations, Net of Income Taxes

During fiscal year 2017, the Company recognized $15.2 million of loss, net of taxes from discontinued operations related to operating losses of the mall-based salon business and International segment. See Note 2 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

Results of Operations by Segment

Based on our internal management structure, we now report two segments: Company-owned salons and Franchise salons. See Note 14 to the Consolidated Financial Statements in in Part II, Item 8, of this Form 10-K. Significant results of operations are discussed below with respect to each of these segments.

Company-owned Salons

	Fiscal Years					
	2018	2017	2016	2018	2017	2016
	(Dollars in millions)			(Decrease) Increase		
Total revenue	$ 1,104.0	$ 1,189.5	$ 1,213.0	$ (85.5)	$ (23.5)	$ (2.9)
Same-store sales	0.5%	(0.5)%	1.8%	100 bps	(230 bps)	150 bps
Operating income	$ 50.1	$ 78.3	$ 87.8	$ (28.2)	$ (9.4)	$ 7.2

Company-owned Salon Revenues

Decreases in Company-owned salon revenues were driven by the following:

	Fiscal Years		
Factor	2018	2017	2016
Same-store sales	0.5 %	(0.5)%	1.8 %
Closed salons	(7.9)	(2.1)	(2.3)
New stores	0.2	0.5	0.7
Foreign currency	0.3	(0.1)	(0.8)
Other	(0.3)	0.3	0.4
	(7.2)%	(1.9)%	(0.2)%

Fiscal Year Ended June 30, 2018 Compared with Fiscal Year Ended June 30, 2017

Company-owned Salons Revenues

Company-owned salon revenues decreased $85.5 million in fiscal year 2018 primarily due to the 2018 Net Salon Count Changes, partly offset by same-store sales increase of 0.5%. The same-store sales increase was due to a 3.4% increase in average ticket price, partly offset by a 2.9% decrease in same-store guest visits.

Company-owned Salon Operating Income

Company-owned salon operating income decreased $28.2 million during fiscal year 2018 primarily due to the January 2018 SmartStyle portfolio restructure consisting of lease termination and other related closure costs and costs associated with returning the salons to pre-occupancy condition. Also contributing to the decrease were state minimum wage increases, costs associated with the SmartStyle marketing campaign, the hurricanes in the southern United States and higher health insurance costs, partly offset by improved stylist productivity, the 2018 Net Salon Count Changes and prior year inventory expense related to salon tools.

Fiscal Year Ended June 30, 2017 Compared with Fiscal Year Ended June 30, 2016

Company-owned Salons Revenues

Company-owned salon revenues decreased $23.5 million in fiscal year 2017 primarily due to the 2017 Net Salon Count Changes and same-store sales decrease of 0.5%. The same-store sales decrease was due to a 4.6% decrease in same-store guest visits, partly offset by a 4.1% increase in average ticket price.

Company-owned Salon Operating Income

Company-owned salon operating income decreased $9.4 million during fiscal year 2017 primarily due to minimum wage increases, unfavorable stylist productivity, same-store sales declines and a one-time inventory write-off related to salon tools, partly offset by the closure of underperforming salons.

Franchise Salons

	Fiscal Years					
	2018	2017	2016	2018	2017	2016
	(Dollars in millions)			Increase (Decrease)		
Revenue						
Product	$ 34.6	$ 30.6	$ 31.4	$ 4.0	$ (0.8)	$ 1.7
Product sold to TBG	19.1	—	—	19.1	—	—
Total Product	$ 53.7	$ 30.6	$ 31.4	$ 23.1	$ (0.8)	$ 1.7
Royalties and fees (1)	56.4	48.3	47.5	8.1	0.8	2.9
Total franchise salons revenue (2)	$ 110.1	$ 78.9	$ 78.9	$ 31.1	$ —	$ 4.5
Operating income	$ 39.8	$ 34.5	$ 33.8	$ 5.4	$ 0.7	$ 3.5
Operating income from TBG	1.6	—	—	1.6	—	—
Total operating income (2)	$ 41.4	$ 34.5	$ 33.8	$ 6.9	$ 0.7	$ 3.5

(1) Total includes $1.2 million of royalties related to TBG during the fiscal year 2018, respectively.

(2) Total is a recalculation; line items calculated individually may not sum to total due to rounding.

Fiscal Year Ended June 30, 2018 Compared with Fiscal Year Ended June 30, 2017

Franchise Salon Revenues

Franchise salon revenues increased $31.1 million during fiscal year 2018 due to a $23.1 million increase in franchise product sales primarily due to product sold to TBG and a $8.1 million increase in royalties and fees. The increase in royalties and fees was primarily due to increased franchised locations and an increase in the number of new salons open during fiscal year 2018. Our franchisees closed 194 salons, constructed (net of relocations) 79 salons and purchased (net of Company buybacks) 1,581 salons from the Company, including 1,132 salons previously included in the Company's mall-based business and International segment during fiscal year 2018.

Franchise Salon Operating Income

Franchise salon operating income increased $6.9 million during fiscal year 2018 primarily due to the increased number of new franchised locations and increased franchise product sales.

Cash Generated from Refranchised Salons

During fiscal year 2018, the Company generated $11.6 million of cash from refranchising salons (the sale of company-owned salons to franchisees).

Fiscal Year Ended June 30, 2017 Compared with Fiscal Year Ended June 30, 2016

Franchise Salon Revenues

Franchise salon revenues remained flat during fiscal year 2017 due to a $0.8 million increase in royalties and fees, offset by a $0.8 million decrease in franchise product sales. The increase in royalties and fees was primarily due higher royalties from the increased franchised locations, partly offset by lower fees as a result more franchise openings shifting to existing franchisees, who pay lower fees for opening additional salons, and franchise termination revenues in the prior year. Our franchisees closed 93 salons, constructed (net of relocations) 146 salons and purchased (net of Company buybacks) 99 salons from the Company during fiscal year 2017.

Franchise Salon Operating Income

Franchise salon operating income increased $0.7 million during fiscal year 2017 primarily due to lower bad debt expense and higher margins on product sales due to mix, partly offset by higher incentive costs.

Cash Generated from Refranchised Salons

During fiscal year 2017, the Company generated $2.3 million of cash from refranchising salons (the sale of company-owned salons to franchisees).

Corporate

Fiscal Year Ended June 30, 2018 Compared with Fiscal Year Ended June 30, 2017

Corporate Operating Loss (1)

Corporate operating loss of $91.3 million decreased $7.5 million during fiscal year 2018 primarily driven by the prior year including severance related to the termination of former executive officers including the Company's Chief Executive Officer, a current year gain of $8.0 million associated with life insurance proceeds in connection with the passing of a former executive officer and savings realized from Company initiatives, partly offset by higher incentive compensation and severance associated with terminations of former executives and professional fees in the current year.

Fiscal Year Ended June 30, 2017 Compared with Fiscal Year Ended June 30, 2016

Corporate Operating Loss (1)

Corporate operating loss of $98.7 million increased $0.9 million during fiscal year 2017 primarily due to severance related to the termination of former executive officers including the Company's Chief Executive Officer, expense associated with legal settlements, higher professional fees and the planned investments in technical education, offset by lower incentive compensation and cost savings.

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(1) The Corporate operating loss consists primarily of unallocated general and administrative expenses, including expenses associated with salon support, depreciation and amortization related to our corporate headquarters and unallocated insurance, benefit and compensation programs, including stock-based compensation.

Recent Accounting Pronouncements

Recent accounting pronouncements are discussed in Note 1 to the Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents, and our borrowing agreements are our most significant sources of liquidity.

As of June 30, 2018, cash and cash equivalents were $110.4 million, with $92.1, $17.9 and $0.4 million within the United States, Canada and Europe, respectively.

The Company has a credit agreement which provides for a $295.0 million five-year unsecured revolving credit facility that expires in March 2023, of which $203.5 million was available as of June 30, 2018. See additional discussion under Financing Arrangements.

Uses of Cash

The Company closely manages its liquidity and capital resources. The Company's liquidity requirements depend on key variables, including the level of investment needed to support its business strategies, the performance of the business, capital expenditures, credit facilities and borrowing arrangements and working capital management. Capital expenditures are a component of the Company's cash flow and capital management strategy which can be adjusted in response to economic and other changes to the Company's business environment. The Company has a disciplined approach to capital allocation, which focuses on investing in key priorities to support the Company's multi-year strategic plan as discussed within Part I, Item 1.

Cash Flows

Cash Flows from Operating Activities

During fiscal year 2018, cash provided by operating activities of $2.3 million, a decrease of $57.7 million compared to the previous fiscal year, was primarily due to the payment of lease termination and other related closure costs associated with the Company's January 2018 SmartStyle portfolio restructure and lower cash volumes generated from salon operations.

During fiscal year 2017, cash provided by operating activities of $60.1 million, an increase of $4.3 million compared to the previous fiscal year, was primarily due to lower inventory levels in fiscal year 2017, partly offset by lower earnings.

During fiscal year 2016, cash provided by operating activities of $55.8 million, a decrease of $39.0 million compared to the previous fiscal year, was primarily due to higher inventory levels in fiscal year 2016, enhanced incentive payouts in fiscal year 2016 and lower income tax refunds.

Cash Flows from Investing Activities

During fiscal year 2018, cash used in investing activities of $1.6 million, was primarily from capital expenditures of $30.7 million and a $0.5 million use of restricted cash, partly offset by proceeds from company-owned life insurance policies of $18.1 million and cash proceeds from sale of salon assets of $11.6 million.

During fiscal year 2017, cash used in investing activities of $29.1 million, was primarily from capital expenditures of $33.8 million, partly offset by cash proceeds from the sale of salon assets of $2.3 million, a reduction in restricted cash of $1.1 million, cash proceeds from company-owned life insurance policies of $0.9 million and cash proceeds from the sale of the Company's ownership interest in MyStyle of $0.5 million.

During fiscal year 2016, cash used in investing activities of $17.4 million, was primarily from $31.1 million for capital expenditures, partly offset by a reduction in restricted cash of $9.0 million, cash proceeds from company-owned life insurance policies of $2.9 million and cash proceeds from sale of salon assets of $1.7 million.

Cash Flows from Financing Activities

During fiscal year 2018, cash used in financing activities of $62.2 million was primarily for repayments of long-term debt relating to the 5.5% senior term notes of $124.2 million, repurchase of common stock of $24.8 million, employee taxes paid for shares withheld of $2.4 million and settlement of equity awards of $0.8 million, partly offset by borrowings on the revolving credit facility of $90.0 million.

During fiscal year 2017, cash used in financing activities of $6.8 million was primarily for employee taxes paid for shares withheld of $3.7 million and settlement of equity awards of $3.2 million.

During fiscal year 2016, cash used in financing activities of $102.6 million was primarily for repurchases of common stock of $101.0 million, the purchase of an additional 24% ownership interest in Roosters, MGC International, LLC for $0.8 million and employee taxes paid for shares withheld of $0.8 million.

Financing Arrangements

Financing activities are discussed in Note 7 to the Consolidated Financial Statements. Derivative activities are discussed in Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk."

The Company's financing arrangements consists of the following:

		Interest rate %			
		Fiscal Years		June 30,	
	Maturity Dates	2018	2017	2018	2017
	(fiscal year)			(Dollars in thousands)	
Revolving credit facility, new	2023	3.3%	—%	$ 90,000	$ —
Revolving credit facility, old	N/A	—%	—%	—	—
Senior term notes	N/A	5.5%	5.5%	—	120,599
				$ 90,000	$ 120,599

In March 2018, the Company entered into a Credit Agreement (Credit Agreement), which provided for a $260.0 million unsecured five-year revolving credit facility (Revolving Credit Facility) that expires in March 2023 and includes, among other things, a maximum consolidated net leverage ratio covenant, a minimum fixed charge coverage ratio covenant, and certain restrictions on liens, investments and other indebtedness. In April 2018, the Company amended and restated the Credit Agreement which increases the Revolving Credit Facility under the Credit Agreement by $35.0 million. After giving effect to the amendment, the revolving commitment under the Credit Facility is $295.0 million. The Revolving Credit Facility includes a $30.0 million subfacility for the issuance of letters of credit and a $30.0 million sublimit for swingline loans. The Company may request an increase in revolving credit commitments under the facility of up to $150.0 million under certain circumstances. The revolving credit facility has variable interest rates tied to LIBOR plus 1.25% to 1.85% and includes a facility fee of 0.25% to 0.40%. Both the LIBOR credit spread and the facility fee are based on the Company's consolidated net leverage ratio.

In connection with entering into the Credit Agreement, the Company terminated its previous $200.0 million revolving credit facility.

In March 2018, the Company redeemed all of its 5.5% senior term notes that were due December 2019 (Senior Term Notes) for $124.2 million, which included a $1.2 million premium. The Company utilized $90.0 million under the Revolving Credit Facility and cash on hand of $34.2 million to repay the Senior Term Notes.

Our debt to capitalization ratio, calculated as the principal amount of debt as a percentage of the principal amount of debt and shareholders' equity at fiscal year-end, was as follows:

As of June 30,	Debt to Capitalization	Basis Point (Decrease) Increase(1)
2018	15.2%	(430)
2017	19.5	40
2016	19.1	300

(1) Represents the basis point change in debt to capitalization as compared to prior fiscal year-end (June 30).

The basis point decrease in the debt to capitalization ratio as of June 30, 2018 compared to June 30, 2017 was primarily due to the net decrease in the principal amount of debt from the redemption of the 5.5% senior term notes, partly offset by utilizing $90.0 million of the revolving credit facility and the repurchase of 1.5 million shares of common stock for $24.8 million.

The basis point increase in the debt to capitalization ratio as of June 30, 2017 compared to June 30, 2016 was primarily due to net reductions to shareholders' equity resulting from net losses and foreign currency translation adjustments.

The basis point increase in the debt to capitalization ratio as of June 30, 2016 compared to June 30, 2015 was primarily due to the repurchase of 7.6 million shares of common stock for $101.0 million.

Contractual Obligations and Commercial Commitments

The following table reflects a summary of obligations and commitments outstanding by payment date as of June 30, 2018:

Contractual Obligations	Total	Payments due by period: Within 1 year	1 - 3 years	3 - 5 years	More than 5 years
		(Dollars in thousands)			
On-balance sheet:					
Debt obligations	$ 90,000	$ —	$ —	$ 90,000	$ —
Other long-term liabilities	9,570	1,630	2,009	1,519	4,412
Total on-balance sheet	99,570	1,630	2,009	91,519	4,412
Off-balance sheet(a):					
Operating lease obligations	688,477	232,210	309,579	116,336	30,352
Interest on long-term debt	—	—	—	—	—
Total off-balance sheet	688,477	232,210	309,579	116,336	30,352
Total	$ 788,047	$ 233,840	$ 311,588	$ 207,855	$ 34,764

(a) In accordance with accounting principles generally accepted in the United States of America, these obligations are not reflected in the Consolidated Balance Sheet.

On-Balance Sheet Obligations

Our long-term obligations are composed primarily of our revolving credit facility at June 30, 2018. In March 2018, the Company redeemed all of its 5.5% senior term notes that were due December 2019.

Other long-term liabilities of $9.6 million include $6.7 million related to a Nonqualified Deferred Salary Plan and a salary deferral program of $2.9 million related to established contractual payment obligations under retirement and severance agreements for a small number of employees.

This table excludes short-term liabilities disclosed on our balance sheet as the amounts recorded for these items will be paid in the next year. We have no unconditional purchase obligations. Also excluded from the contractual obligations table are payment estimates associated with employee health and workers' compensation claims for which we are self-insured. The majority of our recorded liability for self-insured employee health and workers' compensation losses represents estimated reserves for incurred claims that have yet to be filed or settled.

The Company has unfunded deferred compensation contracts covering certain management and executive personnel. Because we cannot predict the timing or amount of future payments related to these contracts, such amounts were not included in the table above. See Note 10 to the Consolidated Financial Statements.

As of June 30, 2018, we have liabilities for uncertain tax positions. We are not able to reasonably estimate the amount by which the liabilities will increase or decrease over time; however, at this time, we do not expect a significant payment related to these obligations within the next fiscal year. See Note 9 to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements

Operating leases primarily represent long-term obligations for the rental of salons, including leases for company-owned locations, as well as salon franchisee lease obligations of approximately $316.4 million, which are reimbursed to the Company by franchisees. Regarding franchisee subleases, we generally retain the right to the related salon assets, net of any outstanding obligations, in the event of a default by a franchise owner. Management has not experienced and does not expect any material loss to result from these arrangements.

Interest payments on long-term debt are calculated based on the revolving credit facility's rates tied to a LIBOR credit spread and a quarterly facility fee on the average daily amount of the facility (whether used or unused). Both the LIBOR credit spread and the facility fee are based on the Company's debt to EBITDA ratio at the end of each fiscal quarter.

We are a party to a variety of contractual agreements under which we may be obligated to indemnify the other party for certain matters, which indemnities may be secured by operation of law or otherwise, in the ordinary course of business. These contracts primarily relate to our commercial contracts, operating leases and other real estate contracts, financial agreements,

agreements to provide services and agreements to indemnify officers, directors and employees in the performance of their work. While our aggregate indemnification obligation could result in a material liability, we are not aware of any current matter that we expect to result in a material liability.

We do not have other unconditional purchase obligations or significant other commercial commitments such as standby repurchase obligations or other commercial commitments.

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet financial arrangements or other contractually narrow or limited purposes at June 30, 2018. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Dividends

In December 2013, the Board of Directors elected to discontinue declaring regular quarterly dividends.

Share Repurchase Program

In May 2000, the Company's Board of Directors (Board) approved a stock repurchase program with no stated expiration date. Since that time and through June 30, 2018, the Board has authorized $450.0 million to be expended for the repurchase of the Company's stock under this program. All repurchased shares become authorized but unissued shares of the Company. The timing and amounts of any repurchases depends on many factors, including the market price of the common stock and overall market conditions. As of June 30, 2018, 19.9 million shares have been cumulatively repurchased for $414.7 million, and $35.3 million remained outstanding under the approved stock repurchase program.

In August 2018, the Company's Board of Directors authorized an additional $200.0 million for share repurchases.

CRITICAL ACCOUNTING POLICIES

The Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the Consolidated Financial Statements, we are required to make various judgments, estimates and assumptions that could have a significant impact on the results reported in the Consolidated Financial Statements. We base these estimates on historical experience and other assumptions believed to be reasonable under the circumstances. Estimates are considered to be critical if they meet both of the following criteria: (1) the estimate requires assumptions about material matters that are uncertain at the time the accounting estimates are made, and (2) other materially different estimates could have been reasonably made or material changes in the estimates are reasonably likely to occur from period to period. Changes in these estimates could have a material effect on our Consolidated Financial Statements.

Our significant accounting policies can be found in Note 1 to the Consolidated Financial Statements. We believe the following accounting policies are most critical to aid in fully understanding and evaluating our reported financial condition and results of operations.

Goodwill

As of June 30, 2018 and 2017, the Company-owned reporting unit had $184.8 and $188.9 million of goodwill, respectively, and the Franchise reporting unit had $227.9 and $228.1 million of goodwill, respectively. See Note 4 to the Consolidated Financial Statements. The Company assesses goodwill impairment on an annual basis, during the Company’s fourth fiscal quarter, and between annual assessments if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Goodwill impairment assessments are performed at the reporting unit level, which is the same as the Company’s operating segments. As part of the new simplification guidance issued by the Financial Accounting Standards Board (FASB), the goodwill assessment involves a one-step comparison of the reporting unit’s fair value to its carrying value, including goodwill ("Step 1"). The prior guidance required a hypothetical purchase price allocation as the second step of the goodwill impairment assessment, but this step has been eliminated. If the reporting unit’s fair value exceeds its carrying value, no further procedures are required. However, if the reporting unit’s fair value is less than the carrying value, an impairment charge is recorded for the difference between the fair value and carrying value of the reporting unit. The Company early adopted this guidance when completing the annual fiscal year 2017 impairment assessment and therefore only completed Step 1 of the goodwill impairment assessment.

In applying the goodwill impairment assessment, the Company may assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting units is less than its carrying value (“Step 0”). Qualitative factors may include, but are not limited to, economic, market and industry conditions, cost factors, and overall financial performance of the reporting unit. If after assessing these qualitative factors, the Company determines it is “more-likely-than-not” that the carrying value is less than the fair value, then performing Step 1 of the goodwill impairment assessment is unnecessary.

The carrying value of each reporting unit is based on the assets and liabilities associated with the operations of the reporting unit, including allocation of shared or corporate balances among reporting units. Allocations are generally based on the number of salons in each reporting unit as a percent of total company-owned salons or expenses of the reporting unit as a percentage of total company expenses.

The Company calculates estimated fair values of the reporting units based on discounted future cash flows utilizing estimates in annual revenue, service and product margins, fixed expense rates, allocated corporate overhead, corporate-owned and franchise salon counts and long-term growth rates for determining terminal value. Where available and as appropriate, comparative market multiples are used in conjunction with the results of the discounted cash flows. The Company periodically engages third-party valuation consultants to assist in evaluating the Company's estimated fair value calculations.

Following is a description of the goodwill impairment assessments for each of the fiscal years:

Fiscal Year 2018

During the first quarter of fiscal year 2018, the Company experienced a triggering event due to the redefining of its operating segments as the Company's mall-based business and International segment met the criteria to be classified as held for sale and as a discontinued operation as of September 30, 2017. The Company's reporting now consist of two reporting units: Company-owned and Franchise. Prior to this change the Company had four reporting units: North American Value, North American Premium, North American Franchise and International.

Pursuant to the change in operating segments, the Company performed a goodwill impairment assessment on its North American Value reporting unit. The Company assessed qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit was less than its carrying value (“Step 0”). The Company determined it is “more-likely-than-not” that the carrying value of the reporting unit was less than the fair value. Accordingly, the Company did not perform a quantitative analysis. Based on the changes to the operating segment structure, there was no goodwill reallocated from the North American Value reporting unit related to the mall-based business that was subsequently sold as the mall-based business previously included in the North American Value reporting unit was projected to incur future losses. The Company did not perform a goodwill impairment assessment for the North American Franchise reporting unit during the first quarter of fiscal year 2018 as this reporting unit was not impacted by the triggering event. The North American Premium and International reporting units did not have any goodwill.

The Company performs its annual impairment assessment as of April 30. For the fiscal year 2018 annual impairment assessment, due to the transformational efforts completed during the year, the Company elected to forgo the optional Step 0 assessment and performed the quantitative impairment analysis on the Company-owned and Franchise reporting units. The Company compared the carrying value of the reporting units, including goodwill, to their estimated fair value. The results of these assessments indicated that the estimated fair value of our reporting units exceeded their carrying value. The Franchise reporting unit had substantial headroom and the Company-owned reporting unit had headroom of approximately 24%. The fair value of the Company-owned reporting unit was determined based on a discounted cash flow analysis and comparable market multiples. The assumptions used in determining fair value were the number and pace of salons sold to franchisees, proceeds for salon sales, weighted average cost of capital, general and administrative expenses and utilization of net operating loss benefits. We selected the assumptions by considering our historical financial performance and trends, historical salon sale proceeds and estimated salon sale activities. The preparation of our fair value estimate includes uncertain factors and requires significant judgments and estimates which are subject to change. A 100 basis point increase in our weighted average cost of capital within the Company-owned reporting unit would result in a reduction in headroom to approximately 17%.

Other uncertain factors or events exist which may result in a future triggering event and require us to perform an interim impairment analysis with respect to the carrying value of goodwill for the Company-owned reporting unit prior to our annual assessment. These internal and external factors include but are not limited to the following:

- Changes in the company-owned and franchise expansion strategy,
- Future market earnings multiples deterioration,
- Our financial performance falls short of our projections due to internal operating factors,
- Economic recession,
- Reduced salon traffic,
- Deterioration of industry trends,
- Increased competition,
- Inability to reduce general and administrative expenses as company-owned salon count potentially decreases,
- Other factors causing our cash flow to deteriorate.

If the triggering event analysis indicates the fair value of the Company-owned reporting unit has potentially fallen below more than the 24% headroom, we may be required to perform an updated impairment assessment which may result in a non-cash impairment charge to reduce the carrying value of goodwill.

As of June 30, 2018, the Company's estimated fair value, as determined by the sum of our reporting units' fair value, reconciled within a reasonable range of our market capitalization, which included an assumed control premium of 20.0%.

Assessing goodwill for impairment requires management to make assumptions and to apply judgment, including forecasting future sales and expenses, and selecting appropriate discount rates, which can be affected by economic conditions and other factors that can be difficult to predict. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions it uses to calculate impairment losses of goodwill. However, if actual results are not consistent with the estimates and assumptions used in the calculations, or if there are significant changes to our planned strategy for company-owned salons. the Company may be exposed to future impairment losses that could be material.

Fiscal Year 2017

During the fourth quarter of fiscal year 2017, the Company experienced a triggering event due to the redefining of its operating segments. In connection with the change in operating segment structure, the Company changed its North American reporting units from two reporting units: North American Value and North American Premium, to three reporting units: North American Value, North American Franchise and North American Premium.

Pursuant to the change in operating segments, the Company performed a goodwill impairment assessment on its North American Value reporting unit. The North American Premium and International units did not have any goodwill. The Company compared the carrying value of the North American Value reporting unit, including goodwill, to its estimated fair value. The fair value of the reporting unit exceeded its carrying value by a substantial margin, resulting in no goodwill impairment.

Based on the changes to the Company's operating segment structure, goodwill had been reallocated based on relative fair value to the previous North American Value and North American Franchise reporting units at June 30, 2017 and 2016.

Fiscal Years 2016

During the Company's annual impairment assessment, the Company assessed qualitative factors to determine whether it is more likely than not that the fair value of the reporting units were less than their carrying values ("Step 0"). The Company determined it is "more-likely-than-not" that the carrying values of the reporting units were less than the fair values. Accordingly, the Company did not perform a quantitative analysis.

Long-Lived Assets, Excluding Goodwill

The Company assesses impairment of long-lived assets at the individual salon level, as this is the lowest level for which identifiable cash flows are largely independent of other groups of assets and liabilities, when events or changes in circumstances indicate the carrying value of the assets or the asset grouping may not be recoverable. Factors considered in deciding when to perform an impairment review include significant under-performance of an individual salon in relation to expectations, significant economic or geographic trends, and significant changes or planned changes in our use of the assets. Impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use of the long-lived assets. If the undiscounted estimated cash flows are less than the carrying value of the assets, the Company calculates an impairment charge based on the estimated fair value of the assets. The fair value of the long-lived assets is estimated using a discounted cash flow model based on the best information available, including salon level revenues and expenses. Long-lived asset impairment charges of $11.1 million for fiscal year 2018, have been recorded within depreciation and amortization in the Consolidated Statement of Operations.

Judgments made by management related to the expected useful lives of long-lived assets and the ability to realize undiscounted cash flows in excess of the carrying amounts of such assets are affected by factors such as the ongoing maintenance and improvement of the assets, changes in economic conditions and changes in operating performance. As the ongoing expected cash flows and carrying amounts of long-lived assets are assessed, these factors could cause the Company to realize material impairment charges.

Income Taxes

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the Consolidated Financial Statements or income tax returns. Deferred income tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using currently enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is established for any portion of deferred tax assets that are not considered more likely than not to be realized. The Company evaluates all evidence, including recent financial performance, the existence of cumulative year losses and our forecast of future taxable income, to assess the need for a valuation allowance against our deferred tax assets. While the determination of whether or not to record a valuation allowance is not fully governed by a specific objective test, accounting guidance places significant weight on recent financial performance.

The Company has a partial valuation allowance on its deferred tax assets amounting to $67.9 and $119.1 million at June 30, 2018 and 2017, respectively. The Company assesses the realizability of its deferred tax assets on a quarterly basis and will reverse the valuation allowance and record a tax benefit when the Company generates sufficient sustainable pretax earnings to make the realizability of the deferred tax assets more likely than not. In connection with the Tax Cuts and Jobs Act enacted in December 2017, the Company remeasured the deferred tax accounts for the federal rate reduction and recorded a partial valuation allowance release for a total benefit of $68.1 million during the twelve months ended June 30, 2018. See Note 9 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

The Company reserves for unrecognized tax benefits, interest and penalties related to anticipated tax audit positions in the U.S. and other tax jurisdictions based on an estimate of whether additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of these liabilities would result in tax benefits being recognized in the period in which it is determined that the liabilities are no longer necessary. If the estimate of unrecognized tax benefits, interest and penalties proves to be less than the ultimate assessment, additional expenses would result.

Inherent in the measurement of deferred balances are certain judgments and interpretations of tax laws and published guidance with respect to the Company's operations. Income tax expense is primarily the current tax payable for the period and the change during the period in certain deferred tax assets and liabilities.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The primary market risk exposure of the Company relates to changes in interest rates in connection with its debt, specifically the revolving credit facility which bears interest at variable rates based on LIBOR plus an applicable borrowing margin. Additionally, the Company is exposed to foreign currency translation risk related changes in the Canadian dollar and to a lesser extent the British pound. The Company has established policies and procedures that govern the management of these exposures through the use of derivative financial instrument contracts. By policy, the Company does not enter into such contracts for the purpose of speculation. The following details the Company's policies and use of financial instruments.

Interest Rate Risk:

The Company has established an interest rate management policy that attempts to minimize its overall cost of debt, while taking into consideration earnings implications associated with volatility in short-term interest rates. On occasion, the Company uses interest rate swaps to further mitigate the risk associated with changing interest rates and to maintain its desired balances of fixed and floating rate debt. In addition, access to variable rate debt is available through the Company's revolving credit facility. The Company reviews its policy and interest rate risk management quarterly and makes adjustments in accordance with market conditions and the Company's short and long-term borrowing needs. As of June 30, 2018, the Company had an outstanding variable rate debt of $90.0 million. The Company had an outstanding fixed rate debt balance of $123.0 million at June 30, 2017. As of June 30, 2018 and 2017, the Company did not have any outstanding interest rate swaps.

Foreign Currency Exchange Risk:

Over 90% of the operations related to Company-owned locations are transacted in United States dollars. However, because a portion of the Company's operations consists of activities outside of the United States, the Company has transactions in other currencies, primarily the Canadian dollar and British pound. In preparing the Consolidated Financial Statements, the Company is required to translate the financial statements of its foreign subsidiaries from the currency in which they keep their accounting records, generally the local currency, into United States dollars. Different exchange rates from period to period impact the amounts of reported income and the amount of foreign currency translation recorded in accumulated other comprehensive income (AOCI). As part of its risk management strategy, the Company frequently evaluates its foreign currency exchange risk by monitoring market data and external factors that may influence exchange rate fluctuations. As a result, the Company may engage in transactions involving various derivative instruments to hedge assets, liabilities and purchases denominated in foreign currencies. As of June 30, 2018 and 2017, the Company did not have any derivative instruments to manage its foreign currency risk.

During fiscal years 2018, 2017 and 2016, the foreign currency gain (loss) included in income (loss) from continuing operations was $(0.1), $0.1 and $0.1 million, respectively. During fiscal year 2018, the Company recognized within discontinued operations a $6.2 million foreign currency translation loss in connection with the Company's liquidation of substantially all foreign entities with British pound denominated currencies.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements:

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Regis Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Regis Corporation and its subsidiaries as of June 30, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended June 30, 2018, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Controls over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Minneapolis, Minnesota
August 23, 2018

We have served as the Company's auditor since at least 1990. We have not determined the specific year we began serving as auditor of the Company.

REGIS CORPORATION

CONSOLIDATED BALANCE SHEET

(Dollars in thousands, except per share data)

	June 30,	
	2018	**2017**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 110,399	$ 171,044
Receivables, net	52,430	19,683
Inventories	79,363	98,392
Other current assets	47,867	48,114
Current assets held for sale (Note 2)	—	32,914
Total current assets	290,059	370,147
Property and equipment, net	105,860	123,281
Goodwill	412,643	416,987
Other intangibles, net	10,557	11,965
Other assets	37,616	61,756
Long-term assets held for sale (Note 2)	—	27,352
Total assets	$ 856,735	$ 1,011,488
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 57,738	$ 54,501
Accrued expenses	97,630	110,435
Current liabilities related to assets held for sale (Note 2)	—	13,126
Total current liabilities	155,368	178,062
Long-term debt, net	90,000	120,599
Other noncurrent liabilities	107,875	197,374
Noncurrent liabilities related to assets held for sale (Note 2)	—	7,232
Total liabilities	353,243	503,267
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Common stock, $0.05 par value; issued and outstanding, 45,258,571 and 46,400,367 common shares at June 30, 2018 and 2017, respectively	2,263	2,320
Additional paid-in capital	194,436	214,109
Accumulated other comprehensive income	9,568	3,336
Retained earnings	297,225	288,456
Total shareholders' equity	503,492	508,221
Total liabilities and shareholders' equity	$ 856,735	$ 1,011,488

The accompanying notes are an integral part of the Consolidated Financial Statements.

REGIS CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars in thousands, except per share data)

	Fiscal Years		
	2018	2017	2016
Revenues:			
Service	$ 899,051	$ 960,347	$ 978,614
Product	258,666	259,822	265,796
Royalties and fees	56,357	48,291	47,523
	1,214,074	1,268,460	1,291,933
Operating expenses:			
Cost of service	530,582	610,384	608,965
Cost of product	140,623	126,297	130,015
Site operating expenses	127,249	127,797	135,139
General and administrative	174,045	157,335	157,012
Rent	183,096	180,478	184,150
Depreciation and amortization	58,205	52,088	52,888
Total operating expenses	1,213,800	1,254,379	1,268,169
Operating income	274	14,081	23,764
Other (expense) income:			
Interest expense	(10,492)	(8,584)	(9,229)
Interest income and other, net	6,670	2,831	3,713
(Loss) income from continuing operations before income taxes and equity in loss of affiliated companies	(3,548)	8,328	18,248
Income tax benefit (expense)	65,434	(9,224)	(9,049)
Equity in loss of affiliated companies, net of income taxes	—	—	(14,786)
Income (loss) from continuing operations	61,886	(896)	(5,587)
Loss from discontinued operations, net of income taxes (Note 2)	(53,185)	(15,244)	(5,729)
Net income (loss)	$ 8,701	$ (16,140)	$ (11,316)
Net income (loss) per share:			
Basic:			
Income (loss) from continuing operations	$ 1.33	$ (0.02)	$ (0.12)
Loss from discontinued operations	(1.14)	(0.33)	(0.12)
Net income (loss) per share, basic (1)	$ 0.19	$ (0.35)	$ (0.23)
Diluted:			
Income (loss) from continuing operations	$ 1.32	$ (0.02)	$ (0.12)
Loss from discontinued operations	(1.13)	(0.33)	(0.12)
Net income (loss) per share, diluted (1)	$ 0.18	$ (0.35)	$ (0.23)
Weighted average common and common equivalent shares outstanding:			
Basic	46,517	46,359	48,542
Diluted	47,035	46,359	48,542

(1) Total is a recalculation; line items calculated individually may not sum to total due to rounding.

The accompanying notes are an integral part of the Consolidated Financial Statements.

REGIS CORPORATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands)

	Fiscal Years		
	2018	**2017**	**2016**
Net income (loss)	$ 8,701	$ (16,140)	$ (11,316)
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments during the period:			
Foreign currency translation adjustments	(256)	(1,889)	(4,276)
Reclassification adjustments for losses included in net income (loss) (Note 2)	6,152	—	—
Net current period foreign currency translation adjustments	5,896	(1,889)	(4,276)
Recognition of deferred compensation	336	157	(162)
Other comprehensive income (loss)	6,232	(1,732)	(4,438)
Comprehensive income (loss)	$ 14,933	$ (17,872)	$ (15,754)

The accompanying notes are an integral part of the Consolidated Financial Statements.

REGIS CORPORATION

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Dollars in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Amount				
Balance, June 30, 2015	53,664,366	$ 2,683	$ 298,396	$ 9,506	$ 316,859	$ 627,444
Net loss					(11,316)	(11,316)
Foreign currency translation adjustments				(4,276)		(4,276)
Stock repurchase program	(7,647,819)	(382)	(100,653)			(101,035)
Exercise of SARs & stock options	107	—	—			—
Stock-based compensation			9,797			9,797
Shares issued through franchise stock incentive program	22,084	1	330			331
Recognition of deferred compensation (Note 10)				(162)		(162)
Net restricted stock activity	115,672	6	(734)			(728)
Minority interest (Note 1)			339		(993)	(654)
Balance, June 30, 2016	46,154,410	2,308	207,475	5,068	304,550	519,401
Net loss					(16,140)	(16,140)
Foreign currency translation adjustments				(1,889)		(1,889)
Exercise of SARs & stock options	4,370	—	(42)			(42)
Stock-based compensation			9,991			9,991
Shares issued through franchise stock incentive program	27,819	1	352			353
Recognition of deferred compensation (Note 10)				157		157
Net restricted stock activity	213,768	11	(3,667)			(3,656)
Minority interest (Note 1)					46	46
Balance, June 30, 2017	46,400,367	2,320	214,109	3,336	288,456	508,221
Net income					8,701	8,701
Foreign currency translation adjustments (Note 1)				5,896		5,896
Stock repurchase program	(1,469,057)	(74)	(24,724)			(24,798)
Exercise of SARs & stock options	33,342	2	(332)			(330)
Stock-based compensation			7,475			7,475
Shares issued through franchise stock incentive program	522	—	7			7
Recognition of deferred compensation (Note 10)				336		336
Net restricted stock activity	293,397	15	(2,099)			(2,084)
Minority interest (Note 1)					68	68
Balance, June 30, 2018	45,258,571	$ 2,263	$ 194,436	$ 9,568	$ 297,225	$ 503,492

The accompanying notes are an integral part of the Consolidated Financial Statements.

REGIS CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands)

	Fiscal Years		
	2018	**2017**	**2016**
Cash flows from operating activities:			
Net income (loss)	$ 8,701	$ (16,140)	$ (11,316)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Non-cash impairment related to discontinued operations	38,826	—	—
Depreciation and amortization	39,433	40,722	42,411
Depreciation related to discontinued operations	3,738	14,239	14,581
Equity in loss of affiliated companies	—	81	14,783
Deferred income taxes	(75,863)	7,962	7,023
Gain on life insurance proceeds	(7,986)	—	—
Gain from sale of salon assets to franchisees, net(2)	(241)	(492)	(1,000)
Loss on write down of inventories	—	5,905	—
Salon asset impairments	11,092	11,366	10,478
Accumulated other comprehensive income reclassification adjustments (Note 2)	6,152	—	—
Stock-based compensation	8,269	13,142	9,797
Amortization of debt discount and financing costs	4,080	1,403	1,514
Other non-cash items affecting earnings	(294)	935	310
Changes in operating assets and liabilities(1):			
Receivables	(12,081)	724	(577)
Inventories	13,940	4,010	(7,109)
Income tax receivable	527	(535)	501
Other current assets	(23)	820	(460)
Other assets	(11,229)	(2,586)	(1,133)
Accounts payable	(1,103)	(684)	(4,624)
Accrued expenses	(12,526)	(13,667)	(14,280)
Other noncurrent liabilities	(11,084)	(7,150)	(5,113)
Net cash provided by operating activities	2,328	60,055	55,786
Cash flows from investing activities:			
Capital expenditures	(29,571)	(26,572)	(23,151)
Capital expenditures related to discontinued operations	(1,171)	(7,271)	(7,966)
Proceeds from sale of salon assets to franchisees(2)	11,582	2,253	1,740
Change in restricted cash	(524)	1,123	9,042
Proceeds from company-owned life insurance policies	18,108	876	2,948
Proceeds from sale of investment	—	500	—
Net cash used in investing activities	(1,576)	(29,091)	(17,387)
Cash flows from financing activities:			
Borrowings on revolving credit facilities	90,000	—	—
Repayments of long-term debt and capital lease obligations	(124,230)	—	(2)
Repurchase of common stock	(24,798)	—	(101,035)
Purchase of noncontrolling interest	—	—	(760)
Employee taxes paid for shares withheld	(2,413)	(3,698)	(754)
Settlement of equity awards	(794)	(3,151)	—
Net cash used in financing activities	(62,235)	(6,849)	(102,551)
Effect of exchange rate changes on cash and cash equivalents	(514)	935	(781)
(Decrease) increase in cash and cash equivalents	(61,997)	25,050	(64,933)
Cash and cash equivalents:			
Beginning of year	171,044	147,346	212,279
Cash and cash equivalents included in current assets held for sale	1,352	—	—
Beginning of year, total cash and cash equivalents	172,396	147,346	212,279
End of year	$ 110,399	$ 172,396	$ 147,346

(1) Changes in operating assets and liabilities exclude assets and liabilities sold or acquired.

(2) Excludes transaction with The Beautiful Group.

The accompanying notes are an integral part of the Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description:

Regis Corporation (the "Company") owns, operates and franchises hairstyling and hair care salons throughout the United States (U.S.), the United Kingdom (U.K.), Canada and Puerto Rico. Substantially all of the hairstyling and hair care salons owned and operated by the Company in the U.S., Canada and Puerto Rico are located in leased space in enclosed mall shopping centers, strip shopping centers or Walmart Supercenters. Franchised salons throughout the U.S. are primarily located in strip shopping centers, Walmart Supercenters and mall-based locations. All salons in the U.K. are Franchised locations and operate in malls, leading department stores, mass merchants and high-street locations.

During the first quarter of fiscal year 2018, the Company redefined its operating segments to reflect how the chief operating decision maker evaluates the business as a result selling substantially all of its mall-based salon business in North America, representing 858 salons, and substantially all of its previous International segment, representing 250 salons in the UK, to The Beautiful Group ("TBG"), an affiliate of Regent, a private equity firm based in Los Angeles, California, who operates these locations as franchise locations. See additional discussion on these discontinued operations in Note 2 to the Consolidated Financial Statements. Based on the way the chief operating decision maker evaluates the business, the Company has two reportable segments: Company-owned salons and Franchise salons. Prior to this change, the Company had four operating segments: North American Value, North American Premium, North American Franchise and International. See Note 14 to the Consolidated Financial Statements.

Smartstyle Restructuring:

In January 2018, the Company closed 597 non-performing Company owned SmartStyle salons. The action delivers on the Company's commitment to restructure its salon portfolio to improve shareholder value and position the Company for long-term growth. The Company anticipates this action will allow the Company to reallocate capital and human resources to strategically grow its remaining SmartStyle salons with creative new offerings. A summary of costs associated with the SmartStyle salon restructuring for fiscal year 2018 is as follows:

	Financial Line Item	Fiscal Year 2018
		(Dollars in thousands)
Inventory reserves	Cost of Service	$ 656
Inventory reserves	Cost of Product	586
Severance	General and administrative	897
Long-lived fixed asset impairment	Depreciation and amortization	5,460
Asset retirement obligation	Depreciation and amortization	7,680
Lease termination and other related closure costs	Rent	27,290
Deferred rent	Rent	(3,291)
Total		$ 39,278

In addition, the Company recorded approximately $1.9 million of other related costs to the SmartStyle restructuring, primarily warehouse related costs. Substantially all related costs associated with the SmartStyle salon restructuring requiring cash outflow were complete as of June 30, 2018.

Consolidation:

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries after the elimination of intercompany accounts and transactions. All material subsidiaries are wholly owned. The Company consolidates variable interest entities where it has determined it is the primary beneficiary of those entities' operations.

Variable Interest Entities:

The Company has interests in certain privately held entities through arrangements that do not involve voting interests. Such entities, known as a variable interest entity (VIE), are required to be consolidated by its primary beneficiary. The Company evaluates whether or not it is the primary beneficiary for each VIE using a qualitative assessment that considers the VIE's purpose and design, the involvement of each of the interest holders and the risk and benefits of the VIE.

As of June 30, 2018, the Company has one VIE, Roosters MGC International LLC (Roosters), where the Company is the primary beneficiary. The Company owns an 84.0% ownership interest in Roosters. As of June 30, 2018, total assets, total liabilities and total shareholders' equity of Roosters were $8.3, $0.6 and $7.7 million, respectively. Net income attributable to the non-controlling interest in Roosters was immaterial for fiscal years 2018, 2017 and 2016. Shareholders' equity attributable to the non-controlling interest in Roosters was $1.0 and $0.9 million as of June 30, 2018 and 2017, respectively and recorded within retained earnings on the Consolidated Balance Sheet.

The Company accounts for its investment in Empire Eduction Group, Inc. ("EEG") as an equity investment under the voting interest model, as the Company has granted the other shareholder of EEG an irrevocable proxy to vote a certain number of the Company’s shares such that the other shareholder of EEG has voting control of 51.0% of EEG’s common stock, as well as the right to appoint four of the five members of EEG’s Board of Directors. See Note 5 to the Consolidated Financial Statements.

The Company utilized the consolidation of variable interest entities guidance to determine whether or not TBG was a variable interest entity (VIE), and if so, whether the Company was the primary beneficiary of TBG. As of June 30, 2018, the Company concluded that TBG is a VIE based on the fact that the equity investment at risk in TBG is not sufficient. The Company determined that it is not the primary beneficiary of TBG based on its exposure to the expected losses of TBG and as it is not the variable interest holder that is most closely associated within the relationship and the significance of the activities of TBG. The exposure to loss related to the Company's involvement with TBG is the carrying value of the amounts due from TBG and the guarantee of the operating leases.

Use of Estimates:

The preparation of Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash equivalents consist of investments in short-term, highly liquid securities having original maturities of three months or less, which are made as a part of the Company's cash management activity. The carrying values of these assets approximate their fair market values. The Company primarily utilizes a cash management system with a series of separate accounts consisting of lockbox accounts for receiving cash, concentration accounts that funds are moved to, and several "zero balance" disbursement accounts for funding of payroll and accounts payable. As a result of the Company's cash management system, checks issued, but not presented to the banks for payment, may create negative book cash balances. There were no checks outstanding in excess of related book cash balances at June 30, 2018 and 2017.

The Company has restricted cash primarily related to contractual obligations to collateralize its self-insurance programs. The restricted cash arrangement can be canceled by the Company at any time if substituted with letters of credit. The restricted cash balance is classified within other current assets on the Consolidated Balance Sheet.

Receivables and Allowance for Doubtful Accounts:

The receivable balance on the Company's Consolidated Balance Sheet primarily includes credit card receivables and accounts and notes receivable from franchisees. At June 30, 2018, the receivable balance also included $24.6 million related to the cash surrender value of company-owned life insurance policies surrendered prior to June 30, 2018. The Company received these proceeds in July 2018. The balance is presented net of an allowance for expected losses (i.e., doubtful accounts), primarily related to receivables from the Company's franchisees. The Company monitors the financial condition of its franchisees and records provisions for estimated losses on receivables when it believes franchisees are unable to make their required payments based on factors such as delinquencies and aging trends.

The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses related to existing accounts and notes receivables. As of June 30, 2018, 2017 and 2016, the allowance for doubtful accounts was $1.2, $0.8 and $1.3 million, respectively. Activity in the allowance for doubtful accounts during fiscal years 2018, 2017 and 2016 was not significant.

Inventories:

Inventories of finished goods consist principally of hair care products for retail product sales. A portion of inventories are also used for salon services consisting of hair color, hair care products including shampoo and conditioner and hair care treatments including permanents, neutralizers and relaxers. Inventories are stated at the lower of cost or market, with cost determined on a weighted average cost basis.

Physical inventory counts are performed annually in the fourth quarter of the fiscal year for salons. Product and service inventories are adjusted based on the physical inventory counts. During the fiscal year, cost of retail product sold to salon guests is determined based on the weighted average cost of product sold, adjusted for an estimated shrinkage factor. The cost of product used in salon services is determined by applying an estimated percentage of total cost of service to service revenues. These estimates are updated quarterly based on cycle count results for the distribution centers and salons, service sales mix, discounting, special promotions and other factors.

The Company has inventory valuation reserves for excess and obsolete inventories, or other factors that may render inventories unmarketable at their historical costs. Estimates of the future demand for the Company's inventory and anticipated changes in formulas and packaging are some of the other factors used by management in assessing the net realizable value of inventories.

Property and Equipment:

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation of property and equipment is computed using the straight-line method over their estimated useful asset lives (30 to 39 years for buildings, 10 years for improvements and three to ten years for equipment, furniture and software). Depreciation expense was $38.1, $42.7 and $44.4 million in fiscal years 2018, 2017 and 2016, respectively.

The Company capitalizes both internal and external costs of developing or obtaining computer software for internal use. Costs incurred to develop internal-use software during the application development stage are capitalized, while data conversion, training and maintenance costs associated with internal-use software are expensed as incurred. Estimated useful lives range from five to seven years.

Expenditures for maintenance and repairs and minor renewals and betterments, which do not improve or extend the life of the respective assets, are expensed. All other expenditures for renewals and betterments are capitalized. The assets and related depreciation and amortization accounts are adjusted for property retirements and disposals with the resulting gain or loss included in operating income. Fully depreciated or amortized assets remain in the accounts until retired from service.

Long-Lived Asset Impairment Assessments, Excluding Goodwill:

The Company assesses impairment of long-lived assets at the individual salon level, as this is the lowest level for which identifiable cash flows are largely independent of other groups of assets and liabilities, when events or changes in circumstances indicate the carrying value of the assets or the asset grouping may not be recoverable. Factors considered in deciding when to perform an impairment review include significant under-performance of an individual salon in relation to expectations, significant economic or geographic trends, and significant changes or planned changes in our use of the assets. Impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use of the long-lived assets. If the undiscounted estimated cash flows are less than the carrying value of the assets, the Company calculates an impairment charge based on the estimated fair value of the assets. The fair value of the long-lived assets is estimated using a discounted cash flow model based on the best information available, including salon level revenues and expenses. Long-lived asset impairment charges are recorded within depreciation and amortization in the Consolidated Statement of Operations.

Judgments made by management related to the expected useful lives of long-lived assets and the ability to realize undiscounted cash flows in excess of the carrying amounts of such assets are affected by factors such as the ongoing maintenance and improvement of the assets, changes in economic conditions and changes in operating performance. As the ongoing expected cash flows and carrying amounts of long-lived assets are assessed, these factors could cause the Company to realize material impairment charges.

Long-lived asset impairment charges of $11.1, $7.9 and $7.1 million were recorded during fiscal years 2018, 2017 and 2016, respectively, related to continuing operations.

Goodwill:

As of June 30, 2018 and 2017, the Company-owned reporting unit had $184.8 and $188.9 million of goodwill, respectively, and the Franchise salons reporting unit had $227.9 and $228.1 million of goodwill, respectively. See Note 4 to the Consolidated Financial Statements. The Company assesses goodwill impairment on an annual basis, during the Company’s fourth fiscal quarter, and between annual assessments if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Goodwill impairment assessments are performed at the reporting unit level, which is the same as the Company's operating segments. As part of the new simplification guidance issued by the Financial Accounting Standards Board (FASB), the goodwill assessment involves a one-step comparison of the reporting unit's fair value to its carrying value, including goodwill ("Step 1"). The prior guidance required a hypothetical purchase price allocation as the second step of the goodwill impairment assessment, but this step has been eliminated. If the reporting unit's fair value exceeds its carrying value, no further procedures are required. However, if the reporting unit's fair value is less than the carrying value, an impairment charge is recorded for the difference between the fair value and carrying value of the reporting unit. The Company early adopted this guidance when completing the annual fiscal year 2017 impairment assessment and therefore only completed Step 1 of the goodwill impairment assessment.

In applying the goodwill impairment assessment, the Company may assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting units is less than its carrying value ("Step 0"). Qualitative factors may include, but are not limited to, economic, market and industry conditions, cost factors, and overall financial performance of the reporting unit. If after assessing these qualitative factors, the Company determines it is "more-likely-than-not" that the carrying value is less than the fair value, then performing Step 1 of the goodwill impairment assessment is unnecessary.

The carrying value of each reporting unit is based on the assets and liabilities associated with the operations of the reporting unit, including allocation of shared or corporate balances among reporting units. Allocations are generally based on the number of salons in each reporting unit as a percent of total company-owned salons or expenses of the reporting unit as a percent of total company expenses.

The Company calculates estimated fair values of the reporting units based on discounted future cash flows utilizing estimates in annual revenue, service and product margins, fixed expense rates, allocated corporate overhead, corporate-owned and franchise salon counts and long-term growth rates for determining terminal value. Where available and as appropriate, comparative market multiples are used in conjunction with the results of the discounted cash flows. The Company periodically engages third-party valuation consultants to assist in evaluating the Company's estimated fair value calculations.

Following is a description of the goodwill impairment assessments for each of the fiscal years:

Fiscal Year 2018

During the first quarter of fiscal year 2018, the Company experienced a triggering event due to the redefining of its operating segments as the Company's mall-based business and International segment met the criteria to be classified as held for sale and as a discontinued operation as of September 30, 2017. The Company's reporting now consist of two reporting units: Company-owned and Franchise. Prior to this change the Company had four reporting units: North American Value, North American Premium, North American Franchise and International.

Pursuant to the change in operating segments, the Company performed a goodwill impairment assessment on its North American Value reporting unit. The Company assessed qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit was less than their carrying values ("Step 0"). The Company determined it is "more-likely-than-not" that the carrying value of the reporting unit was less than the fair value. Accordingly, the Company did not perform a quantitative analysis. Based on the changes to the operating segment structure, there was no goodwill reallocated from the North American Value reporting unit related to the mall-based business that was subsequently sold as the mall-based business previously included in the North American Value reporting unit was projected to incur future losses. The Company did not perform a goodwill impairment assessment for the North American Franchise reporting unit during the first quarter of fiscal year 2018 as this reporting unit was not impacted by the triggering event. The North American Premium and International units did not have any goodwill.

The Company performs its annual impairment assessment as of April 30. For the fiscal year 2018 annual impairment assessment, due to the transformational efforts completed during the year, the Company elected to forgo the optional Step 0 assessment and performed the quantitative impairment analysis on the Company-owned and Franchise reporting units. The Company compared the carrying value of the reporting units, including goodwill, to their estimated fair value. The results of these assessments indicated that the estimated fair value of our reporting units exceeded their carrying value. The Franchise reporting unit had substantial headroom and the Company-owned reporting unit had headroom of approximately 24%. The fair value of the Company-owned reporting unit was determined based on a discounted cash flow analysis and comparable market multiples. The assumptions used in determining fair value were the number and pace of salons sold to franchisees, proceeds for salon sales, weighted average cost of capital, general and administrative expenses and utilization of net operating loss benefits. We selected the assumptions by considering our historical financial performance and trends, historical salon sale proceeds and estimated salon sale activities. The preparation of our fair value estimate includes uncertain factors and requires significant judgments and estimates which are subject to change. A 100 basis point increase in our weighted average cost of capital within the Company-owned reporting unit would result in a reduction in headroom to approximately 17%.

Other uncertain factors or events exist which may result in a future triggering event and require us to perform an interim impairment analysis with respect to the carrying value of goodwill for the Company-owned reporting unit prior to our annual assessment. These internal and external factors include but are not limited to the following:

- Changes in the company-owned and franchise expansion strategy,
- Future market earnings multiples deterioration,
- Our financial performance falls short of our projections due to internal operating factors,
- Economic recession,
- Reduced salon traffic,
- Deterioration of industry trends,
- Increased competition,
- Inability to reduce general and administrative expenses as company-owned salon count potentially decreases,
- Other factors causing our cash flow to deteriorate.

If the triggering event analysis indicates the fair value of the Company-owned reporting unit has potentially fallen below more than the 24% headroom, we may be required to perform an updated impairment assessment which may result in a non-cash impairment charge to reduce the carrying value of goodwill.

As of June 30, 2018, the Company's estimated fair value, as determined by the sum of our reporting units' fair value, reconciled within a reasonable range of our market capitalization, which included an assumed control premium of 20.0%.

Assessing goodwill for impairment requires management to make assumptions and to apply judgment, including forecasting future sales and expenses, and selecting appropriate discount rates, which can be affected by economic conditions and other factors that can be difficult to predict. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions it uses to calculate impairment losses of goodwill. However, if actual results are not consistent with the estimates and assumptions used in the calculations, or if there are significant changes to the Company's planned strategy for company-owned salons, the Company may be exposed to future impairment losses that could be material.

Fiscal Year 2017

During the fourth quarter of fiscal year 2017, the Company experienced a triggering event due to the redefining of its operating segments, which also coincided with the annual assessment date. See Note 14 to the Consolidated Financial Statements. In connection with the change in operating segment structure, the Company changed its North American reporting units from two reporting units: North American Value and North American Premium, to three reporting units: North American Value, North American Franchise and North American Premium.

Pursuant to the change in operating segments, the Company performed a goodwill impairment assessment on its North American Value reporting unit. The North American Premium and International units do not have any goodwill. The Company compared the carrying value of the North American Value reporting unit, including goodwill, to its estimated fair value. The fair value of the reporting unit exceeded its carrying value by a substantial margin, resulting in no goodwill impairment.

Assessing goodwill for impairment requires management to make assumptions and to apply judgment, including forecasting future sales and expenses, and selecting appropriate discount rates, which can be affected by economic conditions and other factors that can be difficult to predict. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions it uses to calculate impairment losses of goodwill. However, if actual results are not consistent with the estimates and assumptions used in the calculations, the Company may be exposed to future impairment losses that could be material.

Based on the changes to the Company's operating segment structure, goodwill has been reallocated based on relative fair value to the North American Value and North American Franchise reporting units at June 30, 2017 and 2016.

Fiscal Years 2016

During the Company’s annual goodwill impairment assessment, the Company assessed qualitative factors to determine whether it is more likely than not that the fair value of the reporting units were less than their carrying value (“Step 0”). The Company determined it is “more-likely-than-not” that the carrying values of the reporting units were less than the fair values. Accordingly, the Company did not perform a two-step quantitative analysis.

Investments In Affiliates:

The Company has equity investments in securities of certain privately held entities. The Company accounts for these investments under the equity or cost method of accounting. Investments accounted for under the equity method are recorded at the amount of the Company's investment and adjusted each period for the Company's share of the investee's income or loss. Investments are reviewed for changes in circumstance or the occurrence of events that suggest the Company's investment may not be recoverable. See Note 5 to the Consolidated Financial Statements

During fiscal year 2016, the Company recorded its portion of equity losses from investments in affiliate of $1.8 million and an other than temporary impairment charge of $13.0 million. The other than temporary impairment charge resulted from one investment's significantly lower financial projections in fiscal years 2016 due to continued declines in enrollment, revenue and profitability. The full impairment of this investment followed previous non-cash impairment charges, the investment's impairment of goodwill and its establishment of a deferred tax valuation allowance in prior quarters. The Company did not record any equity income or losses related to its investments during fiscal years 2017 and 2018. The Company will record equity income related to the Company's investment once its cumulative income exceeds its cumulative losses, measured from the date of impairment.

Self-Insurance Accruals:

The Company uses a combination of third party insurance and self-insurance for a number of risks including workers' compensation, health insurance, employment practice liability and general liability claims. The liability represents the Company's estimate of the undiscounted ultimate cost of uninsured claims incurred as of the balance sheet date.

The Company estimates self-insurance liabilities using a number of factors, primarily based on independent third-party actuarially-determined amounts, historical claims experience, estimates of incurred but not reported claims, demographic factors and severity factors.

Although the Company does not expect the amounts ultimately paid to differ significantly from the estimates, self-insurance accruals could be affected if future claims experience differs significantly from historical trends and actuarial assumptions. For fiscal years 2018, 2017 and 2016, the Company recorded decreases in expense for changes in estimates related to prior year open policy periods of $1.2, $1.6 and $1.0 million, respectively. The Company updates loss projections quarterly and adjusts its liability to reflect updated projections. The updated loss projections consider new claims and developments associated with existing claims for each open policy period. As certain claims can take years to settle, the Company has multiple policy periods open at any point in time.

As of June 30, 2018, the Company had $10.3 and $25.8 million recorded in current liabilities and noncurrent liabilities, respectively, related to the Company's self-insurance accruals. As of June 30, 2017, the Company had $12.4 and $26.1 million recorded in current liabilities and noncurrent liabilities, respectively, related to the Company's self-insurance accruals.

Deferred Rent and Rent Expense:

The Company leases most salon locations under operating leases. Rent expense is recognized on a straight-line basis over the lease term. Tenant improvement allowances funded by landlord incentives, rent holidays and rent escalation clauses which provide for scheduled rent increases during the lease term or for rental payments commencing at a date other than the date of initial occupancy are recorded in the Consolidated Statements of Operations on a straight-line basis over the lease term (including one renewal period if renewal is reasonably assured based on the imposition of an economic penalty for failure to exercise the renewal option). The difference between the rent due under the stated periods of the lease and the straight-line basis is recorded as deferred rent within accrued expenses and other noncurrent liabilities in the Consolidated Balance Sheet.

For purposes of recognizing incentives and minimum rental expenses on a straight-line basis, the Company uses the date it obtains the legal right to use and control the leased space to begin amortization, which is generally when the Company enters the space and begins to make improvements in preparation of its intended use.

Certain leases provide for contingent rents, which are determined as a percentage of revenues in excess of specified levels. The Company records a contingent rent liability in accrued expenses on the Consolidated Balance Sheet, along with the corresponding rent expense in the Consolidated Statement of Operations, when specified levels have been achieved or when management determines that achieving the specified levels during the fiscal year is probable.

Revenue Recognition and Deferred Revenue:

Company-owned salon revenues are recognized at the time when the services are provided. Product revenues are recognized when the guest receives and pays for the merchandise. Revenues from purchases made with gift cards are also recorded when the guest takes possession of the merchandise or services are provided. Gift cards issued by the Company are recorded as a liability (deferred revenue) until they are redeemed.

Product sales by the Company to its franchisees are included within product revenues on the Consolidated Statement of Operations and recorded at the time product is shipped to franchise locations.

Franchise revenues primarily include royalties, initial franchise fees and net rental income. Royalties are recognized as revenue in the month in which franchisee services are rendered. The Company recognizes revenue from initial franchise fees at the time franchise locations are opened, as this is generally when the Company has performed all initial services required under the franchise agreement.

Classification of Expenses:

The following discussion provides the primary costs classified in each major expense category:

Beginning in the first quarter of fiscal year 2018, costs associated with field leaders that were previously recorded within Cost of Service and Site Operating expenses are now categorized within General and Administrative expense as a result of the field reorganization that took place in the first quarter of fiscal year 2018. Previously, field leaders spent most of their time on the salon floor leading and mentoring stylists and serving guests. As reorganized, field leaders now do not work on the salon floor daily. As a result, field leader labor costs are now reported within General and Administrative expenses rather than Cost of Service and their travel costs are reported within General and Administrative expenses rather than Site Operating expenses. This expense classification does not have a financial impact on the Company's reported operating income (loss), reported net (loss) income or cash flows from operations.

Cost of service— labor costs related to salon employees, costs associated with our field supervision (fiscal years 2017 and 2016) and the cost of product used in providing service.

Cost of product— cost of product sold to guests, labor costs related to selling retail product and the cost of product sold to franchisees.

Site operating— direct costs incurred by the Company's salons, such as advertising, workers' compensation, insurance, utilities, travel costs associated with our field supervision (fiscal years 2017 and 2016) and janitorial costs.

General and administrative— costs associated with field supervision (fiscal year 2018), costs associated with salon training, distribution centers and corporate offices (such as salaries and professional fees), including cost incurred to support franchise operations.

Consideration Received from Vendors:

The Company receives consideration for a variety of vendor-sponsored programs. These programs primarily include volume rebates and promotion and advertising reimbursements.

With respect to volume rebates, the Company estimates the amount of rebate it will receive and accrues it as a reduction to the cost of inventory over the period in which the rebate is earned based upon historical purchasing patterns and the terms of the volume rebate program. A quarterly analysis is performed in order to ensure the estimated rebate accrued is reasonable and any necessary adjustments are recorded.

Shipping and Handling Costs:

Shipping and handling costs are incurred to store, move and ship product from the Company's distribution centers to company-owned and franchise locations and include an allocation of internal overhead. Such shipping and handling costs related to product shipped to company-owned locations are included in site operating expenses in the Consolidated Statement of Operations. Shipping and handling costs related to shipping product to franchise locations totaled $6.1, $3.7 and $3.6 million during fiscal years 2018, 2017 and 2016, respectively and are included within general and administrative expenses on the Consolidated Statement of Operations. Any amounts billed to franchisees for shipping and handling are included in product revenues within the Consolidated Statement of Operations.

Advertising:

Advertising costs, including salon collateral material, are expensed as incurred. Advertising costs expensed and included in site operating expenses in fiscal years 2018, 2017 and 2016 was $36.6, $30.3 and $30.0 million, respectively.

Advertising Funds:

The Company has various franchising programs supporting certain of its franchise salon concepts. Most maintain advertising funds that provide comprehensive advertising and sales promotion support. The Company is required to participate in the advertising funds for company-owned locations under the same salon concept. The Company assists in the administration of the advertising funds. However, a group of individuals consisting of franchisee representatives has control over all of the expenditures and operates the funds in accordance with franchise operating and other agreements.

The Company records advertising expense in the period the company-owned salons make contributions to the respective advertising fund. During fiscal years 2018, 2017 and 2016, total Company contributions to the franchise advertising funds totaled $16.9, $17.2 and $17.5 million, respectively.

The Company records all advertising funds as assets and liabilities within the Company's Consolidated Balance Sheet. As of June 30, 2018 and 2017, approximately $23.8 and $21.7 million, respectively, representing the advertising funds' assets and liabilities were recorded within total assets and total liabilities in the Company's Consolidated Balance Sheet.

Stock-Based Employee Compensation Plans:

The Company recognizes stock-based compensation expense based on the fair value of the awards at the grant date. Compensation expense is recognized on a straight-line basis over the requisite service period of the award (or to the date a participant becomes eligible for retirement, if earlier). The Company uses option pricing methods that require the input of subjective assumptions, including the expected term, expected volatility, dividend yield and risk-free interest rate.

The Company estimates the likelihood and the rate of achievement for performance sensitive stock-based awards at the end of each reporting period. Changes in the estimated rate of achievement can have a significant effect on the recorded stock-based compensation expense as the effect of a change in the estimated achievement level is recognized in the period the change occurs.

Preopening Expenses:

Non-capital expenditures such as payroll, training costs and promotion incurred prior to the opening of a new location are expensed as incurred.

Sales Taxes:

Sales taxes are recorded on a net basis (rather than as both revenue and an expense) within the Company's Consolidated Statement of Operations.

Income Taxes:

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the Consolidated Financial Statements or income tax returns. Deferred income tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using currently enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is established for any portion of deferred tax assets that are not considered more likely than not to be realized. The Company evaluates all evidence, including recent financial performance, the existence of cumulative year losses and our forecast of future taxable income, to assess the need for a valuation allowance against our deferred tax assets. While the determination of whether or not to record a valuation allowance is not fully governed by a specific objective test, accounting guidance places significant weight on recent financial performance.

The Company has a partial valuation allowance on its deferred tax assets amounting to $67.9 and $119.1 million at June 30, 2018 and 2017, respectively. The Company assesses the realizability of its deferred tax assets on a quarterly basis and will reverse the valuation allowance and record a tax benefit when the Company generates sufficient sustainable pretax earnings to make the realizability of the deferred tax assets more likely than not. In connection with the Tax Cuts and Jobs Act enacted on December 22, 2017, the Company remeasured the deferred tax accounts for the federal rate reduction and recorded a partial valuation allowance release for a total benefit of $68.1 million during the twelve months ended June 30, 2018. See Note 9 to the Consolidated Financial Statements.

The Company reserves for unrecognized tax benefits, interest and penalties related to anticipated tax audit positions in the U.S. and other tax jurisdictions based on an estimate of whether additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of these liabilities would result in tax benefits being recognized in the period in which it is determined that the liabilities are no longer necessary. If the estimate of unrecognized tax benefits, interest and penalties proves to be less than the ultimate assessment, additional expenses would result.

Inherent in the measurement of deferred balances are certain judgments and interpretations of tax laws and published guidance with respect to the Company's operations. Income tax expense is primarily the current tax payable for the period and the change during the period in certain deferred tax assets and liabilities.

Net Income (Loss) Per Share:

The Company's basic earnings per share is calculated as net income (loss) divided by weighted average common shares outstanding, excluding unvested outstanding restricted stock awards and restricted stock units. The Company's dilutive earnings per share is calculated as net income (loss) divided by weighted average common shares and common share equivalents outstanding, which includes shares issuable under the Company's stock option plan and long-term incentive plan and dilutive securities. Stock-based awards with exercise prices greater than the average market value of the Company's common stock are excluded from the computation of diluted earnings per share.

Comprehensive Income (Loss):

Components of comprehensive income (loss) include net income (loss), foreign currency translation adjustments and recognition of deferred compensation, net of tax within shareholders' equity.

Foreign Currency Translation:

The balance sheet, statement of operations and statement of cash flows of the Company's international operations are measured using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rates in effect at each balance sheet date. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive income within shareholders' equity. Statement of Operations accounts are translated at the average rates of exchange prevailing during the year. During fiscal years 2018, 2017 and 2016, the foreign currency gain (loss) included in income (loss) from continuing operations was $(0.1), $0.1 and $0.1 million, respectively. During fiscal year 2018, the Company recognized within discontinued operations a $6.2 million foreign currency translation loss in connection with the Company's liquidation of substantially all foreign entities with British pound denominated currencies.

Accounting Standards Recently Issued But Not Yet Adopted by the Company:

Leases

In February 2016, the FASB issued updated guidance requiring organizations that lease assets to recognize the rights and obligations created by those leases on the consolidated balance sheet. The new standard is effective for the Company in the first quarter of fiscal year 2020, with early adoption permitted. The Company is currently evaluating the effect the new standard will have on the Company's consolidated financial statements but expects this adoption will result in a material increase in the assets and liabilities on the Company's consolidated balance sheet.

Revenue from Contracts with Customers

In May 2014, the FASB issued amended guidance for revenue recognition. The new guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Additionally, the guidance requires improved disclosure to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The new guidance supersedes most current revenue recognition guidance, including industry-specific guidance, and is effective commencing fiscal year 2019. The guidance allows for either a full retrospective or modified retrospective transition method. The Company currently expects to apply the full retrospective method upon adoption. This guidance will not impact recognition of revenue from salon service or product sales or recognition of continuing royalty revenues from franchisees, which are based on a percentage of franchise sales. Although the Company is in the process of finalizing the impact of adoption, including disclosures and the impact of the prior year restatements, it has determined that the timing of franchise fees and gift card breakage recognition will change. Under the new guidance, initial fees from franchisees will be recognized over the life of the related franchise agreements, approximately 10 years. In fiscal years 2018, 2017 and

2016, the Company recognized $8.5, $4.3 and $4.5 million, respectively, of revenue related to initial fees from franchises, however under the new guidance these fees would have been deferred and recognized over approximately 10 years. Under the new standard, the Company will recognize gift card breakage proportional to redemptions in service and product revenue as opposed to the current classification as other income. The impact to net income related to gift card breakage is not expected to be material. Additionally, under current guidance, advertising fund contributions from franchisees and the related advertising expenditures are reported on a net basis in the Company's Consolidated Statement of Operations. Under the new guidance, the operations of the advertising funds will be included in the Company's Consolidated Statement of Operations. The impact will increase royalty and fee revenue and site operating expense, but is expected to have no impact on operating (loss) income.

Intra-Entity Transfers Other Than Inventory

In October 2016, the FASB issued guidance on the accounting for income tax effects of intercompany transfers of assets other than inventory. The guidance requires entities to recognize the income tax impact of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than when the assets have been sold to an outside party. The guidance is effective for the Company in the first quarter of fiscal year 2019, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on the Company's consolidated financial statements.

Restricted Cash

In November 2016, the FASB issued updated cash flow guidance requiring restricted cash and restricted cash equivalents to be included in the cash and cash equivalent balances in the statement of cash flows. Transfers between cash and cash equivalents and restricted cash will no longer be presented in the statement of cash flows and a reconciliation between the balance sheet and statement of cash flows must be disclosed. The guidance is effective for the Company beginning in the first quarter of fiscal year 2019, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on the Company's consolidated statement of cash flows.

Statement of Cash Flows

In August 2016, the FASB issued updated cash flow guidance clarifying cash flow classification and presentation for certain items. The guidance is effective for the Company beginning in the first quarter of fiscal year 2019, with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on the Company's consolidated statement of cash flows.

2. DISCONTINUED OPERATIONS

In October 2017, the Company sold substantially all of its mall-based salon business in North America, representing 858 salons, and substantially all of its International segment, representing approximately 250 salons in the UK, to The Beautiful Group ("TBG"), an affiliate of Regent, a private equity firm based in Los Angeles, California, who will operate these locations as franchise locations. As part of the sale of the mall-based business, TBG agreed to pay for the value of certain inventory and assumed specific liabilities, including lease liabilities. For the International segment, the Company entered into a share purchase agreement with TBG for minimal consideration.

As of September 30, 2017, the Company classified the results of its mall-based business and its International segment as a discontinued operation for all periods presented in the Condensed Consolidated Statement of Operations. The operations of the mall-based business and International segment, which were previously recorded in the North American Value, North American Premium and International reporting segments, have been eliminated from ongoing operations of the Company.

In connection with the sale of the mall-based business and the International segment as part of our held for sale assessment at September 30, 2017, the Company performed an impairment assessment of the asset groups. The Company recognized net impairment charges within discontinued operations based on the difference between the expected sale prices and the carrying value of the asset groups.

In March 2018, the Company entered into discussions with TBG regarding a waiver of working capital and prepaid rent payments associated with the original transaction and the financing of certain receivables to assist TBG with its cash flow and operational needs.

Based on the status of these discussions at March 31, 2018, the Company fully reserved the working capital and prepaid rent amount of $11.7 million, which was recorded within discontinued operations, net of taxes on the Condensed Consolidated Statement of Operations.

In addition, the Company reclassified $8.0 million of accounts receivables due from TBG to other assets as these receivables are expected to be collected more than twelve months in the future. Should the Company need to record reserves against its current and future receivables from TBG, these reserves would be recorded within general and administrative expenses.

The following summarizes the results of our discontinued operations for the periods presented:

	Fiscal Years		
	2018	2017	2016
	(Dollars in thousands)		
Revenues	$ 101,140	$ 423,427	$ 498,935
Loss from discontinued operations, before income taxes	(59,545)	(15,163)	(5,732)
Income tax benefit on discontinued operations	6,360	—	—
Equity in loss of affiliated companies, net of tax	—	(81)	3
Loss from discontinued operations, net of income taxes	$ (53,185)	$ (15,244)	$ (5,729)

Included within the $53.2 million loss from discontinued operations for fiscal year 2018 are $43.0 million of asset impairment charges, $6.2 million of cumulative foreign currency translation adjustment associated with the Company's liquidation of substantially all foreign entities with British pound denominated currencies, $3.6 million of loss from operations and $6.8 million of professional fees associated with the transaction, partly offset by a $6.4 million income tax benefit.

Income taxes have been allocated to continuing and discontinued operations based on the methodology required by accounting for income taxes guidance.

The Company utilized the consolidation of variable interest entities guidance to determine whether or not TBG was a variable interest entity (VIE), and if so, whether the Company was the primary beneficiary of TBG. The Company concluded that TBG is a VIE based on the fact that the equity investment at risk in TBG is not sufficient. The Company determined that it is not the primary beneficiary of TBG based on its exposure to the expected losses of TBG and as it is not the variable interest holder that is most closely associated within the relationship and the significance of the activities of TBG. The exposure to loss related to the Company's involvement with TBG is the carrying value of the amounts due from TBG and the guarantee of the operating leases.

Within salon asset impairments presented in the Consolidated Statement of Cash Flows for the fiscal years ended 2017 and 2016, $3.4 million of salon asset impairments were related to discontinued operations in each year. Other than the salon asset impairments and the other items presented in the Consolidated Statement of Cash Flows, there were no other significant non-cash operating activities or any significant non-cash investing activities related to discontinued operations for the fiscal years ended 2018, 2017 and 2016.

3. OTHER FINANCIAL STATEMENT DATA

The following provides additional information concerning selected balance sheet accounts:

	June 30, 2018	June 30, 2017
	(Dollars in thousands)	
Other current assets:		
Prepaids	$ 27,438	$ 27,802
Restricted cash	19,556	19,032
Other	873	1,280
	$ 47,867	$ 48,114
Property and equipment:		
Land	$ 3,864	$ 3,864
Buildings and improvements	48,265	47,471
Equipment, furniture and leasehold improvements	380,196	420,656
Internal use software	66,046	71,054
Equipment, furniture and leasehold improvements under capital leases	32,343	57,561
	530,714	600,606
Less accumulated depreciation and amortization	(393,958)	(422,652)
Less amortization of equipment, furniture and leasehold improvements under capital leases	(30,896)	(54,673)
	$ 105,860	$ 123,281
Accrued expenses:		
Payroll and payroll related costs	$ 53,949	$ 59,192
Insurance	12,891	14,876
Other	30,790	36,367
	$ 97,630	$ 110,435
Other noncurrent liabilities:		
Deferred income taxes	$ 32,229	$ 108,187
Deferred rent	20,613	29,038
Insurance	25,804	26,112
Deferred benefits	13,377	17,302
Other	15,852	16,735
	$ 107,875	$ 197,374

The following provides additional information concerning other intangibles, net:

	June 30,							
	2018				2017			
	Weighted Average Amortization Periods (1)	Cost (2)	Accumulated Amortization (2)	Net	Weighted Average Amortization Periods (1)	Cost (2)	Accumulated Amortization (2)	Net
	(In years)	(Dollars in thousands)			(In years)	(Dollars in thousands)		
Brand assets and trade names	31	$ 8,128	$ (4,260)	$ 3,868	31	$ 8,187	$ (4,013)	$ 4,174
Franchise agreements	19	9,763	(7,712)	2,051	19	9,832	(7,433)	2,399
Lease intangibles	20	13,997	(9,770)	4,227	20	14,007	(9,077)	4,930
Other	21	1,983	(1,572)	411	21	1,994	(1,532)	462
Total	22	$ 33,871	$ (23,314)	$ 10,557	22	$ 34,020	$ (22,055)	$ 11,965

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(1) All intangible assets have been assigned an estimated finite useful life and are amortized on a straight-line basis over the number of years that approximate their expected period of benefit (ranging from three to 40 years).

(2) The change in the gross carrying value and accumulated amortization of other intangible assets is impacted by foreign currency.

Total amortization expense related to intangible assets during fiscal years 2018, 2017 and 2016 was approximately $1.4 million in each year. As of June 30, 2018, future estimated amortization expense related to intangible assets is estimated to be:

Fiscal Year	(Dollars in thousands)
2019	$ 1,342
2020	1,342
2021	1,216
2022	1,169
2023	1,001
Thereafter	4,487
Total	$ 10,557

The following provides supplemental disclosures of cash flow activity:

	Fiscal Years		
	2018	2017	2016
	(Dollars in thousands)		
Cash paid (received) for:			
Interest	$ 7,022	$ 7,293	$ 7,660
Income taxes, net	2,397	2,314	2,237
Noncash investing activities:			
Unpaid capital expenditures	9,209	2,774	6,627

4. GOODWILL

The table below contains details related to the Company's goodwill:

	June 30,					
	2018			2017		
	Gross Carrying Value (2)	Accumulated Impairment (1)	Net	Gross Carrying Value (2)	Accumulated Impairment (1)	Net
	(Dollars in thousands)					
Goodwill	$ 486,743	$ (74,100)	$ 412,643	$ 491,087	$ (74,100)	$ 416,987

(1) In fiscal year 2011 the Company realized a $74.1 million goodwill impairment loss associated with the Company-owned reporting unit (the previous North American Value reporting unit).
(2) The change in the gross carrying value of goodwill relates to foreign currency translation adjustments.

The table below contains details related to the Company's goodwill:

	Company-owned	Franchise	Consolidated
	(Dollars in thousands)		
Goodwill, net at June 30, 2016	$ 189,218	$ 228,175	$ 417,393
Translation rate adjustments	(63)	(76)	(139)
Derecognition related to sale of salon assets to franchisees (1)	(267)	—	(267)
Goodwill, net at June 30, 2017	188,888	228,099	416,987
Translation rate adjustments	(201)	(244)	(445)
Derecognition related to sale of salon assets to franchisees (1)	(3,899)	—	(3,899)
Goodwill, net at June 30, 2018	$ 184,788	$ 227,855	$ 412,643

(1) Goodwill is derecognized for salons sold to franchisees with positive cash flows. The amount of goodwill derecognized is determined by a fraction (the numerator of which is the trailing-twelve months EBITDA of the salon being sold and the denominator of which is the estimated annualized EBITDA of the Company-owned reporting unit) that is applied to the total goodwill balance of the Company-owned reporting unit.

5. INVESTMENTS IN AFFILIATES

The table below presents summarized financial information of equity method investees:

	Greater than 50 Percent Owned		
	Fiscal Year		
	2018	2017	2016
	(Dollars in thousands)		
Summarized Balance Sheet information:			
Current assets	$ 40,990	$ 32,649	$ 46,733
Noncurrent assets	37,875	39,211	42,380
Current liabilities	21,897	18,385	18,160
Noncurrent liabilities	23,243	12,181	28,756
Summarized Statement of Operations information:			
Gross revenue	$ 130,082	$ 125,486	$ 130,302
Gross profit	40,194	41,097	34,585
Operating (loss) income	(2,239)	(651)	(5,857)
Net (loss) income	(2,551)	(899)	(5,551)

Investment in Empire Education Group, Inc.

The Company accounts for its 54.6% ownership interest in EEG as an equity method investment under the voting interest model.

During fiscal year 2016, the Company recorded an other than temporary impairment charge of $13.0 million, which resulted from EEG's significantly lower financial projections due to continued declines in enrollment, revenue and profitability. The full impairment of the investment followed previous non-cash impairment charges, EEG's impairment of goodwill and its establishment of a deferred tax valuation allowance in prior quarters. Prior to the other than temporary impairment charge, the Company recorded a $1.8 million loss for its portion of EEG's losses. The Company has not recorded any equity income or losses related to its investment in EEG subsequent to the impairment. The Company will record equity income related to the Company's investment in EEG once EEG's cumulative income exceeds its cumulative losses, measured from the date of impairment.

While the Company could be responsible for certain liabilities associated with this venture, the Company does not currently expect them to have a material impact on the Company's financial position.

Investment in MY Style

During fiscal year 2017, the Company sold its 27.1% ownership interest in MY Style to MY Style's parent company, Yamano Holdings Corporation for $0.5 million. This ownership interest was previously accounted for as a cost method investment. Associated with the sale, foreign currency translation loss of $0.4 million previously classified within accumulated other comprehensive income was recognized in earnings. The Company also reported a $0.2 million gain associated with the sale within interest income and other, net on the Consolidated Statement of Operations.

6. FAIR VALUE MEASUREMENTS

Fair value measurements are categorized into one of three levels based on the lowest level of significant input used: Level 1 (unadjusted quoted prices in active markets); Level 2 (observable market inputs available at the measurement date, other than quoted prices included in Level 1); and Level 3 (unobservable inputs that cannot be corroborated by observable market data).

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of June 30, 2018 and June 30, 2017, the estimated fair value of the Company's cash, cash equivalents, restricted cash, receivables and accounts payable approximated their carrying values. As of June 30, 2018, the estimated fair value of the Company's debt was $90.0 million and the carrying value was $90.0 million. As of June 30, 2017, the estimated fair value of the Company's debt was $125.9 million and the carrying value was $123.0 million, excluding the $1.8 million unamortized debt discount and $0.6 million unamortized debt issuance costs. The estimated fair value of the Company's debt is based on Level 2 inputs.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We measure certain assets, including the Company's equity method investments, tangible fixed and other assets and goodwill, at fair value on a nonrecurring basis when they are deemed to be other than temporarily impaired. The fair values of these assets are determined, when applicable, based on valuation techniques using the best information available, and may include quoted market prices, market comparables, and discounted cash flow projections.

The following impairment charges were based on fair values using Level 3 inputs:

	Fiscal Year		
	2018	2017	2016
	(Dollars in thousands)		
Long-lived assets (1)	$ (11,092)	$ (7,943)	$ (7,057)
Investment in EEG (2)	—	—	(12,954)

(1) See Note 1 to the Consolidated Financial Statements.
(2) See Note 5 to the Consolidated Financial Statements.

7. FINANCING ARRANGEMENTS

The Company's long-term debt consists of the following:

		Interest rate % Fiscal Years		June 30,	
	Maturity Dates (fiscal year)	2018	2017	2018	2017
				(Dollars in thousands)	
Revolving credit facility, new	2023	3.34%	—%	$ 90,000	$ —
Revolving credit facility, old	N/A	—%	—%	—	—
Senior term notes	N/A	5.5%	5.5%	—	120,599
				$ 90,000	$ 120,599

The debt agreements contain covenants, including limitations on incurrence of debt, granting of liens, investments, merger or consolidation, certain restricted payments and transactions with affiliates. In addition, the Company must adhere to specified fixed charge coverage and leverage ratios. The Company was in compliance with all covenants and other requirements of our financing arrangements as of June 30, 2018.

Revolving Credit Facility

In March 2018, the Company entered into a Credit Agreement (Credit Agreement), which provides for a $260.0 million unsecured five-year revolving credit facility (Revolving Credit Facility) that expires in March 2023 and includes, among other things, a maximum consolidated net leverage ratio covenant, a minimum fixed charge coverage ratio covenant, and certain restrictions on liens, investments and other indebtedness. The Revolving Credit Facility includes a $30.0 million subfacility for the issuance of letters of credit and a $30.0 million sublimit for swingline loans. The Company may request an increase in revolving credit commitments under the facility of up to $150.0 million under certain circumstances. The revolving credit facility has variable interest rates tied to LIBOR plus 1.25% to 1.85% and includes a facility fee of 0.25% to 0.40%. Both the LIBOR credit spread and the facility fee are based on the Company's consolidated net leverage ratio.

In April 2018, the Company amended and restated the Credit Agreement which increased the Revolving Credit Facility under the Credit Agreement by $35.0 million. After giving effect to the amendment, the revolving commitment under the Credit Facility is $295.0 million.

As of June 30, 2018, the Company had $90.0 million of outstanding borrowings under the Revolving Credit Facility. At June 30, 2018, the Company has outstanding standby letters of credit under the Revolving Credit Facility of $1.5 million primarily related to the Company's self-insurance program, therefore, unused available credit under the facility was $203.5 million.

In connection with entering into the Credit Agreement, the Company terminated its previous $200.0 million revolving credit facility. As a result of terminating the $200.0 million revolving credit facility, the Company recognized $0.1 million of additional interest expense related to unamortized commitment fees during the fiscal year 2018. The Company previously had no outstanding borrowings under this revolving credit facility and outstanding letters of credit under the facility of $1.5 million, primarily related to the Company's self-insurance program, therefore the unused available credit under the facility at June 30, 2017 was $198.5 million.

Senior Term Notes

In March 2018, the Company redeemed all of its 5.5% senior term notes that were due December 2019 (Senior Term Notes) for $124.2 million, which included a $1.2 million premium. The Company utilized $90.0 million under the Revolving Credit Facility and cash on hand of $34.2 million to repay the Senior Term Notes. As a result of redeeming the Senior Term Notes, the Company recorded $1.7 million of additional interest expense related to the unamortized debt discount and debt issuance costs during the fiscal year 2018.

The following table contains details related to the Company's Senior Term Notes:

	June 30,	
	2018	2017
	(Dollars in thousands)	
Principal amount on the Senior Term Notes	$ —	$ 123,000
Unamortized debt discount	—	(1,815)
Unamortized debt issuance costs	—	(586)
Senior Term Notes, net	$ —	$ 120,599

8. COMMITMENTS AND CONTINGENCIES

Operating Leases:

The Company leases most of its company-owned salons and some of its corporate facilities and distribution centers under operating leases. The original terms of the salon leases range from one to 20 years, with many leases renewable for additional five to ten year terms at the option of the Company. For most leases, the Company is required to pay real estate taxes and other occupancy expenses. Rent expense for the Company's international department store salons is based primarily on a percentage of sales.

The Company also leases the premises in which the majority of its franchisees operate and has entered into corresponding sublease arrangements with franchisees. These leases, generally with terms of approximately five years, are expected to be renewed on expiration. All additional lease costs are passed through to the franchisees.

Sublease income was $34.0, $31.5 and $31.4 million in fiscal years 2018, 2017 and 2016, respectively. Rent expense on premises subleased was $33.6, $31.1 and $30.9 million in fiscal years 2018, 2017 and 2016, respectively. Rent expense and related rental income on sublease arrangements with franchisees is netted within the rent expense line item on the Consolidated Statement of Operations. In most cases, the amount of rental income related to sublease arrangements with franchisees approximates the amount of rent expense from the primary lease, thereby having no net impact on rent expense or net (loss) income. However, in limited cases, the Company charges a 10.0% mark-up in its sublease arrangements. The net rental income resulting from such arrangements totaled $0.4, $0.4, and $0.5 million for fiscal years 2018, 2017 and 2016, respectively, and was classified in the royalties and fees caption of the Consolidated Statement of Operations.

The Company has a sublease arrangement for a leased building the Company previously occupied. The aggregate amount of lease payments to be made over the remaining lease term are approximately $3.5 million. The amount of rental income approximates the amount of rent expense, thereby having no material impact on rent expense or net income (loss).

Total rent expense, excluding rent expense on premises subleased to franchisees, includes the following:

	Fiscal Years		
	2018	2017	2016
	(Dollars in thousands)		
Minimum rent (1)	$ 157,828	$ 154,417	$ 156,601
Percentage rent based on sales	4,324	4,058	4,337
Real estate taxes and other expenses	20,944	22,003	23,212
	$ 183,096	$ 180,478	$ 184,150

(1) Fiscal year 2018 includes lease termination and other related closure costs of $27.3 million and a deferred rent benefit of $3.3 million related to the restructuring of the company-owned SmartStyle portfolio that occurred in January 2018.

As of June 30, 2018, future minimum lease payments (excluding percentage rents based on sales) due under existing noncancelable operating leases are as follows:

Fiscal Year	Corporate leases	Franchisee leases
	(Dollars in thousands)	
2019	$ 129,804	$ 102,406
2020	103,652	77,748
2021	71,993	56,186
2022	41,196	37,202
2023	17,723	20,215
Thereafter	7,735	22,617
Total minimum lease payments	$ 372,103	$ 316,374

Contingencies:

The Company is self-insured for most workers' compensation, employment practice liability and general liability. Workers' compensation and general liability losses are subject to per occurrence and aggregate annual liability limitations. The Company is insured for losses in excess of these limitations. The Company is also self-insured for health care claims for eligible participating employees subject to certain deductibles and limitations. The Company determines its liability for claims incurred but not reported on an actuarial basis.

Litigation and Settlements:

The Company is a defendant in various lawsuits and claims arising out of the normal course of business. Like certain other large retail employers, the Company has been faced with allegations of purported class-wide consumer and wage and hour violations. Litigation is inherently unpredictable and the outcome of these matters cannot presently be determined. Although the actions are being vigorously defended, the Company could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations in any particular period.

9. INCOME TAXES

The components of continuing operations (loss) income before income taxes are as follows:

	Fiscal Years		
	2018	2017	2016
	(Dollars in thousands)		
(Loss) income before income taxes:			
U.S.	$ (10,251)	$ 4,652	$ 16,305
International	6,703	3,676	1,943
	$ (3,548)	$ 8,328	$ 18,248

The (benefit) provision for income taxes consists of:

	Fiscal Years		
	2018	2017	2016
	(Dollars in thousands)		
Current:			
U.S.	$ 2,151	$ 994	$ 819
International	1,894	268	1,207
Deferred:			
U.S.	(69,350)	7,901	6,997
International	(129)	61	26
	$ (65,434)	$ 9,224	$ 9,049

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory rate to earnings (loss) before income taxes, as a result of the following:

	Fiscal Years		
	2018	2017	2016
U.S. statutory rate	28.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	37.6	6.9	3.9
Valuation allowance (1)	1,532.3	73.4	35.6
Foreign income taxes at other than U.S. rates	(1.3)	(3.9)	(0.3)
Officer life insurance	(3.2)	(5.6)	(5.2)
Work Opportunity and Welfare-to-Work Tax Credits	43.7	(19.1)	(16.9)
Deferred tax rate remeasurement	296.4	—	—
FIN48 - Uncertain tax positions	(45.8)	—	—
Stock-based compensation	(45.4)	17.9	—
Other, net (2)	2.0	6.2	(2.5)
	1,844.3%	110.8%	49.6%

(1) See Note 1 to the Consolidated Financial Statements.
(2) The 2.0% of Other, net in fiscal year 2018 does not include the rate impact of any items in excess of 5% of computed tax.

The 6.2% of Other, net in fiscal year 2017 includes the rate impact of meals and entertainment expense disallowance, adjustments resulting from charitable contributions and miscellaneous items of 4.5%, 7.1%, and (5.4)%, respectively. Miscellaneous items do not include any items in excess of 5% of computed tax.

The (2.5)% of Other, net in fiscal year 2016 does not include the rate impact of any items in excess of 5% of computed tax.

The components of the net deferred tax assets and liabilities are as follows:

	June 30, 2018	June 30, 2017
	(Dollars in thousands)	
Deferred tax assets:		
Deferred rent	$ 5,251	$ 13,581
Payroll and payroll related costs	14,083	24,519
Net operating loss carryforwards	41,570	28,378
Tax credit carryforwards	35,102	32,852
Inventories	1,103	1,930
Fixed assets	1,036	6,419
Accrued advertising	2,211	2,723
Insurance	1,893	4,153
Other	13,185	7,499
Subtotal	$ 115,434	$ 122,054
Valuation allowance	(67,912)	(119,082)
Total deferred tax assets	$ 47,522	$ 2,972
Deferred tax liabilities:		
Goodwill and intangibles	$ (72,670)	$ (103,761)
Other	(7,081)	(7,398)
Total deferred tax liabilities	$ (79,751)	$ (111,159)
Net deferred tax liability	$ (32,229)	$ (108,187)

In December 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent; (2) changing rules related to net operating losses ("NOL") carryforwards and carrybacks; (3) eliminating the corporate alternative minimum tax (“AMT”) and changing how existing AMT credits can be realized; (4) requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; (5) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (6) allowing full expensing of qualified property; (7) creating a new base erosion anti-abuse minimum tax (“BEAT”) and provisions designed to tax global intangible low-taxed income (“GILTI”); (8) adding rules that limit the deductibility of interest expense; and (9) adding new provisions that further restrict the deductibility of certain executive compensation.

Due to the Company's fiscal year end, different provisions of the Tax Act will become applicable at varying dates. Nonetheless, the Company is required to recognize the effects of the rate change and enacted legislation on its deferred tax assets and liabilities in the period of enactment.

The SEC staff issued Staff Accounting Bulletin ("SAB") 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under Accounting Standards Codification (ASC) 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company’s accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

In connection with the Tax Act, the Company recorded a provisional net tax benefit of $68.1 million in continuing operations for the twelve months ended June 30, 2018. The $68.1 million net tax benefit is comprised of $30.5 million for the partial release of the U.S. valuation allowance and $37.6 million associated with remeasurement of the deferred tax accounts. The benefit recognized on current losses and the partial valuation allowance release is solely attributable to tax reform and the law change that allows for the indefinite carryforward of NOLs arising in tax years ending after December 31, 2017. Prior law limited the carryforward period to 20 years. As a result of the new tax rules, the Company can now consider its indefinite lived deferred tax liabilities as a source of income to support the realization of its existing deferred tax assets that upon reversal are expected to generate indefinite lived NOLs. Consequently, the Company is able to remove the valuation allowance associated with these deferred tax assets. The Company continues to maintain a valuation allowance on the historical balance of its finite lived federal NOLs, tax credits and various state tax attributes. We are still analyzing certain aspects of the Tax Act and refining our calculations, which could potentially affect the measurement of our deferred tax balances and ultimately cause us to revise our provisional estimate in future periods in accordance with SAB 118. In addition, changes in interpretations, assumptions, and guidance regarding the new tax legislation, as well as the potential for technical corrections to the Tax Act, could have a material impact to the Company's effective tax rate in future periods.

At June 30, 2018, the Company has tax effected federal, state, Canada and U.K. net operating loss carryforwards of approximately $28.2, $12.7, $0.5 and $0.2 million, respectively. The federal loss carryforward will expire from fiscal years 2034 to 2037. The state loss carryforwards will expire from fiscal years 2019 to 2038. The Canada loss carryforward will expire from fiscal years 2036 to 2038. The U.K. loss carryforward has no expiration.

The Company's tax credit carryforward of $35.1 million consists of $33.1 million that will expire from fiscal years 2030 to 2038, $0.5 million that will expire from fiscal years 2020 to 2028 and $1.5 million of carryforward that has no expiration date.

As of June 30, 2018, the Company has not provided deferred taxes on approximately $14.5 million of undistributed earnings of attributable to its international subsidiaries that have been considered to be reinvested indefinitely. The Company has multiple avenues to repatriate these earnings tax efficiently and therefore it does not expect to incur significant U.S. or foreign income taxes upon repatriation.

The Company files tax returns and pays tax primarily in the U.S., Canada, the U.K. and Luxembourg as well as states, cities, and provinces within these jurisdictions. The IRS examination associated with the Company's U.S. federal income tax returns for fiscal years 2010 through 2013 was finalized during fiscal year 2018. Closure of the examination resulted in adjustments to existing tax attributes and did not result in any cash outflow. The Company is no longer subject to IRS examinations for years before 2013. With limited exceptions, the Company is no longer subject to state and international income tax examination by tax authorities for years before 2012.

A rollforward of the unrecognized tax benefits is as follows:

	Fiscal Years		
	2018	2017	2016
	(Dollars in thousands)		
Balance at beginning of period	$ 1,388	$ 1,357	$ 1,496
Additions based on tax positions related to the current year	553	259	138
Additions based on tax positions of prior years	1,608	80	170
Reductions on tax positions related to the expiration of the statute of limitations	(177)	(179)	(207)
Settlements	(345)	(129)	(240)
Balance at end of period	$ 3,027	$ 1,388	$ 1,357

If the Company were to prevail on all unrecognized tax benefits recorded, a benefit of approximately $2.4 million would be recorded in the effective tax rate. Interest and penalties associated with unrecognized tax benefits are recorded within income tax expense. During the fiscal years 2018, 2017 and 2016, we recorded interest and penalties of approximately $0.1 million as additions to the accrual net of the respective reversal of previously accrued interest and penalties. As of June 30, 2018, the Company had accrued interest and penalties related to unrecognized tax benefits of $1.2 million. This amount is not included in the gross unrecognized tax benefits noted above.

It is reasonably possible the amount of the unrecognized tax benefit with respect to certain of our unrecognized tax positions will increase or decrease during the next fiscal year. However, an estimate of the amount or range of the change cannot be made at this time.

10. BENEFIT PLANS

Regis Retirement Savings Plan:

The Company maintains a defined contribution 401(k) plan, the Regis Retirement Savings Plan (RRSP). The RRSP is a defined contribution profit sharing plan with a 401(k) feature that is intended to qualify under Section 401(a) of the Internal Revenue Code (Code) and is subject to the Employee Retirement Income Security Act of 1974 (ERISA).

The 401(k) portion of the RRSP is a cash or deferred arrangement intended to qualify under section 401(k) of the Code and under which eligible employees may elect to contribute a percentage of their eligible compensation. Employees who are 18 years of age or older and who were not highly compensated employees as defined by the Code during the preceding RRSP year are eligible to participate in the RRSP commencing with the first day of the month following their completion of one month of service.

The discretionary employer contribution profit sharing portion of the RRSP is a noncontributory defined contribution component covering full-time and part-time employees of the Company who have at least one year of eligible service, defined as 1,000 hours of service during the RRSP year, are employed by the Company on the last day of the RRSP year and are employed at Salon Support, distribution centers, as field leaders, artistic directors or consultants, and that are not highly compensated employees as defined by the Code. Participants' interest in the noncontributory defined contribution component become 20.0% vested after completing two years of service with vesting increasing 20.0% for each additional year of service, and with participants becoming fully vested after six full years of service.

Nonqualified Deferred Salary Plan:

The Company maintains a Nonqualified Deferred Salary Plan (Executive Plan), which covers Company officers and all other employees who are highly compensated as defined by the Code. The discretionary employer contribution portion of the Executive Plan is a profit sharing component in which a participant's interest becomes 20.0% vested after completing two years of service with vesting increasing 20.0% for each additional year of service, and with participants becoming fully vested after six full years of service. Certain participants within the Executive Plan also receive a matching contribution from the Company.

Regis Individual Secured Retirement Plan (RiSRP):

The Company maintains a Regis Individual Secured Retirement Plan (RiSRP), pursuant to which eligible employees may use post-tax dollars to purchase life insurance benefits. Salon Support employees at the director level and above, as well as regional vice presidents, are eligible to participate. The Company may make discretionary contributions on behalf of participants within the RiSRP, which may be calculated as a matching contribution. The participant is the owner of the life insurance policy under the RiSRP.

Stock Purchase Plan:

The Company has an employee stock purchase plan (ESPP) available to qualifying employees. Under the terms of the ESPP, eligible employees may purchase the Company's common stock through payroll deductions. The Company contributes an amount equal to 15.0% of the purchase price of the stock to be purchased on the open market and pays all expenses of the ESPP and its administration, not to exceed an aggregate contribution of $11.8 million. As of June 30, 2018, the Company's cumulative contributions to the ESPP totaled $10.8 million.

Deferred Compensation Contracts:

The Company has unfunded deferred compensation contracts covering certain current and former key executives. Effective June 30, 2012, these contracts were amended and the benefits were frozen.

Expense associated with the deferred compensation contracts included in general and administrative expenses on the Consolidated Statement of Operations totaled $0.2 million for fiscal years 2018, 2017 and 2016.

The table below presents the projected benefit obligation of these deferred compensation contracts in the Consolidated Balance Sheet:

	June 30,	
	2018	2017
	(Dollars in thousands)	
Current portion (included in accrued liabilities)	$ 1,960	$ 1,658
Long-term portion (included in other noncurrent liabilities)	4,342	5,163
	$ 6,302	$ 6,821

The accumulated other comprehensive income (loss) for the deferred compensation contracts, consisting of primarily unrecognized actuarial income, was $1.0 and $0.7 million at June 30, 2018 and 2017, respectively.

The Company had previously agreed to pay the former Vice Chairman an annual amount for the remainder of his life. Additionally, the Company has a survivor benefit plan for the former Vice Chairman's spouse. In October 2013, the former Vice Chairman passed away and the Company began paying survivor benefits to his spouse. Estimated associated costs included in general and administrative expenses on the Consolidated Statement of Operations totaled $0.3, $0.3 and $0.2 million for fiscal years 2018, 2017 and 2016, respectively. Related obligations totaled $2.6 and $2.8 million at June 30, 2018 and 2017, respectively, with $0.5 million within accrued expenses at June 30, 2018 and 2017, respectively and the remainder included in other noncurrent liabilities in the Consolidated Balance Sheet.

In connection with the passing of former employees in fiscal year 2018, 2017 and 2016, the Company received $18.1, $0.9 and $2.9 million, respectively, in life insurance proceeds. The Company recorded gains of $8.0, $0.1 and $1.2 million in fiscal year 2018, 2017, and 2016, respectively, in general and administrative in the Consolidated Statement of Operations associated with the proceeds.

Compensation expense included in income (loss) from continuing operations before income taxes and equity in loss of affiliated companies related to the aforementioned plans, excluding amounts paid for expenses and administration of the plans included the following:

	Fiscal Years		
	2018	2017	2016
	(Dollars in thousands)		
Executive plans	$ 135	$ 249	$ 289
ESPP	204	280	301
Deferred compensation contracts	578	514	402

11. EARNINGS PER SHARE

The Company’s basic earnings per share is calculated as net income (loss) divided by weighted average common shares outstanding, excluding unvested outstanding restricted stock awards, RSUs and PSUs. The Company’s diluted earnings per share is calculated as net income (loss) divided by weighted average common shares and common share equivalents outstanding, which includes shares issued under the Company’s stock-based compensation plans. Stock-based awards with exercise prices greater than the average market price of the Company’s common stock are excluded from the computation of diluted earnings per share.

For fiscal year 2018, 518,236 common stock equivalents of dilutive common stock were included in the diluted earnings per share calculation due to the net income from continuing operations. For fiscal years 2017 and 2016, 728,223 and 446,992, respectively, of common stock equivalents of dilutive common stock were not included in the diluted earnings per share calculation due to the net loss from continuing operations.

The computation of weighted average shares outstanding, assuming dilution, excluded the following stock-based awards as they were not dilutive under the treasury stock method:

	Fiscal Year		
	2018	2017	2016
Equity-based compensation awards	634,292	2,407,158	2,133,675

12. STOCK-BASED COMPENSATION

The Company grants long-term equity-based awards under the 2016 Long Term Incentive Plan (the 2016 Plan). The 2016 Plan, which was approved by the Company's shareholders at its 2016 Annual Meeting, provides for the granting of nonqualified stock options, equity-based stock appreciation rights (SARs), restricted stock awards (RSAs), restricted stock units (RSUs) and stock-settled performance units (PSUs), as well as cash-based performance grants, to employees and non-employee directors of the Company. Under the 2016 Plan, a maximum of 3,500,000 shares were approved for issuance. The 2016 Plan incorporates a fungible share design, under which full value awards (such as RSUs and PSUs) count against the shares reserved for issuance at a rate 2.4 times higher than appreciation awards (such as SARs and stock options). As of June 30, 2018, a maximum of 4,500,278 shares were available for grant under the 2016 Plan. All unvested awards are subject to forfeiture in event of termination of employment, unless accelerated. SAR and RSU awards granted under the 2016 Plan generally include various acceleration terms, including upon retirement for participants aged sixty-two years or older or who are aged fifty-five or older and have fifteen years of continuous service.

The Company also has outstanding awards under the Amended and Restated 2004 Long Term Incentive Plan (the "2004 Plan"), although the 2004 Plan terminated in October 2016 and no additional awards have since been or will be made under the 2004 Plan. The 2004 Plan provided for the granting of nonqualified stock options, equity-based stock appreciation rights (SARs), restricted stock awards (RSAs), restricted stock units (RSUs) and stock-settled performance share units (PSUs), as well as cash-based performance grants, to employees and non-employee directors of the Company.

Under the 2016 Plan and the 2004 Plan, stock-based awards are granted at an exercise price or initial value equal to the fair market value on the date of grant.

Using the fair value of each grant on the date of grant, the weighted average fair values per stock-based compensation award granted during fiscal years 2018, 2017 and 2016 were as follows:

	2018	2017	2016
SARs	$ —	$ 3.68	$ 3.51
RSAs & RSUs	13.43	11.73	11.18
PSUs	15.74	12.28	12.11

The fair value of SARs granted are estimated on the date of grant using the Black-Scholes-Merton (BSM) option valuation model. The significant assumptions used in determining the estimated fair value of SARs granted during fiscal years 2018, 2017 and 2016 were as follows:

	2018	2017	2016
Risk-free interest rate	N/A	1.99%	1.71%
Expected term (in years)	N/A	6.50	6.00
Expected volatility	N/A	31.50%	30.00%
Expected dividend yield	N/A	0%	0%

The fair value of market-based RSUs and PSUs granted are estimated on the date of grant using a Monte Carlo valuation model. The significant assumptions used in determining the estimated fair value of the market-based awards granted during fiscal years 2018, 2017 and 2016 were as follows:

	2018	2017	2016
Risk-free interest rate	1.66 - 2.59%	1.21%	N/A
Expected volatility	33.4 - 37.1%	36.5%	N/A
Expected dividend yield	0%	0%	N/A

The risk free interest rate is determined based on the U.S. Treasury rates approximating the expected life of the SARs and market-based RSUs and PSUs granted. Expected volatility is established based on historical volatility of the Company's stock price. Estimated expected life was based on an analysis of historical stock awards granted data which included analyzing grant activity including grants exercised, expired and canceled. The expected dividend yield is determined based on the Company's annual dividend amount as a percentage of the strike price at the time of the grant. The Company uses historical data to estimate pre-vesting forfeiture rates.

Stock-based compensation expense was as follows:

	2018	2017	2016
SARs	$ 2,252	$ 3,533	$ 2,774
RSAs, RSUs, & PSUs	6,017	9,609	7,023
Total stock-based compensation expense (recorded in G&A)	8,269	13,142	9,797
Less: Income tax benefit	(1,736)	—	—
Total stock-based compensation expense, net of tax	$ 6,533	$ 13,142	$ 9,797

Total compensation cost for stock-based payment arrangements for fiscal years 2018 and 2017 includes $1.3 and $5.4 million related to the termination of former executive officers.

Stock Appreciation Rights & Stock Options:

SARs and stock options granted under the 2016 Plan and the 2004 Plan generally vest ratably over a three to five year period on each of the annual grant date anniversaries and expire ten years from the grant date. SARs granted subsequent to fiscal year 2012 vest ratably over a three year period with the exception of the April 2017 grant to the Chief Executive Officer, which vests in full after two years.

Activity for all of our outstanding SARs and stock options is as follows:

	Shares (in thousands)		Weighted Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
	SARs	Stock Options			
Outstanding balance at June 30, 2017	2,884	54	$ 14.47		
Granted	—	—	—		
Forfeited/Expired	(1,086)	(39)	17.62		
Exercised	(280)	—	12.96		
Outstanding balance at June 30, 2018	1,518	15	$ 12.44	7.54	$ 6,617
Exercisable at June 30, 2018	451	15	$ 15.42	4.91	$ 848
Unvested awards, net of estimated forfeitures	1,066	—	$ 13.05	7.60	$ 5,766

As of June 30, 2018, there was $1.5 million of unrecognized expense related to SARs and stock options that is to be recognized over a weighted-average period of 0.8 years.

Restricted Stock Units:

RSUs granted to employees under the 2016 Plan and 2004 Plan generally vest ratably over a three to five year period on each of the annual grant date anniversaries or vest entirely after a three or five year period. In addition, the Chief Executive Officer has an outstanding RSU grant that vests upon the achievement of a specified value for the Company's stock over a specified period of time. RSUs granted to non-employee directors under the 2016 Plan and 2004 Plan generally vest in equal monthly amounts over a one year period from the Company's previous annual shareholder meeting date and distributions are deferred until the director's board service ends.

Activity for all of our RSUs is as follows:

	Shares/Units (in thousands)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
	RSUs		
Outstanding balance at June 30, 2017	809	$ 12.77	
Granted	322	13.43	
Forfeited	(88)	13.40	
Vested	(338)	13.13	
Outstanding balance at June 30, 2018	705	$ 12.82	$ 11,657
Vested at June 30, 2018	189	$ 14.42	$ 3,123
Unvested awards, net of estimated forfeitures	486	$ 12.16	$ 8,035

As of June 30, 2018, there was $3.2 million of unrecognized expense related to RSUs that is expected to be recognized over a weighted-average period of 1.7 years.

Performance Share Units:

PSUs are grants of restricted stock units which are earned based on the achievement of performance goals established by the Compensation Committee over a performance period.

Activity for all of our PSUs is as follows:

	Shares/Units (in thousands) PSUs	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)(1)
Outstanding balance at June 30, 2017	441	$ 12.74	
Granted	176	15.74	
Forfeited	(166)	12.23	
Vested	(113)	15.23	
Outstanding balance at June 30, 2018	338	$ 13.72	$ 5,589
Vested at June 30, 2018	—	$ —	$ —
Unvested awards, net of estimated forfeitures	285	$ 13.38	$ 4,711

(1) Includes actual or expected payout rates as set forth in the performance criteria.

In connection with the termination of former executive officers, the Company settled certain PSUs for cash of $0.8 million and $3.2 million during fiscal year 2018 and 2017, respectively.

PSUs granted in fiscal year 2018 have a performance period of three years, after which they will vest to the extent earned. Future compensation expense for these unvested awards could reach a maximum of $4.7 million to be recognized over 2.2 years, if the maximum performance metrics are achieved.

PSUs granted in fiscal year 2017 have a performance period of three years, after which they will vest to the extent earned. Future compensation expense for these unvested awards could reach a maximum of $1.4 million to be recognized over 1.1 years, if the maximum performance metrics are achieved.

PSUs granted in fiscal year 2016 had a performance period of one year. They have been earned and will vest three years from the initial grant date. As of June 30, 2018, there was less than $0.1 million of expense related to the fiscal 2016 PSUs that is expected to be recognized over a weighted-average period of 0.2 years.

13. SHAREHOLDERS' EQUITY

Authorized Shares and Designation of Preferred Class:

The Company has 100 million shares of capital stock authorized, par value $0.05, of which all outstanding shares, and shares available under the Stock Option Plans, have been designated as common.

Shareholders' Rights Plan:

The Company previously had a shareholders' rights plan, which expired by its terms in December 2016.

Share Repurchase Program:

In May 2000, the Company's Board approved a stock repurchase program with no stated expiration date. Originally, the program authorized up to $50.0 million to be expended for the repurchase of the Company's stock. The Board elected to increase this maximum to $100.0 million in August 2003, to $200.0 million in May 2005, to $300.0 million in April 2007, to $350.0 million in April 2015, to $400.0 million in September 2015, and to $450.0 million in January 2016. All repurchased shares become authorized but unissued shares of the Company. The timing and amounts of any repurchases depends on many factors, including the market price of the common stock and overall market conditions. As of June 30, 2018, 19.9 million shares have been cumulatively repurchased for $414.7 million, and $35.3 million remained outstanding under the approved stock repurchase program.

Accumulated Other Comprehensive Income:

The components of accumulated other comprehensive income are as follows:

	June 30,		
	2018	2017	2016
	(Dollars in thousands)		
Foreign currency translation	$ 8,580	$ 2,684	$ 4,573
Unrealized gain on deferred compensation contracts	988	652	495
Accumulated other comprehensive income	$ 9,568	$ 3,336	$ 5,068

14. SEGMENT INFORMATION

Segment information is prepared on the same basis the chief operating decision maker reviews financial information for operational decision-making purposes. During the first quarter of fiscal year 2018, the Company redefined its operating segments to reflect how the chief operating decision maker now evaluates the business as a result of the Company's Board of Directors' approval of the mall-based business and International segment sale. See Note 1 to the Consolidated Financial Statements. The Company now reports its operations in two operating segments: Company-owned salons and Franchise salons. The Company's operating segments are its reportable operating segments. Prior to this change, the Company had four operating segments: North American Value, North American Premium, North American Franchise, and International. The Company did not operate under the realigned operating segment structure prior to the first quarter of fiscal year 2018.

The Company-owned salons reportable operating segment is comprised of 3,966 company-owned salons located mainly in strip center locations and Walmart Supercenters. Company-owned salons offer high quality, convenient and value priced hair care and beauty services and retail products. SmartStyle, Supercuts, Cost Cutters and other regional trade names operating in the United States, Canada and Puerto Rico are generally within the Company-owned salons segment.

The Franchise salons reportable operating segment is comprised of 4,114 franchised salons located mainly in strip center locations, Walmart Supercenters and mall-based locations. Franchise salons offer high quality, convenient and value priced hair care and beauty services and retail products. This segment operates in the United States and Canada and primarily includes the Supercuts, SmartStyle, Cost Cutters, Regis, Mastercuts, First Choice Haircutters, Roosters and Magicuts concepts.

Concurrent with the change in reportable segments, the Company recast its prior period financial information to reflect comparable financial information for the new segment structure. Historical financial information shown in the following table and elsewhere in this filing reflects this change. Financial information concerning the Company's reportable operating segments is shown in the following table:

	For the Year Ended June 30, 2018			
	Company-owned	Franchise	Corporate[1]	Consolidated
	(Dollars in thousands)			
Revenues:				
Service	$ 899,051	$ —	$ —	$ 899,051
Product	204,963	53,703	—	258,666
Royalties and fees	—	56,357	—	56,357
	1,104,014	110,060	—	1,214,074
Operating expenses:				
Cost of service	530,582	—	—	530,582
Cost of product	98,495	42,128	—	140,623
Site operating expenses	127,249	—	—	127,249
General and administrative	67,163	25,880	81,002	174,045
Rent	181,869	269	958	183,096
Depreciation and amortization	48,508	365	9,332	58,205
Total operating expenses	1,053,866	68,642	91,292	1,213,800
Operating income (loss)	50,148	41,418	(91,292)	274
Other (expense) income:				
Interest expense	—	—	(10,492)	(10,492)
Interest income and other, net	—	—	6,670	6,670
Income (loss) from continuing operations before income taxes and equity in loss of affiliated companies	$ 50,148	$ 41,418	$ (95,114)	$ (3,548)

	For the Year Ended June 30, 2017			
	Company-owned	Franchise	Corporate[1]	Consolidated
	(Dollars in thousands)			
Revenues:				
Service	$ 960,347	$ —	$ —	$ 960,347
Product	229,199	30,623	—	259,822
Royalties and fees	—	48,291	—	48,291
	1,189,546	78,914	—	1,268,460
Operating expenses:				
Cost of service	610,384	—	—	610,384
Cost of product	103,611	22,686	—	126,297
Site operating expenses	127,797	—	—	127,797
General and administrative	47,673	21,222	88,440	157,335
Rent	179,463	171	844	180,478
Depreciation and amortization	42,273	357	9,458	52,088
Total operating expenses	1,111,201	44,436	98,742	1,254,379
Operating income (loss)	78,345	34,478	(98,742)	14,081
Other (expense) income:				
Interest expense	—	—	(8,584)	(8,584)
Interest income and other, net	—	—	2,831	2,831
Income (loss) from continuing operations before income taxes and equity in loss of affiliated companies	$ 78,345	$ 34,478	$(104,495)	$ 8,328

	For the Year Ended June 30, 2016			
	Company-owned	Franchise	Corporate[1]	Consolidated
	(Dollars in thousands)			
Revenues:				
Service	$ 978,614	$ —	$ —	$ 978,614
Product	234,390	31,406	—	265,796
Royalties and fees	—	47,523	—	47,523
	1,213,004	78,929	—	1,291,933
Operating expenses:				
Cost of service	608,965	—	—	608,965
Cost of product	106,929	23,086	—	130,015
Site operating expenses	135,130	9	—	135,139
General and administrative	48,811	21,490	86,711	157,012
Rent	182,932	162	1,056	184,150
Depreciation and amortization	42,466	363	10,059	52,888
Total operating expenses	1,125,233	45,110	97,826	1,268,169
Operating income (loss)	87,771	33,819	(97,826)	23,764
Other (expense) income:				
Interest expense	—	—	(9,229)	(9,229)
Interest income and other, net	—	—	3,713	3,713
Income (loss) from continuing operations before income taxes and equity in loss of affiliated companies	$ 87,771	$ 33,819	$ (103,342)	$ 18,248

(1) Corporate consists primarily of unallocated general and administrative expenses, including expenses associated with salon support, depreciation and amortization related to our corporate headquarters and unallocated insurance, benefit and compensation programs, including stock-based compensation.

The Company's chief operating decision maker does not evaluate reportable segments using assets and capital expenditure information.

Total revenues and property and equipment, net associated with business operations in the U.S. and all other countries in aggregate were as follows:

	June 30,					
	2018		2017		2016	
	Total Revenues	Property and Equipment, Net	Total Revenues	Property and Equipment, Net	Total Revenues	Property and Equipment, Net
	(Dollars in thousands)					
U.S.	$ 1,112,155	$ 102,528	$ 1,174,408	$ 119,649	$ 1,198,227	$ 146,722
Other countries	101,919	3,332	94,052	3,632	93,706	5,438
Total	$ 1,214,074	$ 105,860	$ 1,268,460	$ 123,281	$ 1,291,933	$ 152,160

15. SUBSEQUENT EVENT

In August 2018, the Company's Board of Directors authorized an additional $200.0 million for share repurchases.

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 in this Form 10-K for explanations of items which impacted fiscal years 2018 and 2017 revenues, operating and net income (loss).

Summarized quarterly data for fiscal years 2018 and 2017 follows:

	Quarter Ended				
	September 30(a)	December 31(b)	March 31	June 30 (c)	Year Ended
	(Dollars in thousands, except per share amounts)				
2018					
Revenues	$ 309,873	$ 308,515	$ 300,801	$ 294,885	$ 1,214,074
Cost of service and product revenues, excluding depreciation and amortization	169,998	174,714	169,220	157,273	671,205
Operating income (loss)	16,736	(37,334)	5,884	14,988	274
Income from continuing operations	10,793	39,321	4,799	6,973	61,886
Loss from discontinued operations(d)	(33,768)	(6,601)	(10,605)	(2,211)	(53,185)
Net (loss) income	(22,975)	32,720	(5,806)	4,762	8,701
Income from continuing operations per share, basic(g)	0.23	0.84	0.10	0.15	1.33
Loss from discontinued operations per share, basic	(0.72)	(0.14)	(0.23)	(0.05)	(1.14)
Net (loss) income per share, basic(g)	(0.49)	0.70	(0.12)	0.10	0.19
Income from continuing operations per share, diluted(g)	0.23	0.83	0.10	0.15	1.32
Loss from discontinued operations per share, diluted	(0.72)	(0.14)	(0.22)	(0.05)	(1.13)
Net (loss) income per share, diluted(g)	(0.49)	0.69	(0.12)	0.10	0.18

	Quarter Ended				
	September 30	December 31	March 31(e)	June 30(f)	Year Ended
	(Dollars in thousands, except per share amounts)				
2017					
Revenues	$ 318,831	$ 315,249	$ 313,478	$ 320,902	$ 1,268,460
Cost of service and product revenues, excluding depreciation and amortization	181,612	185,777	183,997	185,295	736,681
Operating income (loss)	10,316	2,402	(6,214)	7,577	14,081
Income (loss) from continuing operations	5,740	982	(11,840)	4,222	(896)
Loss from discontinued operations(d)	(2,459)	(3,201)	(6,615)	(2,969)	(15,244)
Net income (loss)	3,281	(2,219)	(18,455)	1,253	(16,140)
Loss from continuing operations per share, basic and diluted(g)	0.12	0.02	(0.26)	0.09	(0.02)
Loss from discontinued operations per share, basic and diluted(g)	(0.05)	(0.07)	(0.14)	(0.06)	(0.33)
Net income (loss) per share, basic and diluted	0.07	(0.05)	(0.40)	0.03	(0.35)

(a) During the first quarter of fiscal year 2018, the Company recorded $33.8 million of one-time asset impairments and other non-recurring costs associated with the October 2017 sale of substantially all of its North American mall-based salons and its UK business. These impairments and costs and the result of operations for the salons sold, were classified in discontinued operations. Results of operations for the North American mall-based business and the UK have been classified as a discontinued operation for all periods presented.

(b) During the second quarter of fiscal year 2018, the Company recorded $68.9 million of non-cash, one-time, tax benefits related to the enactment of the Tax Cuts and Jobs Act ("Tax Reform"), partially offset by $37.6 million of one-time lease termination and other non-recurring costs associated with the recently announced restructuring of the Company's SmartStyle® salon portfolio, and $3.5 million of other one-time costs.

(c) During the fourth quarter of fiscal year 2018, the Company identified and recorded $2.0 million in non-cash fixed asset impairment charges within discontinued operations. These fixed asset impairment charges should have been recorded in the first quarter of fiscal year 2018. Because this error was not material to the period in which it originated or the fourth quarter, the Company corrected it in the fourth quarter of fiscal year 2018.

(d) In October 2017, the Company sold substantially all of its mall-based salon business in North America and International segment to The Beautiful Group ("TBG"). The Company classified the results of its mall-based business and its International segment as a discontinued operation for all periods presented in the Condensed Consolidated Statement of Operations.

(e) During the third quarter of fiscal year 2017, the Company recorded $7.9 million of severance expense related to the termination of former executive officers including the Company's Chief Executive Officer.

(f) During the fourth quarter of fiscal year 2017, the Company recorded $5.3 million for a one-time inventory expense related to salon tools.

(g) Total is an annual recalculation; line items calculated quarterly may not sum to total.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate to allow timely decisions regarding required disclosure.

Management, with the participation of the CEO and CFO, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), at the end of the period. Based on their evaluation, our CEO and CFO, concluded that our disclosure controls and procedures were effective as of June 30, 2018.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including the CEO and the CFO, we carried out an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2018 using the criteria established in "Internal Control-Integrated Framework " (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon this evaluation, management concluded the Company's internal controls over financial reporting were effective as of June 30, 2018 based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of June 30, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report, which appears in Item 8.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding the Directors of the Company and Exchange Act Section 16(a) filings will be set forth in the sections titled "Item 1—Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's 2018 Proxy Statement, and is incorporated herein by reference. The information required by Item 401 of Regulation S-K regarding the Company's executive officers is included under "Executive Officers" in Item 1 of this Annual Report on Form 10-K. Additionally, information regarding the Company's audit committee and audit committee financial expert, as well nominating committee functions, will be set forth in the section titled "Our Board's Committees" and shareholder communications with directors will be set forth in the section titled "Communications with the Board" of the Company's 2018 Proxy Statement, and are incorporated herein by reference.

The Company has adopted a code of ethics, known as the Code of Business Conduct & Ethics that applies to all employees, including the Company's chief executive officer, chief financial officer, directors and executive officers. The Code of Business Conduct & Ethics is available on the Company's website at *www.regiscorp.com*, under the heading "Corporate Governance - Policies and Disclosures" (within the "Investor Information" section). The Company intends to disclose any substantive amendments to, or waivers from, its Code of Business Conduct & Ethics on its website or in a report on Form 8-K. In addition, the charters of the Company's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee and the Company's Corporate Governance Guidelines may be found in the same section of the Company's website. Copies of any of these documents are available upon request to any shareholder of the Company by writing to the Company's Corporate Secretary at Regis Corporation, 7201 Metro Boulevard, Edina, Minnesota 55439.

Item 11. Executive Compensation

Information about executive and director compensation will be set forth in the sections titled "Executive Compensation," "How Our Directors Are Paid," "Fiscal 2018 Director Compensation Table," and "CEO Pay Ratio" of the Company's 2018 Proxy Statement, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding the Company's equity compensation plans will be set forth in the section titled "Equity Compensation Plan Information" and information regarding the beneficial ownership of the Company will be set forth in the section titled "Security Ownership of Certain Beneficial Holders and Management" of the Company's 2018 Proxy Statement, and are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions will be set forth in the section titled "Certain Relationships and Related Transactions" of the Company's 2018 Proxy Statement, and is incorporated herein by reference. Information regarding director independence will be set forth in the section titled "Our Board Governance" of the Company's 2018 Proxy Statement, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

A description of the fees paid to the independent registered public accounting firm will be set forth in the section titled "Item 4—Ratification of Appointment of Independent Registered Public Accounting Firm" of the Company's 2018 Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(b) *(1). All financial statements:*

Consolidated Financial Statements filed as part of this report are listed under Part II, Item 8 of this Form 10-K.

(c) Exhibits:

The exhibits listed in the accompanying index are filed as part of this report. Except where otherwise indicated below, the SEC file number for each report and registration statement from which the exhibits are incorporated by reference is 1-12725. There are no financial statement schedules included with this filing for the reason they are not applicable, not required or the information is included in the financial statements or notes thereto.

Exhibit Number/Description

2(a)	Asset Purchase Agreement, dated October 1, 2017, between Regis Corporation, Regis Inc. and The Beautiful Group. (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on 8-K filed on October 5, 2017.
2(b)	Share Purchase Agreement, dated October 1, 2017, between Haircare Limited, Regis UK Limited and International Beauty Limited. (Incorporated by reference to Exhibit 2.2 to the Company's Current Report on 8-K filed on October 5, 2017.
3(a)	Election of the Company to become governed by Minnesota Statutes Chapter 302A and Restated Articles of Incorporation of the Company, dated March 11, 1983; Articles of Amendment to Restated Articles of Incorporation, dated October 29, 1984; Articles of Amendment to Restated Articles of Incorporation, dated August 14, 1987; Articles of Amendment to Restated Articles of Incorporation, dated October 21, 1987; Articles of Amendment to Restated Articles of Incorporation, dated November 20, 1996; Articles of Amendment to Restated Articles of Incorporation, dated July 25, 2000; Articles of Amendment to Restated Articles of Incorporation, dated October 22, 2013; Articles of Amendment of Restated Articles of Incorporation, dated April 24, 2018. (Incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q filed on May 1, 2018.)
3(b)	Bylaws of the Company. (Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on April 27, 2018.)
4(a)	Form of Stock Certificate. (Incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-1 (Reg. No. 40142).) (P)
4(b)	Indenture, dated December 1, 2015, by and between the Company and Wells Fargo Bank, National Association, as Trustee, in respect of the 5.50% Senior Notes due 2019 (Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on December 4, 2015.)
10(a)*	Regis Corporation Short Term Incentive Compensation Plan, effective August 19, 2014. (Incorporated by reference to Appendix A of the Company's Proxy Statement on Definitive Form 14A filed on September 10, 2014.)
10(b)*	Regis Corporation Executive Retirement Savings Plan Adoption Agreement and Trust Agreement, dated November 15, 2008, between the Company and Fidelity Management Trust Company (The CORPORATE Plan for Retirement EXECUTIVE PLAN basic plan document is incorporated by reference to Exhibit 10(c) to the Company's Annual Report on Form 10-K filed on August 29, 2007). (Incorporated by reference to Exhibit 10(a) of the Company's Quarterly Report on Form 10-Q filed February 9, 2009.)
10(c)*	Employment Agreement, dated August 31, 2012, between the Company and Daniel J. Hanrahan. (Incorporated by reference to Exhibit 10(a) of the Company's Current Report on Form 10-Q filed November 9, 2012.)
10(d)*	Amendment to Employment Agreement, dated January 13, 2015, between the Company and Daniel J. Hanrahan. (Incorporated by reference to Exhibit 10(b) of the Company's Quarterly Report on Form 10-Q filed January 29, 2015.)
10(e)*	Employment Agreement, dated November 28, 2012, between the Company and Steven M. Spiegel. (Incorporated by reference to Exhibit 10(a) of the Company's Quarterly Report on Form 10-Q filed February 4, 2013.)
10(f)*	Amendment No. 1 to Employment Agreement, dated June 30, 2016, between the Company and Steven M. Spiegel. (Incorporated by reference to Exhibit 10(f) of the Company’s Annual Report on Form 10-K filed on August 23, 2016.)

10(g)*	Form of Amended and Restated Senior Officer Employment and Deferred Compensation Agreement, dated August 31, 2012, between the Company and certain senior executive officers. (Incorporated by reference to Exhibit 10(b) of the Company's Quarterly Report on Form 10-Q filed November 9, 2012.)
10(h)*	Employment Agreement, dated November 11, 2013, between the Company and Jim B. Lain. (Incorporated by reference to Exhibit 10(c) of the Company's Quarterly Report on Form 10-Q filed February 3, 2014.)
10(i)*	Employment Agreement, dated October 21, 2013, between the Company and Carmen Thiede. (Incorporated by reference to Exhibit 10(b) of the Company's Quarterly Report on Form 10-Q filed February 3, 2014.)
10(j)*	Employment Agreement, dated December 15, 2014, between the Company and Annette Miller. (Incorporated by reference to Exhibit 10(a) of the Company's Quarterly Report on Form 10-Q filed January 29, 2015.)
10(k)*	Amended and Restated Employment Agreement, dated May 1, 2015, between the Company and Andrew Dulka. (Incorporated by reference to Exhibit 10(k) of the Company's Annual Report on Form 10-K filed August 28, 2015.)
10(l)*	Letter Agreement with Huron Consulting Services LLC for CFO Services, dated January 25, 2017. (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on May 4, 2017.)
10(m)*	Employment Agreement, dated April 17, 2017, between the Company and Hugh E. Sawyer. (Incorporated by reference to Exhibit 10(m) of the Company's Annual Report on Form 10-K filed on August 23, 2017.)
10(n)*	Restricted Stock Unit Agreement, dated April 17, 2017, between the Company and Hugh E. Sawyer. (Incorporated by reference to Exhibit 10(n) of the Company's Annual Report on Form 10-K filed on August 23, 2017.)
10(o)*	Stock Appreciation Right Agreement, dated April 17, 2017, between the Company and Hugh E. Sawyer. (Incorporated by reference to Exhibit 10(o) of the Company's Annual Report on Form 10-K filed on August 23, 2017.)
10(p)*	Separation Agreement, dated April 16, 2017, between the Company and Daniel Hanrahan. (Incorporated by reference to Exhibit 10(p) of the Company's Annual Report on Form 10-K filed on August 23, 2017.)
10(q)*	Separation Agreement, dated February 28, 2017, between the Company and Heather Passe. (Incorporated by reference to Exhibit 10(q) of the Company's Annual Report on Form 10-K filed on August 23, 2017.)
10(r)*	Employment Offer Letter, dated June 16, 2017, between the Company and Andrew H. Lacko. (Incorporated by reference to Exhibit 10(r) of the Company's Annual Report on Form 10-K filed on August 23, 2017.)
10(s)*	Employment Agreement, dated August 31, 2012, between the Company and Rachel Endrizzi.
10(t)*	Amended and Restated 2004 Long Term Incentive Plan, as amended and restated effective October 22, 2013. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on October 11, 2013.)
10(u)*	Amendment to the Amended and Restated 2004 Long Term Incentive Plan, effective August 29, 2014. (Incorporated by reference to Exhibit 10(b) of the Company's Quarterly Report on Form 10-Q filed on November 4, 2014.)
10(v)*	Form of Restricted Stock Unit Award (Annual Fiscal 2018 Executive Grants).
10(w)*	Form of Stock Appreciation Right Award (Annual Executive Grants).
10(x)*	Form of Performance Stock Unit Award (Fiscal 2018 Executive Grants).
10(y)*	Form of Restricted Stock Unit Award (Annual Fiscal 2017 and 2016 Executive Grants). (Incorporated by reference to Exhibit 10(u) of the Company's Annual Report on Form 10-K filed on August 23, 2017.)
10(z)*	Form of Performance Stock Unit Award (Fiscal 2017 Executive Grants). (Incorporated by reference to Exhibit 10(w) of the Company's Annual Report on Form 10-K filed on August 23, 2017.)
10(aa)*	Regis Corporation 2016 Long Term Incentive Plan, effective October 18, 2016. (Incorporated by reference to Appendix A of the Company's Proxy Statement on Definitive Form 14A filed on September 7, 2016.)
10(bb)*	Regis Corporation Amended and Restated 1991 Contributory Stock Purchase Plan, as amended and restated effective October 18, 2016. (Incorporated by reference to Appendix B of the Company's Proxy Statement on Definitive Form 14A filed on September 7, 2016.)
10(cc)*	Supplemental Performance-Based Cash Retention Bonus Plan, dated January 2017. (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on May 4, 2017.)

10(dd)*	Changes to Severance Program, dated January 23, 2017. (Incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on May 4, 2017.)
10(ee)	Sixth Amended and Restated Credit Agreement, dated June 11, 2013, among the Company, the various financial institutions party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Swing Line Lender and an Issuer, Bank of America, N.A., as Syndication Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., U.S. Bank, National Association and Wells Fargo Bank, N.A., as Documentation Agents. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on June 14, 2013.)
10(ff)	First Amendment, dated as of January 27, 2016, to the Sixth Amended and Restated Credit Agreement, dated June 11, 2013, among the Company, the various financial institutions party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. (Incorporated by reference to Exhibit 10(c) of the Company's Quarterly Report on Form 10-Q filed on January 28, 2016).
10(gg)	Credit Agreement dated as of March 26, 2018 among Regis Corporation, the various financial institutions party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Keybank Capital Markets Inc., as Joint Lead Arrangers and Joint Bookrunners. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on March 30, 2018.)
10(hh)	Amendment No. 1 to Credit Agreement dated as of April 25, 2018 by and among Regis Corporation, various financial institutions and Bank of America, N.A. as Administrative Agent. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on April 27, 2018.)
10(ii)	Secured Promissory Note (US Working Capital) of The Beautiful Group Management, LLC in favor of Regis Corp., dated as of August 2, 2018
10(jj)	Secured Promissory Note (UK Working Capital) of International Beauty Limited in favor of Regis Corp., dated as of August 2, 2018
10(kk)	Secured Promissory Note (Canada Working Capital) of The Beautiful Group Salons (Canada), Ltd. in favor of Regis Corp., dated as of August 2, 2018
10(ll)	Secured Promissory Note (US Receivables) of The Beautiful Group Management, LLC in favor of Regis Corp., dated as of August 2, 2018
10(mm)	Secured Promissory Note (Canada Receivables) of The Beautiful Group Salons (Canada), Ltd. in favor of Regis Corp., dated as of August 2, 2018
21	List of Subsidiaries of the Company.
23	Consent of PricewaterhouseCoopers LLP.
31.1	Chief Executive Officer of the Company: Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Executive Vice President and Chief Financial Officer of the Company: Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Chief Executive Officer and Chief Financial Officer of the Company: Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

(*) Management contract, compensatory plan or arrangement required to be filed as an exhibit to the Company's Report on Form 10-K.

(P) This Exhibit was originally filed in paper format. Accordingly, a hyperlink has not been provided.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REGIS CORPORATION

By /s/ HUGH. E SAWYER

Hugh E. Sawyer,
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ ANDREW H. LACKO

Andrew H. Lacko,
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By /s/ KERSTEN D. ZUPFER

Kersten D. Zupfer,
Senior *Vice President, Controller*
and Chief Accounting Officer
(Principal Accounting Officer)

DATE: August 23, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ DAVID P. WILLIAMS David P. Williams, *Chairman of the Board of Directors*	Date: August 23, 2018
/s/ HUGH E. SAWYER Hugh E. Sawyer, *Director*	Date: August 23, 2018
/s/ DANIEL G. BELTZMAN Daniel G. Beltzman, *Director*	Date: August 23, 2018
/s/ M. ANN RHOADES M. Ann Rhoades, *Director*	Date: August 23, 2018
/s/ MICHAEL J. MERRIMAN Michael J. Merriman, *Director*	Date: August 23, 2018
/s/ VIRGINIA GAMBALE Virginia Gambale, *Director*	Date: August 23, 2018
/s/ DAVID J. GRISSEN David J. Grissen, *Director*	Date: August 23, 2018
/s/ MARK LIGHT Mark Light, *Director*	Date: August 23, 2018

REGIS CORPORATION

2018

PROXY STATEMENT

AND NOTICE OF ANNUAL MEETING

REGIS CORPORATION

LETTER FROM THE INDEPENDENT DIRECTORS

Dear Fellow Shareholders,

Many independent board chairs write proxy-opening letters but rarely do shareholders recieve a letter from all of the independent directors. You won't read a letter like this one very often.

We, the independent members of Regis Corporation's board of directors really are fellow shareholders. We also represent you and seek your counsel in ways that make typical shareholder engagements seem perfunctory—indeed, we would be remiss if we didn't open by thanking a substantial number of you for your thoughtful and detailed input into our like-no-other, designed-from-scratch compensation plan.

The compensation plan we are just rolling out tells you a lot about our willingness to be creative leaders. As you will read in more detail in our Compensation Discussion and Analysis, we started with two key concepts:

- Shares that people buy with their own money create a much stronger alignment than shares that are awarded as part of an overall pay plan.
- Shares that can be quickly sold off after short vesting periods, and get replenished every year, do not align interests as strongly as shares that are awarded less often and come with longer measuring, vesting, and holding requirements.

Our new pay plan strongly encourages executive officers to buy shares with the money they earn only if they first achieve annual short-term incentive targets. In addition, our substantial up-front equity grants—that will be the executive officers' only automatic ones for the next five years—come with meaningful performance and holding requirements.

Our new pay plan strongly encourages executive officers to buy shares with the money they earn only if they first achieve annual short-term incentive targets.

Our governance profile is as exceptional as our compensation. We have a refreshed and diverse board that is committed to facilitating Regis' transformation. We have implemented majority voting; annual director elections; one-share, one vote; special meeting rights at 10%; and have majority voting for M&A and bylaw amendments as well as no poison pill.

We hope you are pleased with the performance our team is delivering, encourage you to use the services of our salons, and invite you to provide us your thoughts via the means we describe in this proxy at any time: we cast a wide net for ideas and take your investment in us seriously.

Sincerely,

Dave Williams   Daniel Beltzman   Ann Rhoades   Mike Merriman

Dave Grissen   Mark Light   Virginia Gambale

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders of Regis Corporation:

9:00 A.M.

The Annual Meeting of the Shareholders (the “Annual Meeting”) of Regis Corporation (referred to as “we,” “us,” “our,” “Regis” and the “Company”) will be held at our executive offices located at 7201 Metro Boulevard, Edina, Minnesota 55439, on October 23, 2018 commencing at 9:00 a.m., for the following purposes:

- To elect the eight directors listed in the proxy statement to serve for a one-year term and until their successors are elected and qualified;
- To approve, on an advisory basis, the compensation of our named executive officers (referred to as the “Say-on-Pay” proposal);
- To approve our 2018 long-term incentive compensation plan;
- To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2019; and
- 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 24, 2018 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,

Amanda P. Rusin
Corporate Secretary

September 6, 2018

REGIS CORPORATION: THE STORY

Websites can't give haircuts

Some consumer-facing companies are experiencing upheaval from shifts toward online purchasing and preferences for specialty or small-business brands over national ones.

Regis Corporation and our national brands enable both corporate and franchised owners to provide professional hair care that is **attractive to customers in their local markets because it involves personal service**: websites can't give haircuts.

The best of being big and small

We at Regis are committed to using technology to leverage and differentiate our salons' ability to engage in multi-channel product sales, attract and retain customers and stylists, provide ongoing educational opportunities for our stylists, and operate with state-of-the-art 'back-office' efficiencies otherwise not possible for small businesses.

We also strive to provide our salons, both corporate and franchised, with the expertise and efficiencies that come from being a part of a larger organization in order to enhance competitiveness and brand recognition. We aim to **retain the strengths of a small localized business model, while leveraging the clout of being part of the largest Company in the hair salon industry**.

Our sector

Demand for professional hair care has grown steadily in the US[1]. The potential for growth in our sector is enhanced by a number of drivers including a **growing variety of competitive and ancillary service channels** (such as blow dry bars, ponytail and braid bars, booth rental facilities, online bookings, in-home services and "glam squads"), growth in the male hair care sector, and continued evolution of services customers seek (eco-friendly products, Brazilian blowouts, select hair treatments, hair extensions and non-hair services like skin treatments, eyelash tinting and teeth whitening).

So who are we exactly?

Regis Corporation owns, franchises and operates beauty salons under trade names including Supercuts®, SmartStyle®, MasterCuts®, Regis Salons®, Sassoon®, Cost Cutters®, Roosters® and First Choice HairCutters®. As of June 30, 2018, we owned, franchised or held ownership interests in 8,168 salon locations, primarily in the US and Canada. We also maintain an ownership interest in Empire Education Group in the US, a leading provider of cosmetology education in North America.

And what was most notable this past year:

The Board hired **Hugh Sawyer** as President and CEO, effective April 17, 2017, to pursue an aggressive transformation strategy. When Mr. Sawyer joined the Company, he outlined a vision for the Company that included:

- a strategic restructuring of our business emphasizing the growth of our franchise platform;
- an operational turnaround of our non- or under-performing Company-owned salons;
- using technology to transform our business;
- investing in better advertising content, digital advertising and leveraging broader channels of distribution for improved content through new relationships, digital advertising program and social media;
- efforts to upgrade the recruitment, training, and retention of our stylists;
- elimination of non-essential, non-customer facing costs; and
- the revitalization of our guests' experience in our salons.

We executed on many of these initiatives in fiscal 2018 and continue efforts to advance our turnaround, transform our business and maximize shareholder value, as you will read in the pages that follow.

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1 According to IBIS World Industry Report OD4410, Hair Salons in the US, August 2017, the sector grew an average of 1.8% between 2012 and 2017.

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ITEM 1

ELECTION OF DIRECTORS

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

ELECTION OF DIRECTORS

As shareholders, you have the right to vote on each of us, the members of your Board of Directors, to continue as stewards of Regis Corporation. To help inform your vote, we share with you in this section summaries of:

- What has kept us busy on your behalf
- Who we are
- How we, the directors, are governed
- How we govern the Company
- How and what we are paid

What Has Kept Us Busy

In this section, we, your Board of Directors, provide you information about who we are, how we are organized, how we operate, and what we are paid. We would like to open, however, with a short summary of what we have been doing for you, our fellow shareholders. This important information is not always included in proxy statements and we believe we should provide it since you are being asked to re-elect us.

Our Board, working with our management team, has taken significant actions to drive our Company forward through a critical turnaround. In the 22 months starting as of October 2016 we have taken these governance and board strategy-level actions:

- ✔ Appointed David Williams as our Independent Board Chair
- ✔ Announced that we would consider franchising our Company-owned Supercuts salons where we believe it will maximize shareholder value
- ✔ Hired a seasoned turnaround expert, Hugh Sawyer, as our new CEO
- ✔ Announced the sale of substantially all of our mall-based salon business in North America and substantially all of our international salons
- ✔ Announced the closure of ~600 non-performing Company owned SmartStyle stores
- ✔ Recruited new individuals to fill the roles of EVP and CFO; EVP, CTO and Head of Engineering; SVP and CHRO; SVP, General Counsel and Corporate Secretary
- ✔ Promoted a new President of Franchise, SVP and Chief Marketing Officer, SVP Chief Accounting Officer, SVP Merchandise and VP Creative
- ✔ Announced a multi-year sponsorship with Major League Baseball, making our SuperCuts® brand the official hair salon, official hair stylists and partner of MLB
- ✔ Appointed Virginia Gambale, a well-regarded technologist as the eighth member of our board
- ✔ Undertaken a series of engagement meetings with our shareholders to solicit ideas and input for the design of our fiscal 2019 compensation plan
- ✔ Retained Pay Governance to help us design a new, and, we believe, highly innovative compensation plan
- ✔ Initiated a review and update of our governance guideliness

We expect to continue our shareholder engagement and maintain our openness to ideas to enhance shareholder value, whatever the source. We encourage you to visit the User's Guide section of this proxy statement to find ways to share your ideas with us.

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

Eight directors are to be elected at the Annual Meeting, each to hold office for one year until the 2019 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 eight persons named below for election as directors. Each of the Board's nominees are standing for re-election by the shareholders at the Annual Meeting, except Virginia Gambale, who was identified as a candidate by a non-management director and appointed to the Board effective March 1, 2018, and each nominee has consented to serve if elected.

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.

Who We Are

Daniel G. Beltzman

General Partner, Birch Run Capital Advisors, LP

Independent

Director since 2012

Age: 43

Board committees

- Compensation, *Chair*
- Nominating and Corporate Governance
- Technology

CAREER HIGHLIGHTS

- General Partner, Birch Run Capital Advisors, LP, an investment adviser, since May 2006
- Mergers and Acquisitions and Equity Research departments of Deutsche Bank Securities, Inc. and Bank of America Securities

SKILLS / EXPERIENCE

- Financial experience and expertise
- Represents a significant shareholder

EDUCATION

BBA, Accounting/Finance, University of Michigan
MAcc, University of Michigan

ALSO...

Daniel cofounded Birch Run Capital Advisors when he was 31. Birch Run looks to invest in organizations that believe that value follows values. It looks for organizations whose people are willing to invest their time, resources, and reputations to support both.

OTHER PUBLIC BOARDS

- Ditech Holding Corp. f/k/a Walter Investment Management Corp. (since December 2015)

VOTING SUPPORT

2017: 97.3% | 2016: 86.5% | 2015: 88.0% | 2014: 99.4% | 2013: 92.8% | 2012: 99.4%

Virginia Gambale

Managing Partner, Azimuth Partners LLC

Independent

Director since 2018

Age: 59

Board committees

- Audit
- Compensation
- Technology, *Chair*

CAREER HIGHLIGHTS

- Managing Partner & Founder, Azimuth Partners LLC, a strategic advisory firm in the field of technology innovation and growth strategies for early, mid-and late-stage companies, since 2003
- Former head of Deutsche Bank Strategic Ventures and General Partner of Deutsche Bank Capital Partners
- Board President, Newport Music Festival
- Adjunct Faculty Member, Columbia University
- Mentor, Columbia University's Masters in Technology Leadership
- Senior management positions at Merrill Lynch, Bankers Trust and Marsh McLennan

SKILLS / EXPERIENCE

- Technologist - focuses on growth and innovation strategies for technology and technology-driven services companies
- Senior management positions (including CIO) at Merrill Lynch, Bankers Trust, Deutsche Bank and Marsh McLennan
- Deal structuring for venture and growth capital funding; led numerous M&A transactions in the tech sector

EDUCATION

BS, Mathematics & Computer Science, minor in Business, New York Institute of Technology

ALSO...

Virginia has extensive expertise in transformative business technology. She is also a concert pianist.

OTHER PUBLIC BOARDS

- JetBlue Airways Corporation (since 2006); Compensation Committee Chair
- First Derivatives plc (since March 2015)

FORMER

- Dundee Corporation (2015 – 2018)
- Piper Jaffray Companies (2009 – 2011)
- Motive, Inc. (2004 – 2008)

David J. Grissen

Group President, Marriott International, Inc.

Independent

Director since 2013

Age: 61

Board committees

- Audit, ACFE
- Nominating and Corporate Governance, *Chair*
- Technology

CAREER HIGHLIGHTS

- Joined Marriott International, Inc., a global operator of hotels and related lodging facilities, in 1986 with his most recent role being Group President since 2013
- Various positions at Marriott 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

SKILLS / EXPERIENCE

- Leadership experience with a complex organization that includes franchised, managed and owned operations
- Building marketing platforms with multiple portfolio brands
- Acquisitions and integration

EDUCATION

BA, Michigan State University
MBA, Loyola University Chicago

ALSO...

David implemented the 4 Disciplines of Execution because he saw how employees understanding how their day-to-day activities relate to the company's overall business results made them feel they were all working towards a common goal and they make a difference and have a voice.

David, a long-time runner, served as Vice Chairman of Back On My Feet, a non-profit whose mission is helping the homeless via a structured running program.

OTHER PUBLIC BOARDS

Former

- Good Times Restaurants Inc. (2005 – 2010)

VOTING SUPPORT

2017: 99.0% | 2016: 89.0% | 2015: 89.3% | 2014: 99.5% | 2013: 98.1%

Mark S. Light

Former Chief Executive Officer, Signet Jewelers

Independent

Director since 2013

Age: 56

Board committees

- Compensation
- Nominating and Corporate Governance
- Technology

CAREER HIGHLIGHTS

- In 1978 joined Signet Jewelers, the world's largest retailer of diamond jewelry (with over 3,500 stores including Kay Jewelers, Zales, Jared The Galleria of Jewelry, H. Samuel, Ernest Jones, Peoples and Piercing Pagoda) operating in North America and the United Kingdom
- Chief Executive Officer and Director of Signet Jewelers from November 2014 until his retirement in July 2017
- Various management positions including President and Chief Operating Officer, Executive Vice President of Operations and Division President while at Sterling Jewelers, Signet's main US business

SKILLS / EXPERIENCE

- Led an international sales team to deliver a superior customer experience
- Led the development of start-up retail jewelry brand, Jared the Galleria of Jewelry to over $1 billion in annual revenue in 2017
- Led and managed many acquisitions while integrating synergies
- Led in the acquisition and integration of a large diamond-cutting factory in Botswana, Africa
- Led in the development of several exclusive international jewelry product brands such as Open Hearts by Jane Seymour, Neil Lane Bridal, and the Ever Us Two Stone collection to name a few

EDUCATION

Kent State University and Ohio University

ALSO...

When Mark became Head of Sterling, he oversaw a tripling of the unit's sales.

In his time at Signet, he oversaw a successful acquisition and integration of Zales, expanded its outlet channel by acquiring Ultra, made significant progress on the company's OmniChannel strategy, realigned the organization structure and re-engineered and stabilized its ecommerce platform.

Mark is the Chairman of the Board of Directors of Bedrock Manufacturing, which is the parent of two iconic American brands, Shinola and Filson.

OTHER PUBLIC BOARDS

Former

- Signet Jewelers Limited (2014 – 2017)

VOTING SUPPORT

2017: 96.7% | 2016: 87.7% | 2015: 88.2% | 2014: 99.9% | 2013: 98.1%

Michael J. Merriman

Operating Advisor, Resilience Capital Partners, LLC

Independent

Director since 2011

Age: 62

Board committees

- Audit, ACFE, *Chair*
- Compensation

CAREER HIGHLIGHTS

- Operating Advisor at Resilience Capital Partners, a private equity firm, since 2008
- Chief Executive Officer, The Lamson & Sessions Co. (November 2006 until sale November 2007)
- SVP & Chief Financial Officer, American Greetings Corporation (September 2005 – November 2006)
- President & CEO, Royal Appliance Mfg. Co. (1995 – 2004)
- Chief Financial Officer, Royal Appliance Mfg. Co. (1992 – 1995)
- Audit Partner, Arthur Anderson & Co.

SKILLS/EXPERIENCE

- Public company CEO leadership experience
- Consumer product sales and marketing direct to consumer, as well as to big box retailers including Walmart
- M&A experience including the sale of both public and private companies
- Public accounting experience

EDUCATION

BS, Business Administration, John Carroll University

ALSO...

Michael was named CEO of Royal Appliance Manufacturing at 39, after joining the company as CFO three years earlier.

OTHER PUBLIC BOARDS

- Nordson Corporation (since 2008), Chairman of the Board (since February 2018) Audit Committee Chair (until February 2018)
- OMNOVA Solutions Inc. (since 2008), Nominating & Corporate Governance Committee ChairFormer

Former

- Invacare Corporation (2014 – 2018)
- American Greetings Corporation (2006 – 2013)
- RC2 Corporation (2004 – 2011)

VOTING SUPPORT

2017: 98.2% | 2016: 87.7% | 2015: 88.6% | 2014: 99.4% | 2013: 92.8% | 2012: 95.0% | 2011: 94.8%

M. Ann Rhoades

President, People Ink, Inc.

Independent

Director since 2015

Age: 73

Board committees

- Audit
- Compensation

CAREER HIGHLIGHTS

- President, People Ink, Inc., a human resources consulting firm, since 1999
- Executive Vice President, People, JetBlue Airways (1999 – 2002)
- Executive Vice President, Team Services, Promus Hotel/DoubleTree Hotels Corporation (1995 – 1999)
- Vice President, People, Southwest Airlines (1989 – 1995)

SKILLS / EXPERIENCE

- Human resources experience
- Consumer experience

Education

MBA, The University of New Mexico

ALSO...

Ann built a hiring model to get high-performance outcomes based in hiring according to values that helped create JetBlue and Southwest Airlines’ well-regarded cultures.

Author of *Built on Values, Creating an Enviable Culture That Outperforms the Competition*.

Flew in an F-16 at 9.1Gs.

OTHER PUBLIC BOARDS

Former

- JetBlue Airways (2001 – 2015), Compensation Committee Chair
- Restoration Hardware (1999 – 2001, 2005 – 2009)
- P.F. Chang’s China Bistro, Inc. (2003 – 2012), Compensation Committee Chair

VOTING SUPPORT

2017: 98.9% | 2016: 98.8% | 2015: 99.2%

Hugh E. Sawyer

President & Chief Executive Officer, Regis Corporation

Director since 2017

Age: 64

Board committees

- Technology

CAREER HIGHLIGHTS

- President & CEO, Regis Corporation since April 2017
- Managing Director, Huron Consulting Group Inc., a management consulting firm (2010 – 2017)
- Interim President & CEO, JHT Holdings (2010 – 2012)
- Chief Administrative Officer, Chief Restructuring Officer, Fisker Automotive Inc. (January 2013 – October 2013)
- Interim President, Euramax International (February 2014 – August 2015)
- Including Regis, he has served as President or CEO of Wells Fargo Armored Services Corporation, The Cunningham Group, Inc., National Linen Services, Inc., Aegis Communications Group, Inc., Allied Holdings, and Legendary Holdings, Inc.

SKILLS / EXPERIENCE

- Member of the Turnaround Management Association (TMA)
- Certified Turnaround Professional (CTP)
- Recipient TMA's "2011 Large Company Turnaround of the Year" Award
- Recipient TMA's "2012 Mid-Size Company Turnaround of the Year" Award

EDUCATION

BA, with academic honors, University of Florida, Gainesville

ALSO...

Hugh 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. He has served as President or CEO of nine companies and fifteen boards of directors over his career.

OTHER PUBLIC BOARDS

- Huron Consulting Group Inc. (since February 2018)

Former

- Edison Mission Energy (2012 – 2014)
- Energy Future Competitive Holdings Company LLC; Texas Competitive Electric Holdings Company LLC from 2013 to October 2016

VOTING SUPPORT

2017: 99.2%

David P. Williams

Executive Vice President and Chief Financial Officer, Chemed Corporation

Chairman of the Board, Regis Corporation

Independent

Director since 2011

Age: 57

Board committees

- Audit, ACFE
- Nominating and Corporate Governance

CAREER HIGHLIGHTS

- Chief Financial Officer, Chemed Corporation, a provider of hospice care and repair and maintenance services, since February 2004
- SVP & CFO, Roto-Rooter (1998 – 2004)
- CFO, Omnia Group
- SVP & CFO, Veratex Group
- Tenure at PricewaterhouseCoopers (1983 – 1990) including last title as Manager, Comprehensive Professional Services Consulting Group

SKILLS / EXPERIENCE

- Leadership experience
- Accounting and financial expertise

Education

BA, Accounting, Michigan State University
MBA, with high honors, Michigan State University's Executive Management Program

ALSO...

Under David's financial leadership, Chemed's shareholders receive returns on their equity that far outpace the rest of the industry—the current ROE is 22.36% (industry is 13.77%).

VOTING SUPPORT

2017: 99.1% | 2016: 89.1% | 2015: 89.8% | 2014: 99.4% | 2013: 97.1%
2012: 96.7% | 2011: 81.8%

Our Board Governance

We believe that how we govern ourselves is as important as the corporate governance that sets guidance and parameters for the Company more generally. This is a summary of some of our key board governance provisions. More information can be found on our website, www.regiscorp.com, and in the next section summarizing some of the key provisions that apply more broadly to the Company. Our compensation governance provisions can be found in our Compensation Discussion and Analysis.

All of our directors except our President and CEO are independent. We provide in our User's Guide at the end of this proxy statement a description of our Board's independence standards. Under these standards the Board has determined that each director, with the exception of Mr. Sawyer, our President and CEO, is independent. The Board has also 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 our Board is independent.

Our board chair is an independent director. The Board believes that having an independent Chair is an appropriate governance practice and leadership structure for our Company at this time.

<u>All of our directors stand for election every year.</u>

Special meetings. Shareholders holding 10% or more of our outstanding stock have the right to call a special meeting of shareholders.

Board and committee meeting attendance. Each of our then-serving directors attended, in person or by teleconference, at least 75% of the 11 meetings of our Board and the meetings of the board committees on which each director served during the fiscal year ending June 30, 2018.

Annual meeting attendance. Our Board does not have a formal policy relating to Board members' attendance at annual shareholder meetings. Directors are, however, encouraged to attend these meetings and all but one of our then-serving directors attended our 2017 annual shareholders meeting in person and the other then-serving director participated telephonically.

Our Board has a majority voting standard. Incumbent directors who do not receive a majority of votes cast must tender their resignation for the board to review. The Company's governance guidelines further provide that if the Board decides not to accept a director's resignation in such circumstances, it will disclose its reasons.

Director stock ownership. Our directors are required to hold all common stock they receive as part of their board compensation until they cease to serve as directors.

Age and tenure limits. The Company's corporate governance guidelines contain both age and tenure limit provisions.

Over-boarding. The Company's corporate governance guidelines contain provisions related to limiting its directors' service on other boards of directors.

Director evaluations. The Company's corporate governance guidelines contain provisions requiring annual board evaluations.

Director orientation and education. Directors receive orientation overseen by the Board and the Corporate Governance and Nominating Committees and are supported in obtaining continuing director education.

Executive sessions. Our board has a policy of conducting executive sessions of the independent directors in connection with each regularly scheduled Board meeting.

Communicating with the Board. Our directors provide means for shareholders to communicate with the Board—which are described in the User's Guide at the end of this proxy. Our directors have also made it a practice to proactively engage with shareholders.

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. 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.
- The Technology Committee is responsible for reviewing risks associated with significant technology investment and/or deployment.
- 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 periodically reviews the risk relating to the Company's compensation practices. Our leadership team meets with our General Counsel and head of Internal Audit to discuss and evaluate risks applicable to our Company.

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.

Our Corporate Governance

Our corporate governance provisions that relate to our board of directors are summarized in the preceding section. Our compensation governance provisions are summarized in the Compensation Discussion and Analysis section of this proxy statement. Our corporate governance guidelines are posted on our website, 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, MN 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.

Related Party Transactions. Our Board has adopted a Related Party Transaction Approval Policy requiring approval of all related party transactions for amounts exceeding $10,000 for the fiscal year. We did not have any related party transactions during fiscal 2018.

Complaint/hotline procedures. The Company's governance guidelines provide for the publication of a toll-free number and mailing address for complaints to be submitted to the Audit Committee.

Our Board's Committees

The Board has four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Technology Committee. The Board established the Technology Committee in July 2018. The composition of these committees at fiscal year-end is set forth below, except the composition of the Technology Committee which reflects the initial membership as established in July 2018.

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

The charters of the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Technology 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,

Our Board's Committees

Director Name	Audit	Compensation	Nominating and Corporate Governance	Technology
Daniel G. Beltzman		■ CHAIR	■	■
Virginia Gambale	■	■		■ CHAIR
David J. Grissen	■[1]		■ CHAIR	■
Mark S. Light		■	■	■
Michael J. Merriman	■[1] CHAIR	■		
M. Ann Rhoades	■	■		
Hugh E. Sawyer				■
David P. Williams	■[1]		■	
Meetings during fiscal 2018	4	8	4	N/A[2]

1 Denotes Audit Committee Financial Expert
2 The Technology Committee was formed in July 2018.

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" above.

Technology Committee

The Technology Committee, formed in July 2018, assists the Board by overseeing the Company's technology strategy and planning; investments; the prioritization, degree and pace of innovation; and related business purposes. It monitors the continuous flow of innovative, differentiated, leadership products in the markets currently served by the Company, and plans for the insertion of new technology into the Company's long-range strategic plan. It also reviews and recommends disruptive products and technologies and reviews the Company's cybersecurity measures and response plans. In addition, it reviews the adequacy of processes, tools, facilities and technology leadership connected with product and technology development, and it reviews and recommends the costs, benefits, risks and prioritization associated with significant technology investments and deployments.

How Our Directors Are Paid

We designed our director compensation program to address the time, effort, expertise, and accountability required of active board membership, with consideration given to industry comparisons of directors' compensation. Our Board believes that annual compensation for non-employee directors should consist of both cash to compensate members for their service on the Board and its committees, and equity to align the interests of directors and our shareholders. By vesting over time, equity awards also create an incentive for continued service on our Board.

Compensation of our directors is reviewed and determined by the Board on an annual basis. Employee directors do not receive any cash or other compensation for their services as directors. Each of the cash compensation and the equity compensation for non-employee directors who serve during only a portion of a fiscal year is pro-rated. Fiscal 2018 director compensation was flat with fiscal 2017. Our current non-employee director compensation is as follows:

- An annual cash retainer of $70,000;
- Annual cash retainers of $15,000, $10,000, $7,500 and $15,000 for the chairs of the Audit Committee, Compensation Committee, the Nominating and Corporate Governance Committee and the Technology Committee, respectively;
- An annual grant of restricted stock units valued at $90,000, which vest monthly over a period of one year and pay out when the director leaves the Board, generally granted on the date of the director's election or re-election at the annual meeting of shareholders; and
- An annual grant of restricted stock units valued at $85,000 payable to our independent Chair of the Board, which vest monthly over a period of one year and pay out when the Chair leaves the Board, generally granted on the date of the Chair's re-election at the annual meeting of shareholders.

In October 2015, the Compensation Committee provided that Mr. Beltzman would henceforth receive cash in lieu of a director equity grant due to his beneficial ownership of greater than 20% of our outstanding common stock. Therefore, for his term ending October 23, 2018, he is receiving an additional $90,000 in cash and no equity grant.

In August 2018, the Board reviewed our director compensation against market practices and determined to increase the value of the annual grant of restricted stock units to $110,000 effective with the grant made in connection with the 2018 Annual Meeting, and at the same time, increase the value of the additional restricted stock units granted to our independent Chair of the Board to $90,000. The Board also determined to increase, effective for the quarterly payments made for our second quarter of fiscal 2019, the annual cash retainers for the chairs of each Board committee by $5,000.

The following table shows, for each of the non-employee directors who served during the fiscal year ended June 30, 2018, information concerning their annual and long-term compensation earned during such fiscal year.

Fiscal 2018 Director Compensation Table

Director Name	Fees Earned or Paid in Cash ($)	Stock Awards[1] ($)	Total($)
Daniel G. Beltzman	167,500	—	167,500
Virginia Gambale	23,333	59,992	83,325
David J. Grissen	77,500	89,993	167,493
Mark S. Light	70,000	89,993	159,993
Michael J. Merriman	83,750	89,993	173,743
M. Ann Rhoades	70,000	89,993	159,993
Stephen E. Watson[2]	17,500	—	17,500
David P. Williams	73,750	174,994	248,744

1 Values expressed represent the aggregate grant date fair value of restricted stock units granted during fiscal 2018, as computed in accordance with FASB ASC Topic 718, based on the closing stock price on the grant date. See Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2018 for a description of the assumptions used in calculating these amounts.

2 Mr. Watson's term expired on October 17, 2017, as he did not stand for re-election at the 2017 annual meeting of shareholders.

The following table shows, for each of our current non-employee directors, the aggregate number of stock and option awards beneficially owned by them as of June 30, 2018:

Director Name	Aggregate Stock Awards Outstanding as of 06/30/18 (#)	Aggregate Option Awards Outstanding as of 06/30/18 (#)
Daniel G. Beltzman	17,535	—
Virginia Gambale	3,785	—
David J. Grissen	31,807	—
Mark S. Light	31,807	—
Michael J. Merriman	42,202	—
M. Ann Rhoades	20,311	—
David P. Williams	54,862	—

ITEM 2

APPROVAL OF ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

☑ **Upon the recommendation of the Compensation Committee of the Board, the Board unanimously recommends a vote <u>FOR</u> the approval of the compensation of our Named Executive Officers.**

APPROVAL OF ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

As required by SEC rules, we are providing shareholders with an annual, non-binding advisory vote to approve the executive compensation as disclosed in the CD&A. At the Annual Meeting, shareholders will vote on the following advisory resolution regarding the compensation of our Named Executive Officers as described in this Proxy Statement (commonly referred to as “Say-on-Pay”):

“RESOLVED, that the shareholders of Regis Corporation approve, on an advisory basis, the compensation paid to the Company’s Named Executive Officers as disclosed in the ‘Compensation Discussion and Analysis’ section, and compensation tables and narrative discussion contained in the ‘Executive Compensation’ section in this Proxy Statement.”

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. We believe that we best achieve these goals by providing our executives with a mix of compensation elements that incorporate cash and equity, as well as short-term and long-term components, and that are tied to our business goals, all as described in the following Compensation Discussion and Analysis (CD&A) section of this Proxy Statement.

As described in the CD&A, we believe that our fiscal 2018 financial results yielded the pay-for-performance alignment that the Compensation Committee is focused on. In particular, we met or exceeded two of the three performance metrics (Incentive EBITDA and The Beautiful Group transaction) under our annual incentive plan at the maximum level of achievement, and we met the third performance metric (SmartStyle restructuring) at the target level of achievement. These accomplishments were critical to position us to take our next step forward in transforming Regis.

For a comprehensive description of our executive compensation program, philosophy and objectives, including the specific elements of executive compensation that comprised the program in fiscal 2018, please refer to the CD&A, as well as the Summary Compensation Table and other executive compensation tables (and accompanying narrative disclosures) that follow the CD&A.

This advisory vote will not affect any compensation already paid or awarded to our NEOs and will not be binding on the Board or the Compensation Committee. However, the Compensation Committee will review and carefully consider the outcome of the vote. If there are a significant number of negative votes, the Compensation Committee will seek to understand the concerns that influenced the vote and consider them in making future executive compensation decisions.

Upon the recommendation of the Compensation Committee of the Board, the Board unanimously recommends a vote <u>FOR</u> the approval of the compensation of our Named Executive Officers.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

The Starting Point

In November 2015, Regis Corporation's stock hit a multi-year high of $18.04. In May 2017, just as our new CEO was joining the Company, it hit a multi-year low of $9.13.

Our fiscal 2018 pay plans, which we describe in this section, reflected our need to redirect the Company. Our pay focused on near-term, top-talent recruitment and retention, the rapid execution of key elements of our turnaround, and stock price improvement.

Our fiscal 2019 pay plans, which we also summarize in this section, reflect our belief that different plans are needed to propel the Company toward the future.

Real ownership matters to us —

hence our emphasis in our fiscal 2019 pay plans on executives' purchases of shares with their own money and our longer-than average ownership requirements. This belief in owners' importance is also evidenced by the number of engagements we directors have had—on our own—with major shareholders.

Our People

At Regis, we enable hundreds of people to become small business owners through our franchise system. Our ownership culture reflects our belief that leadership should be enabled throughout the Company and owners have reason to be leaders.

As required by law, we provide you the following information concerning the basic objectives, principles, decisions, material elements, processes, amounts and rationale underlying the compensation and of our Named Executive Officers ("NEOs"). For fiscal 2018 our NEOs are:

Name	Title	Period of Employment
Hugh E. Sawyer	President and Chief Executive Officer	April 2017 - present
Andrew H. Lacko	Executive Vice President and Chief Financial Officer	July 2017 - present
Eric A. Bakken	Executive Vice President and President - Franchise	January 1994 - present
Jim B. Lain	Executive Vice President and Chief Operating Officer	November 2013 - present
Rachel Endrizzi	Senior Vice President and Chief Marketing Officer	December 2004 - present
Annette L. Miller	*Former* Senior Vice President and Chief Merchandising Officer	December 2014 - December 2017
Andrew W. Dulka	*Former* Senior Vice President and Chief Information Officer	July 2012 - November 2017

Much of our fiscal 2018 pay story, indeed, is about attracting, positioning and supporting the right people. Since our recruitment of a highly regarded turnaround CEO just before the fiscal year started, we:

- Promoted Eric Bakken to President - Franchise
- Appointed Andrew Lacko as EVP and CFO
- Promoted James Suarez to VP, Creative
- Appointed Kathryn Shawn Moren as SVP and CHRO
- Appointed Amanda P. Rusin as SVP, General Counsel and Corporate Secretary
- Promoted Kersten Zupfer to SVP and Chief Accounting Officer
- Appointed Chad Kapadia as EVP, Chief Technology Officer and Head of Product Engineering
- Promoted Laura Alexander to SVP, Merchandise

Our 2018 Pay Plan was designed to support our people, our financial and transformational objectives, and our delivery of shareholder value.

Our fiscal 2018 pay plans were tailored to:

- Help us get the right people in the right positions
- Retain our leaders during the challenging restructuring period
- Incentivize achieving our key transactional and post-transactional implementation and performance goals
- Align interests to grow our franchise program and the restructuring of our non-performing Company-owned salons
- Create a platform for delivering sustainable shareholder value while working our way through a transformation

The following table lays out each major element of our fiscal 2018 pay plans.

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	Incentive EBITDA[1] (60%) The Beautiful Group Transaction[1] (20%) SmartStyle Restructuring[1] (20%)	1 year	Motivate executives to meet and exceed objectives aligned with our annual strategic plan
Long-Term Incentive Compensation	Performance Stock Units (PSUs) 60%	End-of-Period Share Price[1]	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	

1 Change for fiscal 2018.

The members of the Compensation Committee focused on tying PSUs to share-price enhancements. We set performance goals based on achieving End-of-Period Share Price goals corresponding to a year-over-year Compound Annual Growth Rate (“CAGR”) measured against a baseline stock price over three years of 10% (at target) and 20% (at maximum). For purposes of these awards we defined an End-of-Period Share Price target as the volume-weighted average closing price of our common stock across the 50 trading days that end on July 31, 2020. This goal aligns with our focus on creating shareholder value, and we chose this metric largely in recognition that earnings per share goals, as used in fiscal 2017, would be challenging to set in the midst of a transformation.

When setting executive compensation for fiscal 2018, the Committee set challenging performance expectations related to Incentive EBITDA, The Beautiful Group Transaction progress and results, the SmartStyle Restructuring progress and results and stock price growth. Executive pay opportunities were, once again, delivered primarily through performance-based elements of pay.

At our 2017 annual meeting, over 98% of our shares voted were cast in favor of our executive compensation program. We believe that our continuing shareholder engagement and incorporation of shareholder feedback into our compensation program have been important to our being able to design and present plans that receive strong shareholder support.

Summary of the Fiscal 2019 Plan

Our New and Innovative 2019 Pay Plan Supports an Ownership and a Pay-For-Performance Culture

What We Wanted

As we, the members of Regis Corporation's Compensation Committee, began the process of creating our compensation plans for fiscal 2019, we recognized that the Company's situation has evolved substantially during fiscal 2018.

We started out with some fundamental principles:

- **We wanted Regis's employees** to do more than think like owners—we wanted them to be owners, and **to invest their own funds to become owners**.
- We wanted compensation to reward the achievement of financial goals as well as individual objectives tied to the achievement of the key elements of a long-term strategy.
- **We wanted to engage with our shareholders <u>before</u> we adopted our plan** to benefit from and incorporate their wisdom into our plan design.

The Journey was as Unusual as the Plan

Members of our compensation committee then set out to have individual conversations with senior stewardship/proxy voters at our large shareholders, human capital thought leaders, senior executives of highly regarded companies, and compensation experts at leading proxy advisors.

Our directors conducted these meetings without members of management present. Our directors asked shareholders to direct them to the best-designed plans and the most significant shareholder position papers, which they then read. Our directors collected and analyzed this input to create the framework of a new plan. As part of this effort, we also hired a new compensation consultant, who was willing to enable and support our creativity. They then worked closely with the board to shape a plan that suited our Company with its current set of risks and opportunities.

What Changed

- Under our fiscal 2019 compensation plan, **executives will no longer receive automatic annual equity grants. Instead, each eligible executive will receive a single, larger initial equity grant at the outset of a five-year period and will not expect to receive additional automatic annual grants for the remainder of the period.**

Under our matching share program, participants may elect to contribute up to half of their earned annual short-term cash incentive, net of normalized tax withholding ("bonus") to purchase shares of our common stock; the Company will provide a matching grant of RSUs with a value equal to 200% of their contribution to the plan (before deducting any related or normalized tax withholding). These RSUs are subject to a five-year cliff vesting condition and participants are also required to hold their underlying purchased shares for the same five-year period. To help build executives' ownership position at the outset of our new program, we implemented an "early participation program" where eligible executives can elect to use up to half of their target 2018 bonuses, net of normalized tax withholding, to purchase shares and receive a matching RSU grant valued at up to 100% of their contribution (before deducting any related or normalized tax withholding), subject to the same cliff vesting requirement.

The initial equity grant is targeted at being three and one-half times the value of the executives' 2018 grant. Three-quarters of such grant will be in the form of performance shares, which require the Company's achievement of a three-year stock price performance goal, after which award recipients must wait an additional two years (until the fifth anniversary of the grant) to achieve vesting. The remainder of the grant will be in the form of RSUs that will cliff-vest after three years. The annualized value of the initial equity grant over the five-year period equates to approximately 70% of the 2018 annual grant.

Therefore, if executives do not participate in the matching share program, their five-year pay will be below what they would have received under the fiscal 2018 program. Executives who choose to make a personal investment in shares of our common stock through the matching share program may receive greater awards through stock price appreciation than was provided under our former program.

Our fiscal 2019 pay plan's link to performance is enhanced by the fact that maximum investments in the matching share program are tied to earned bonus payouts. Eligible executives who elect to contribute 25% of their earned bonus, net of normalized tax withholding, to purchase shares will receive a 100% match on their contribution (before deducting any related or normalized tax withholding); similarly executives who elect to contribute 50% of their earned bonus, net of normalized tax withholding, to share purchases will receive a 200% match on their contribution (before deducting any related or normalized tax withholding). The maximum matching grant opportunity will be lower in years of below-target payout, and higher in years of strong performance.

We believe it is also significant that **our fiscal 2019 pay plan has a much longer-term focus than the plan it replaces.** No equity will vest until three years after the date of the initial grant and the majority is subject to a relatively lengthy five-year cliff-vesting schedule. In contrast, under our fiscal 2018 plan, RSUs vested one-third per year over a three-year period, while performance awards were earned and vested at the end of three years. In addition, under the new 2019 plan, our CEO must hold all his shares that are granted to him pursuant to the new 2019 plan until he retires from service to Regis Corporation.

We believe our termination provisions are also aligned with shareholders' interest: prior to the third anniversary of the grant date **initial RSUs and PSUs will be forfeited in the event of voluntary termination, termination for cause, termination without cause** (if the current CEO is CEO at the time of a participant's termination and the terminated participant's position has not been eliminated by the Company), **or retirement**. In other limited circumstances, and only if applicable performance goals are satisfied, awards may be prorated over the vesting period. Termination provisions for awards to our CEO align with these principles, but will be modified slightly to conform with the terms of his employment agreement.

In addition to our short-term bonus payments being tied to the achievement of clear financial goals, and in addition to the effects that real ownership produces, we believe our fiscal 2019 equity-based plan focuses our leaders on sustainable, long-term performance in ways including these:

- A five-year time frame is long enough for managers to experience the effects of their decision making
- The extended duration of the plan means management will almost always have significant amounts of unvested equity, discouraging poaching, encouraging retention, and minimizing the impact on shareholders if we part ways with non-performing executives.
- Management can only earn their up-front PSU grant if Regis' stock price increases to the target.

The Committee believes that our fiscal 2018 compensation plan, that we will return to now, has put us in a position to be able to take this significant new step forward.

How We Design Executive Pay

Compensation Philosophy

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 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:

- 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 2018, the Committee incentivized management to drive increases in Incentive EBITDA, as it believed EBITDA served as an important indicator of underlying operational performance and profitability. EBITDA received slightly less emphasis in fiscal 2018 relative to prior years, due to the Committee's focus on our business transformation.
- For fiscal 2018, the Committee incentivized management to drive our business transformation, as it believed our business transformation initiatives will help advance our aspiration to build a high-performing business. As a result, the Committee replaced same-store sales metrics with business transformation metrics.
- For fiscal 2018, the Committee continued its emphasis on performance awards and full-value awards in its long-term incentive program. Long-term awards continued to be made up of two components (60% PSUs and 40% RSUs).
- For fiscal 2018, the Committee adopted a new performance measure for the PSUs. This performance measure is End-of-Period Share Price, and the Committee set performance goals corresponding to CAGR ranging from 10% to 20% per year over three years. The Committee determined to use End-of-Period Share Price, instead of earnings per share as done in fiscal 2017, in part because of the challenges associated with setting earnings per share goals in the midst of our business transformation.

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.

Review of External Market Data

The Committee considers compensation in the external market as one factor in its executive compensation decisions, examining 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 former independent compensation consultant, Willis Towers Watson, the Committee reviewed and revised the list of companies in its peer group set forth below, which was first selected in 2013.

Boyd Gaming Corp.	Fossil Group, Inc.[3]	Penn National Gaming, Inc.	The Cheesecake Factory, Inc.
Brinker International, Inc.	Fred's, Inc.	Revlon, Inc.	Ulta Beauty, Inc.
Buffalo Wild Wings, Inc.[1]	Jack in the Box, Inc.	Ruby Tuesday, Inc.[6]	
Cracker Barrel Old Country Store	Outerwall, Inc.[4]	Sally Beauty Holdings, Inc.	
Dine Brands Global, Inc.[2]	Panera Bread Co.[5]	Service Corporation International	

1 As of February 5, 2018, Buffalo Wild Wings, Inc. operates as a subsidiary of Arby's Restaurant Group, Inc.
2 Formerly known as DineEquity, Inc.
3 Fossil Group, Inc. is excluded for purposes of benchmarking Chief Executive Officer compensation because its chief executive officer does not receive any annual compensation.
4 As of 2016, Outerwall, Inc. was acquired by Apollo Global Management LLC.
5 As of July 28, 2017, Panera Bread Co. operates as a subsidiary of Rye Parent Corp.
6 As of December 21, 2017, Ruby Tuesday, Inc. was taken private.

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

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

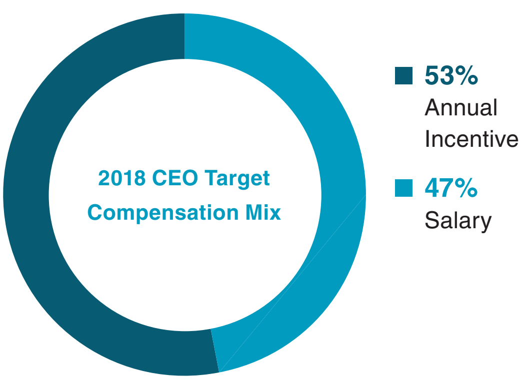
Throughout fiscal 2018, the Committee used Pay Governance as an independent consulting firm to provide executive compensation consulting services to the Committee. The Committee assessed Pay Governance's independence pursuant to applicable SEC rules and concluded that no conflict of interest exists that would prevent Pay Governance from independently representing the Committee.

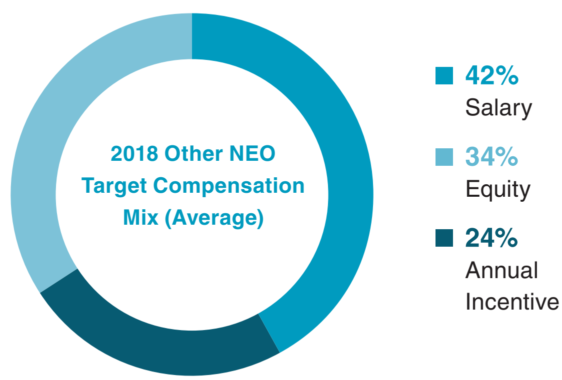
Throughout fiscal 2018, Pay Governance worked with the Committee and management to establish incentive plan designs, supported the Committee with shareholder engagement efforts, and assisted the Committee on other activities in support of its responsibilities as set forth in its charter. During fiscal 2018, CamberView Partners, LLC, a consulting firm, also assisted the Committee with shareholder outreach by among other things creating presentation materials. The Chair of the Committee worked directly with Pay Governance to determine the scope of the work needed to assist the Committee in its decision-making processes. Pay Governance 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.

Elements of the Executive Compensation Program in Fiscal 2018

Target Compensation Mix for Fiscal 2018

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. Sawyer, our CEO, is not directly comparable to his compensation in 2017 or to the compensation of the other named executive officers due to the terms of his employment agreement (discussed below under "Compensatory Arrangements with Mr. Sawyer"), under which he was first eligible to receive an annual non-equity incentive award in 2018 and is first eligible to receive a long-term incentive award in fiscal 2019. Compared to fiscal 2017, target total compensation for the other NEOs remained relatively flat in fiscal 2018, as discussed below.





Base Salary Decisions for Fiscal 2018

The Committee, assisted by its independent compensation consultant, did not increase base salaries for fiscal 2018, except for Ms. Endrizzi. In fiscal 2017, the Committee increased the base salaries of most of our NEOs. Previously, base salary was generally flat from fiscal 2013 through fiscal 2016, absent promotions and newly hired executives.

Base salaries for our NEOs for fiscal 2018 were as follows:

Name	Base Salary at June 30, 2017 (Annualized) ($)	Base Salary at June 30, 2018 (or Date of Termination, if earlier) (Annualized) ($)	Increase (%)
Hugh E. Sawyer	950,000	950,000	—
Andrew H. Lacko	—[1]	495,000	N/A
Eric A. Bakken	495,000	495,000	—
Jim B. Lain	400,000	400,000	—
Rachel Endrizzi	275,000	300,000[2]	9
Annette L. Miller	375,000	375,000	—
Andrew W. Dulka	300,000	300,000	—

1 Mr. Lacko was appointed Executive Vice President and Chief Financial Officer on July 1, 2017.
2 Effective November 1, 2017.

Annual Incentive Decisions for Fiscal 2018

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 2018 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 2018 target AIC was flat year-over-year for the continuing executives, except for Mr. Bakken whose target AIC increased from 60% of base salary in fiscal 2017 to 75% of base salary in fiscal 2018 in connection with his promotion to President - Franchise. Mr. Sawyer was first eligible to earn an annual non-equity incentive award in fiscal 2018, pursuant to his employment agreement.

Name	Target AIC (as a Percentage (%) of Salary)	Target AIC ($)
Hugh E. Sawyer	115	1,092,500
Andrew H. Lacko	60	297,000
Eric A. Bakken	75	371,250
Jim B. Lain	60	240,000
Rachel Endrizzi	50[1]	145,833
Annette L. Miller	50	187,500
Andrew W. Dulka	50	150,000

1 Ms. Endrizzi's target AIC as a percentage of base salary remained flat, but her base salary increased from $275,000 to $300,000 effective November 1, 2017, resulting in a pro-rated target AIC of $145,833.

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 2018, the Committee established the following metrics:

Performance Measure	Weighting	Performance Goal		Award Multiplier
Incentive EBITDA	60%	Maximum	$94.5 M	200%
		Target	$82.5 M	100%
		50% of Threshold	$79.9 M	50%
		Threshold	$77.3 M	0%
The Beautiful Group Transaction	20%	Maximum	Closing and Satisfaction of 2 SOWs (as defined below)	200%
		150% of Target	Closing and Satisfaction of 1 SOW	150%
		Threshold and Target	Closing of The Beautiful Group Transaction	100%
SmartStyle Restructuring	20%	Maximum	Closing and increasing SmartStyle 4-wall EBITDA for fiscal 2018 by at least $4M compared to fiscal 2017 4-wall EBITDA	200%
		Threshold and Target	Closing of SmartStyle Restructuring	100%

In fiscal 2018, the Committee determined to focus on our business transformation goals by replacing same-store sales metrics with business transformation metrics and slightly decreasing the emphasis on EBITDA, as described above. For The Beautiful Group Transaction, the Committee set goals based on closing on the sale of substantially all of our mall-based salons in North America and substantially all of our international business to a new, single franchisee, The Beautiful Group, in addition to goals related to the level of services the Company provides to The Beautiful Group for mall-based salons in North America for fiscal 2018. For the SmartStyle restructuring, the Committee set goals based on closing certain of our non-performing Company-owned SmartStyle salons, as well as goals related to SmartStyle EBITDA for fiscal 2018, reflecting an emphasis on incremental profitability of remaining SmartStyle operations.

In setting the metrics for fiscal 2018, the Committee defined Incentive EBITDA as the Company's Adjusted EBITDA, as reported, after payment of the short-term incentive, and reflecting adjustment for favorable or unfavorable impacts of extraordinary, unusual, infrequent or non-recurring items and other similar items as permitted by the plan over the performance period, including, but not limited to, for fiscal 2018: the impact of hurricanes, The Beautiful Group Transaction costs, SmartStyle Restructuring costs, overhead/general and administrative restructuring costs and fees for shareholder engagement consultant. 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 2018, 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 a "SOW" related to The Beautiful Group Transaction as the statements of work regarding (i) Human Resources and Payroll Services and (ii) Point of Sale Services contained in the Master Franchise Agreement, dated October 1, 2017, as the same may be amended from time to time, between the Company, Regent (an affiliate of The Beautiful Group) and its affiliates. Pursuant to the SOWs, the Company undertook to provide specified services to Regent with respect to the mall-based salons in North America. Satisfaction of each SOW shall be achieved if Huron Business Advisory, as an independent third-party advisor, determines that the services provided under (i) and (ii) above were provided in a manner consistent with (or in excess of) the description of services in each SOW for the period from October 1, 2017 through June 30, 2018.

Fiscal 2018 performance against the metrics set forth (right) resulted in the executives earning AIC payouts at 180% of target based on the following performance results, and the corresponding AIC payments below:

- Incentive EBITDA of $95.6 million — exceeded maximum requirement of $94.5 million
- Closing and satisfactions of 2 SOWs related to The Beautiful Group Transaction — met maximum requirement
- Closing of SmartStyle Restructure — met target requirement

	Actual AIC ($)
Hugh E. Sawyer	1,966,500
Andrew H. Lacko	534,600
Eric A. Bakken	668,250
Jim B. Lain	432,000
Rachel Endrizzi	262,499
Annette L. Miller	—
Andrew W. Dulka	—

Long-Term Incentive Decisions for Fiscal 2018

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 34% of the NEOs' compensation, on average, other than the CEO. Pursuant to his employment agreement, Mr. Sawyer received sign-on equity award grants in April 2017 and is first eligible to earn LTI under our 2016 Long-Term Incentive Plan (the "2016 Long-Term Plan") in fiscal 2019. The Committee set the value of LTI awards to our then-current NEOs at the beginning of fiscal 2018 as follows:

	Target Value of Long-Term Incentive($)
Hugh E. Sawyer	—
Andrew H. Lacko	400,000
Eric A. Bakken	500,000
Jim B. Lain	400,000
Rachel Endrizzi	200,000
Annette L. Miller	250,000
Andrew W. Dulka	250,000

For fiscal year 2018, the Committee did not change the targeted long-term incentive mix for the NEOs, which remained at 60% PSUs and 40% RSUs, keeping the performance-based element of the program (PSUs) the majority of the weight, while recognizing that a time-based element will drive retention during the business transformation.

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, and continuing in fiscal 2018, 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 since fiscal 2017 were granted pursuant to our 2016 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 2018 table.

Upon grant, LTI awards to our NEOs for fiscal 2018 were as follows:

	60% PSUs (# Granted)	40% RSUs (#)	Total Value (at Target)[1] ($)
Hugh E. Sawyer[2]	—	—	—
Andrew H. Lacko	18,072	12,048	400,000
Eric A. Bakken	22,590	15,060	500,000
Jim B. Lain	18,072	12,048	400,000
Rachel Endrizzi	11,295	6,024	200,000
Annette L. Miller[3]	11,295	7,530	250,000
Andrew W. Dulka[3]	11,295	7,530	250,000

1 Number of units was determined based on share value on August 31, 2017.

2 Pursuant to his employment agreement Mr. Sawyer received sign-on equity award grants in April 2017 and is first eligible to earn LTI under our 2016 Long-Term Plan in fiscal 2019.

3 The fiscal 2018 PSUs granted to Ms. Miller and Mr. Dulka were forfeited upon their termination of employment.

For fiscal year 2018, the Committee changed the performance measure used in the PSUs to End-of-Period Share Price, meaning the volume-weighted average closing price of the Company's common stock across the 50 trading days that end on July 31, 2020. The Committee made this change because this measure directly aligns with creating shareholder value and, when measured over a three-year period, will encourage sustained value creation and pay-for performance.

The fiscal 2018 PSUs have a three-year performance period with performance assessed as of July 31, 2020. 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	End of Period Price	Award Multiplier to # of Units Earned
End-of-Period Share Price	Maximum (20% CAGR)	$22.95	200%
End-of-Period Share Price	Target (10% CAGR)	$17.68	100%

The Committee established the target for the fiscal 2018 PSUs with reference to the CAGR that would be achieved from a baseline stock price.

Other Compensatory Decisions Applicable to Fiscal 2018

During the past couple of years, 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 (or resign for good reason) 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 in fiscal 2017 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
Rachel Endrizzi	131,300
Annette L. Miller	281,300
Andrew W. Dulka	225,000

The actual amount earned depends 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.

If participants are involuntarily terminated without cause (including termination for Good Reason), whether or not in connection with a change in control, or due to a participant's death or disability, they would receive a payout after the end of the performance period based on the Company's actual results. Participants who voluntarily terminate employment 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.

During the 18-month period, the Company completed the sale of more than 500 Company-owned salons to new or existing franchisees, exceeding the 500-salon requirement corresponding to the maximum level of payout. Accordingly, the awards were paid out at maximum in August to the NEOs employed at that time. For Ms. Miller and Mr. Dulka, the awards were forfeited pursuant to the terms of their separation agreements.

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, 2018. These are also reflected in the Outstanding Equity Awards table below.

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

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 2018 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).

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 or “golden parachute” payments.
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	Pay Governance advised our independent Compensation Committee during fiscal 2018.
Risk Assessment	We consider risk in our compensation programs and periodically conduct a risk assessment, 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 to the right, of our currently employed NEOs, the following individuals did not hold stock greater than our stock ownership policy minimum as of June 30, 2018: 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; Mr. Lacko, who joined our Company in July 2017; and Ms. Endrizzi, who was promoted to Senior Vice President and Chief Marketing Officer in May 2017. See "Compensatory Arrangements with Mr. Sawyer" for more detail on Mr. Sawyer's awards.

	Stock Ownership Guideline	Current Ownership Level
Hugh E. Sawyer	3x	0.2x
Andrew H. Lacko	2x	1.5x
Eric A. Bakken	2x	3.2x
Jim B. Lain	2x	3.1x
Rachel Endrizzi	1x	0.9x

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. Lacko. Pursuant to their employment agreements, all of our eligible 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) as in effect prior to the enactment of tax reform legislation in December 2017 generally disallowed a tax deduction to public companies for compensation of more than $1 million paid in any taxable year to each "covered employee," consisting of the CEO and the three other highest paid executive officers employed at the end of the year (other than the CFO). Performance-based compensation was exempt from this deduction limitation if the Company met specified requirements set forth in the Code and applicable Treasury Regulations.

Recent tax reform legislation retained the $1 million deduction limit, but repealed the performance-based compensation exemption from the deduction limit and expanded the definition of "covered employees," effective for taxable years beginning after December 31, 2017, which will apply to the Company's tax year beginning July 1, 2018. "Covered employees" will now also include any person who served as CEO or CFO at any time during a taxable year, as well as any person who was ever identified as a covered employee in fiscal 2018 or any subsequent year. Consequently, compensation paid in fiscal 2019 and later years to our NEOs in excess of $1 million will not be deductible unless it qualifies for transitional relief applicable to certain binding, written performance-based compensation arrangements that were in place as of November 2, 2017.

The Committee generally intends to continue to comply with the requirements of Section 162(m) as it existed prior to the tax reform legislation with respect to performance-based compensation in excess of $1 million payable under outstanding awards granted before November 2, 2017, including incentive compensation that was awarded under our Short-Term Plan and SARs and PSUs awarded under our 2016 Long-Term Plan in order to qualify them for the transitional relief. However, no assurance can be given that the compensation associated with these awards will qualify for the transitional relief, due to ambiguities and uncertainties as to the application and interpretation of newly revised Section 162(m) and the related requirements for transitional relief and the Company reserves the right to take actions that may result in the loss of a deduction if it determines that doing so is advisable based on all relevant facts and circumstances.

The Committee continues to believe that shareholder interests are best served if its discretion and flexibility in structuring and awarding compensation is not restricted, even though some compensation awards may have resulted in the past, and are expected to result in the future, in non-deductible compensation expenses to the Company. The Committee's ability to continue to provide a competitive compensation package to attract, motivate and retain the Company's most senior executives is considered critical to the Company's success and to advancing the interests of its shareholders.

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.

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

EXECUTIVE COMPENSATION TABLES

Summary Compensation Table

The following table shows, for each person who served as our principal executive officer and principal financial officer in fiscal 2018, the three other most highly compensated executive officers in fiscal 2018 who were still serving as such on June 30, 2018, and two additional persons who would have been among the three other most highly compensated executive officers but for the fact that they were no longer executive officers on June 30, 2018 (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, 2018, 2017, and 2016.

Name and Principal Position	Year	Salary ($)	Bonus[2] ($)	Stock Awards[3] ($)	Option Awards[3] ($)	Non-Equity Incentive Plan Compensation[4] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[5] ($)	All Other Compensation[6] ($)	Total ($)
Hugh E. Sawyer President and Chief Executive Officer	2018	950,000	—	—	—	1,966,500	—	161,832	3,078,332
	2017	197,917	585,000	730,044	3,680,000	—	—	4,682	5,197,643
Andrew H. Lacko Executive Vice President and Chief Financial Officer[7]	2018	527,000	125,000	786,851	—	534,600	—	60,992	2,034,443
Eric A. Bakken Executive Vice President, President - Franchise, Former Interim Chief Financial Officer, General Counsel and Corporate Secretary	2018	527,000	—	546,076	—	1,113,750	—	33,260	2,220,086
	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
Jim B. Lain Executive Vice President and Chief Operating Officer	2018	432,000	—	436,860	—	792,000	—	6,774	1,667,634
	2017	432,000	—	399,990	—	—	—	10,465	842,455
	2016	432,000	—	209,993	140,000	297,192	—	13,820	1,093,005
Rachel Endrizzi Senior Vice President and Chief Marketing Officer	2018	323,667	—	253,038	—	393,799	—	3,277	973,781
Annette L. Miller Former Executive Vice President and Chief Merchandising Officer[8]	2018	203,500	—	273,037	—	—	—	954,062	1,430,599
	2017	407,000	—	249,992	—	—	—	21,772	678,764
Andrew W. Dulka Former Senior Vice President, Chief Information Officer[9]	2018	115,774	—	273,037	—	—	—	752,565	1,141,376

1 Includes amounts provided to the NEOs (with the exception of Mr. Sawyer) in the form of a modest perquisite allowance of approximately $32,000 per NEO that primarily covers an automobile allowance. The entire allowance is paid to the NEOs regardless of whether they spend the entire amount on automobile expenses and, therefore, is reported as base salary; however, the allowance amount is not included as base salary for purposes of determining other compensation and benefits amounts. Ms. Miller and Mr. Dulka received a pro-rated portion of the perquisite allowance in fiscal 2018 as their employment terminated during the year.

2 The amount for fiscal 2018 for Mr. Lacko represents a sign-on payment in connection with the commencement of his employment. The amount for fiscal 2017 for Mr. Sawyer represents a sign-on payment made in connection with the commencement of his employment.

3 Values expressed represent the aggregate grant date fair value of stock or option awards granted in each fiscal year, as computed in accordance with FASB ASC Topic 718, based on the closing stock price on the grant date for RSUs and PSUs with performance metrics other than market conditions, the Monte Carlo model for PSUs with market conditions and the Black-Scholes model for SARs. See Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2018 for a description of the assumptions used in calculating these amounts.

The grant date fair values for stock awards for the fiscal year ended June 30, 2018 include:

- PSUs that were granted in October 2017: Mr. Lacko—$276,863; Mr. Bakken—$346,079; Mr. Lain—$276,863; Ms. Endrizzi—$173,039; Ms. Miller—$173,039; and Mr. Dulka—$173,039 . The grant date fair values of these awards assumed that the target level achievement would be attained. If the grant date fair values had been calculated assuming the maximum level of achievement, the grant date fair values would have been: Mr. Lacko—$553,726; Mr. Bakken—$692,158; Mr. Lain—$553,726; Ms. Endrizzi —$346,078; Ms. Miller—$346,078; and Mr. Dulka—$346,078. PSUs granted to Ms. Miller and Mr. Dulka were forfeited as these individuals terminated employment prior to June 30, 2018 in accordance with the grant agreements.

The grant date fair values for stock awards for the fiscal year ended June 30, 2017 include:

- PSUs that were granted in August 2016: Mr. Bakken—$239,999; Mr. Lain—$239,999; and Ms. Miller—$149,998. The grant date fair values of these awards assumed that the target level achievement would be attained. If the grant date fair values had been calculated assuming the maximum level of achievement, the grant date fair values would have been: Mr. Bakken—$479,998; Mr. Lain—$479,998; and Ms. Miller—$299,996. PSUs granted to Ms. Miller were forfeited in accordance with her separation agreement.
- A special sign-on grant of SARs and RSUs made to Mr. Sawyer in April 2017 valued at $3,680,000 and $730,044, respectively; these awards cliff vest after two years. In the case of the RSUs, they are also subject to the satisfaction of performance goals related to the Company's stock price. Furthermore, the SARs will not become exercisable and the RSUs will not be settled until the third anniversary of the date of grant, and the SARs will be exercisable until the tenth anniversary of the date of grant.

The grant date fair values for stock awards for the fiscal year ended June 30, 2016 include:

- PSUs granted in August 2015 were earned during the performance period ended June 30, 2016 at the following amounts: Mr. Bakken—$198,126 and Mr. Lain—$173,353. The grant date fair values of these awards assumed that the target level achievement would be attained.

4 Amounts represent the values earned as compensation outside of our equity incentive plans, including:

Fiscal year ended June 30, 2018:

- AIC awards under the Short Term Plan for fiscal 2018 were earned as follows: Mr. Sawyer—$1,966,500, Mr. Lacko—$534,600, Mr. Bakken—$668,250, Mr. Lain—$432,000, Ms. Endrizzi—$262,499.
- Awards under the supplemental performance-based cash retention program adopted in fiscal 2017 to align compensation with the strategic emphasis towards the growth of the franchise business during a critical 18-month period in the Company's transformation were earned in fiscal 2018 as follows: Mr. Bakken—$445,500, Mr. Lain—$360,000 and Ms. Endrizzi—$131,300.

Fiscal year ended June 30, 2016:

- AIC awards under the Short Term Plan for fiscal 2016 were earned as follows: Mr. Bakken—$334,341 and Mr. Lain—$297,192.

5 Amounts represent the change in the present value of benefits under the pension plans. Mr. Bakken is the only NEO eligible for such plans. The pension value for Mr. Bakken decreased by $54,403 and $6,843 in fiscal 2018 and 2017, respectively.

6 The following table sets forth All Other Compensation amounts by type:

Name	Company Match and Profit-Sharing Contribution[a] ($)	Moving / Travel Expenses[b] ($)	Severance[c] ($)	Total All Other Compensation[d] ($)
Hugh E. Sawyer	—	148,541	—	161,832
Andrew H. Lacko	—	56,075	—	60,992
Eric A. Bakken	26,400	—	—	33,260
Jim B. Lain	2,000	—	—	6,774
Rachel Endrizzi	—	—	—	3,277
Annette L. Miller	—	—	946,227	954,062
Andrew W. Dulka	7,500	—	737,619	752,565

a The Company matches our NEOs' contributions into our retirement savings plans up to $25,000 per calendar year. Amounts greater than $25,000 are due to the difference between calendar and fiscal year compensation.

b Mr. Sawyer is entitled to reimbursement of temporary housing expenses for 18 months from his start date of April 17, 2017, up to $175,000 in total, pursuant to his employment agreement. Any unspent portion will be paid to him if he remains employed after 18 months. Mr. Lacko was reimbursed $6,075 in moving expenses and $50,000 in real estate commissions since he sold his previous residence during the first year of employment, pursuant to his employment offer letter.

c Ms. Miller's severance includes one times her base salary ($375,000), an amount equal to her pro-rated fiscal 2018 AIC award under the Short Term Plan based on target ($93,750), accrued vacation time as of her last day of employment ($28,846), 12 months of medical and dental continuation (up to $9,539) and, pursuant to the Committee policy adopted in January 2017 as a retention measure, equity acceleration upon a termination without cause ($263,634) and the value of her fiscal year 2016 PSUs, which were earned but not yet vested at the date of termination, valued at the closing price on her last day of employment ($175,458). See "Other Compensatory Decisions Applicable to Fiscal 2018" in CD&A.

Mr. Dulka's severance includes one times his base salary ($300,000), an amount equal to his pro-rated fiscal 2018 AIC award under the Short Term Plan based on target ($52,950), accrued vacation time as of his last date of employment ($11,539), 12 months of medical and dental continuation (up to $9,538) and, pursuant to the Committee policy adopted in January 2017 as a retention measure, equity acceleration upon termination without cause ($231,274) and the value of his fiscal year 2016 PSUs, which were earned but not yet vested on the date of termination, valued at the closing price on his last date of employment ($132,318). See "Other Compensatory Decisions Applicable to Fiscal 2018" in CD&A.

d Total All Other Compensation for Mr. Sawyer, Mr. Lacko, Mr. Bakken, Mr. Lain, Ms. Endrizzi, Ms. Miller; and Mr. Dulka also includes $13,291, $4,917, $6,860, $4,774, $3,277, $7,835 and $7,446 of perquisites, respectively, which primarily relate to medical benefits, including the reimbursement of co-pay and other out-of-pocket expenses and the Company employee stock purchase program.

7 Mr. Lacko commenced employment on July 1, 2017.

8 Ms. Miller's employment terminated effective December 31, 2017.

9 Mr. Dulka's employment terminated effective November 6, 2017.

Grants of Plan-Based Awards in 2018

The following table sets forth certain information concerning plan-based awards granted to the Named Executive Officers during the fiscal year ended June 30, 2018. No options were repriced or materially modified during the fiscal year.

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Possible Payouts Under Equity Incentive Plan Awards[2]						
Name	Grant Date	Approval Date	Threshold ($)	Target ($)	Maximum ($)	Threshold[3] (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units[2](#)	All Other Option Awards: Number of Securities Underlying Options[2](#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock & Option Awards[3] ($)
Hugh E. Sawyer			546,250	1,092,500	2,185,000							
Andrew H. Lacko			148,500	297,000	594,000							
	7/1/2017	6/15/2017							34,079			349,991
	8/31/2017	8/14/2017							12,048			159,997
	10/17/2017	10/17/2017				18,072[5]	18,072[5]	36,144[5]				276,863
Eric A. Bakken			185,625	371,250	742,500							
	8/31/2017	8/14/2017							15,060			199,997
	10/17/2017	10/17/2017				22,590[5]	22,590[5]	45,180[5]				346,079
Jim B. Lain			120,000	240,000	480,000							
	8/31/2017	8/14/2017							12,048			159,997
	10/17/2017	10/17/2017				18,072[5]	18,072[5]	36,144[5]				276,863
Rachel Endrizzi			72,917	145,833	291,666							
	8/31/2017	8/14/2017							6,024			79,999
	10/17/2017	10/17/2017				11,295[5]	11,295[5]	22,590[5]				173,039
Annette L. Miller			93,750[4]	187,500[4]	375,000[4]							
	8/31/2017	8/14/2017							7,530			99,998
	10/17/2017	10/17/2017				11,295[4]	11,295[4]	22,590[4]				173,039
Andrew W. Dulka			75,000[4]	150,000[4]	300,000[4]							
	8/31/2017	8/14/2017							7,530			99,998
	10/17/2017	10/17/2017				11,295[4]	11,295[4]	22,590[4]				173,039

1 These amounts represent the threshold, target, and maximum non-equity incentive (bonus) amounts that could have been earned by our executives for fiscal 2018 under the Short Term Plan, as described under "Annual Incentive Decisions for Fiscal 2018" in CD&A. Based on fiscal 2018 results the non-equity incentive awards paid out at 180% of target.

2 The option and stock awards were granted under the 2016 Long Term Plan.

3 Amounts are computed in accordance with FASB ASC Topic 718.

4 The amounts for Ms. Miller and Mr. Dulka represent the bonus opportunities they would have been eligible to receive if they had remained employed for the entire fiscal year. Pursuant to their separation agreements and the circumstances of their termination of employment, Ms. Miller and Mr. Dulka were entitled to receive a pro-rated payout of their target award based on the portion of the year during which they were employed.

5 These amounts represent the threshold, target and maximum number of PSUs that were available to our executives with respect to the fiscal 2018 PSU awards for the performance period ended June 30, 2020 as described under "Long-Term Incentive Decisions for Fiscal 2018" in the CD&A.

Summary of Terms of Equity Awards

The terms of the equity awards granted as part of the long-term incentives for fiscal 2018 are summarized below:

- **Performance Stock Units—**PSUs are grants of restricted stock units that are earned based on the achievement of the performance goals established by the Committee. After the performance period, the participant receives a number of restricted stock units equal to the original number of PSUs granted multiplied by the award multiplier that corresponds to the performance that was attained. The fiscal 2018 PSUs have a three-year performance period with performance assessed as of July 31, 2020, after which they will vest to the extent earned, as described above in the CD&A under “Long-Term Incentive Decisions for Fiscal 2018.” In the event of a termination of employment, unvested PSUs are generally forfeited; provided, however, that a pro-rated amount of the fiscal 2018 PSUs will vest at the target level upon a participant’s death or disability, or upon a Change in Control (as defined in the 2016 Long-Term Plan). In addition, a pro-rated amount of the units will vest based on actual performance at the end of the performance period upon a participant’s retirement (which is defined to mean termination at age 62 or after age 55 with 15 years or more of continuous service), or if a participant is terminated by the Company without Cause after July 1, 2018. The PSUs earn dividend equivalents, but have no voting rights.
- **Restricted Stock Units—**RSUs vest as to one-third of the shares on each of the first three anniversaries of the date of grant. In the event of a termination of employment, unvested RSUs are generally forfeited; provided, however, that the vesting is accelerated in the event of death, disability or a change in control and a pro-rated amount of the units will vest in the event of retirement (defined as described above for PSUs). The RSUs earn dividend equivalents, but have no voting rights.

Outstanding Equity Awards at 2018 Fiscal Year-End

The following table sets forth certain information concerning outstanding equity awards held by the Named Executive Officers at June 30, 2018.

	Option Awards				Stock Awards[1]			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price($)	Option Expiration Date[2]	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested[3] ($)	Equity Incentive Plan Awards: Number of Unearned Shares or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares or Other Rights That Have Not Vested[3] ($)
Hugh E. Sawyer	—	1,000,000[4]	11.15	4/17/2027				
					89,686[5]	1,483,406		
Andrew H. Lacko	—	—	—	—				
					34,079[6]	563,667		
					12,048[7]	199,274		
							18,072[8]	298,911
Eric A. Bakken	15,500	—	19.14	4/30/2019				
	4,200	—	18.90	4/29/2020				
	4,200	—	16.60	4/28/2021				
	22,250	—	18.01	8/31/2022				
	26,578	—	15.78	8/30/2023				
	23,916	—	15.11	8/29/2024				
	30,389	15,195[9]	10.84	8/31/2025				
					2,460[9]	40,688		
					8,484[10]	140,325		
					15,060[7]	249,092		
					18,277[11]	302,302		
							19,093[12]	315,798
							22,590[8]	373,639
Jim B. Lain	6,519	—	15.50	11/11/2023				
	20,926	—	15.11	8/29/2024				
	26,590	13,296[9]	10.84	8/31/2025				
					36,129[13]	597,574		
					2,152[9]	35,594		
					8,484[10]	140,325		
					12,048[7]	199,274		
					15,992[11]	264,508		
							19,093[12]	315,798
							18,072[8]	298,911
Rachel Endrizzi	8,875	—	18.01	08/31/2022				
	6,644	—	15.78	08/30/2023				
	5,979	—	15.11	08/29/2024				
	7,597	3,799[9]	10.84	08/31/2025				
					615[9]	10,172		
					2,120[10]	35,065		
					6,024[7]	99,637		
					4,569[11]	75,571		
							4,773[12]	78,945
							11,295[8]	186,819
Annette L. Miller[14]	—	—	—	—	—	—	—	—
Andrew W. Dulka[14]	—	—	—	—	—	—	—	—

1 Stock award numbers include accrued dividend equivalents where applicable.

2 All awards of stock options and SARs expire ten years after the date of grant or in the case of retirement, voluntary termination, or dismissal without cause, 90 days after the termination.

3 Value based on a share price of $16.54, which was the last reported sale price for a share of our common stock on the NYSE on June 29, 2018.

4 Award vests in full on April 17, 2019.

5 Award vests in full on April 17, 2019 if certain performance goals related to the closing price of our common stock are met by April 17, 2019.

6 Award vests as to 33% of the shares covered by the award on each of the first three anniversaries of the date of grant, which was July 1, 2017.

7 Award vests as to 33% of the shares covered by the award on each of the first three anniversaries of the date of grant, which was August 31, 2017.

8 Amounts presented represent the number of shares earned during the performance period ended June 30, 2020 with respect to the performance units granted on October 17, 2017. These units will cliff vest on August 31, 2020 if earned.

9 Award vests as to 33% of the shares covered by the award on each of the first three anniversaries of the date of grant, which was August 31, 2015.

10 Award vests as to 33% of the shares covered by the award on each of the first three anniversaries of the date of grant, which was August 31, 2016.

11 Amounts presented represent the number of shares earned during the performance period ended June 30, 2016 with respect to the performance units granted on August 31, 2015. These units vested on August 31, 2018.

12 Amounts presented represent the number of shares earned during the performance period ended June 30, 2019 with respect to the performance units granted on August 31, 2016. These units will cliff vest on August 31, 2019 if earned.

13 Award vests in full on November 11, 2018.

14 The employment of Ms. Miller and Mr. Dulka terminated before fiscal 2018 year-end, and their equity awards were forfeited.

2018 Option Exercises and Stock Vested

The following table sets forth certain information concerning SARs exercised and stock vested during fiscal 2018 for the Named Executive Officers:

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise[2](#)	Value Realized on Exercise[1]($)	Number of Shares Acquired on Vesting[2](#)	Value Realized on Vesting[1]($)
Hugh E. Sawyer	—	—	—	—
Andrew H. Lacko	—	—	—	—
Eric A. Bakken	—	—	31,261	398,447
Jim B. Lain	—	—	27,222	347,346
Rachel Endrizzi	—	—	7,814	99,596
Annette L. Miller	9,501	151,236	29,651	449,275
Andrew W. Dulka	6,970	107,702	24,082	356,134

1 Value realized on exercise is calculated as the difference between the market value of our common stock on the respective exercise date(s) and the exercise price of the option(s) on a pre-tax basis. Value realized on vesting is the market value of our common stock on the vesting date multiplied by the number of shares acquired, before taxes.

2 The number of shares acquired on exercise or vesting of stock awards includes shares that were forfeited for withholding tax obligations. The number of shares forfeited for each Named Executive Officer is reported below:

Name	Number of Shares Used to Pay Taxes on Exercised or Vested Awards (#)
Hugh E. Sawyer	—
Andrew H. Lacko	—
Eric A. Bakken	16,195
Jim B. Lain	10,129
Rachel Endrizzi	2,897
Annette L. Miller	14,272
Andrew W. Dulka	11,725

Summary of Executive Agreements

Employment Agreements

We are party to an employment agreement with each of our NEOs, except for Mr. Lacko. The key provisions of the employment agreements are summarized below.

NEOs Currently Employed

Name	Date of Employment Agreement	Base Salary as of June 30, 2018 ($)	FY18 Target Annual Incentive Award (% of Base Salary)
Hugh E. Sawyer	4/17/2017	950,000	115
Andrew H. Lacko[1]	N/A	495,000	60
Eric A. Bakken	8/31/2012	495,000	75
Jim B. Lain	11/11/2013	400,000	60
Rachel Endrizzi	8/31/2012	300,000	50

1 Mr. Lacko is not party to an employment agreement with the Company.

NEOs No Longer Employed

Name	Date of Employment Agreement	Base Salary as of Termination of Employment ($)	FY18 Target Annual Incentive Award (% of Base Salary)
Annette L. Miller	12/16/2014	375,000	50
Andrew W. Dulka	5/1/2015	300,000	50

Ongoing Compensation

Base Salary—Each NEO receives an annual base salary in the amount set forth above. The base salary amounts are reviewed annually by the Committee and subject to adjustment.

Bonus—Each NEO is eligible for an annual incentive award. The annual incentive award is set as a percentage of the NEO's then-current base salary for achievement of target performance, but the actual payout may be less than or greater than such amount for actual performance that is less than or greater than target, respectively.

Long-Term Incentives—Each NEO is entitled to participate in the Company's long-term equity incentive program on the same basis as the Company's other executive officers, with the value of the awards being set annually by the Committee.

Life Insurance and Other Benefits—During the term of their employment, each NEO is entitled to life insurance and health and welfare benefits offered to other headquarters employees; provided that Mr. Sawyer has agreed not to participate in the employee stock purchase plan.

Termination of Employment Payments, Benefits and Other Obligations—The following section separately addresses benefits provided to the NEOs upon death or disability, termination without Cause or for Good Reason, termination for Cause or without Good Reason and termination after a Change in Control pursuant to employment agreements and applicable severance programs. The severance payments described below are contingent upon the NEO signing and not rescinding a release and complying with certain non-competition and non-solicitation provisions.

- **Death or Disability.** Each NEO is entitled to his or her accrued compensation and obligations, including a pro rata bonus for the year of termination.

- **Dismissal without Cause or Resignation for Good Reason (Prior to or More than Twenty-Four Months Following a Change in Control).** If an NEO is terminated without Cause or if he or she terminates for Good Reason, the NEO will receive an amount equal to one times (two times in the case of Mr. Sawyer if the triggering event occurs prior to April 17, 2020) his or her annual base salary plus a pro-rated portion of any bonus he or she would have earned for the year of termination (based on actual performance), plus 12 months (18 months in the case of Mr. Sawyer if the triggering event occurs prior to April 17, 2020) of benefits continuation coverage.
- **Dismissal without Cause or Resignation for Good Reason in Connection with a Change in Control.** If an NEO's employment is terminated, except for Ms. Endrizzi, to which this section is not applicable, without Cause or if he terminates for Good Reason within 24 months following a change of control, then he will instead receive an amount equal to two times base salary plus two times the target annual bonus for the year of termination, as well as 18 months of benefits continuation payments, subject to reduction pursuant to the "best of net" provisions in Mr. Bakken's employment agreement. For Mr. Sawyer, the severance amount is the same as for any dismissal without Cause.
- **Dismissal for Cause or Resignation without Good Reason.** The NEOs are entitled to accrued compensation and obligations where dismissal is for Cause or resignation without Good Reason. In the event of a termination of employment for Cause or resignation without Good Reason, severance benefits would not be payable.

Provision for Offset of Severance—The agreements provide that severance payments will be paid over the course of the severance period and offset by any compensation an NEO receives from other substantially full-time employment during the severance period. However, the Committee modified these provisions during fiscal 2017 to provide that severance will be paid in a lump sum and not offset by non-competitive employment. See "Changes to Severance Program" in CD&A. The severance payments are also contingent upon signing and not rescinding a release and complying with certain non-competition and non-solicitation provisions.

Restrictive Covenants—The NEOs are subject to restrictive covenants prohibiting the disclosure or use of confidential information, along with two-year covenants regarding non-competition and non-solicitation of employees. Our remedies for violation of restrictive covenants include injunctive relief and forfeiture of severance benefits.

Mandatory Arbitration—Disputes arising under the employment agreements are to be resolved by binding arbitration.

Sign-On, Relocation and Related Benefits

When executive officers join our Company, from time to time we have agreed to sign-on incentives and relocation benefits that are not part of their ongoing compensation to incentivize them to leave their former employers and join our Company. Specifically, these benefits that were granted or paid in fiscal 2018 to the NEOs include:

Sign-On Incentives—When he joined our Company in April 2017, Mr. Sawyer received a sign-on bonus equal to $585,000, subject to a one-year clawback, and initial equity awards with an aggregate value of $5.0 million, comprised of $4.0 million of stock-settled SARs and $1.0 million of RSUs. When he joined our Company in July 2017, Mr. Lacko received a sign-on bonus equal to $125,000 and initial equity awards with an aggregate value of $350,000, comprised of RSUs valued on July 1, 2017. See "Compensatory Arrangements with Mr. Sawyer" and "Compensatory Arrangements with Mr. Lacko" in CD&A for further detail about these awards.

Relocation Expenses—We 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. We agreed to reimburse Mr. Lacko up to $50,000 in moving costs and up to $50,000 in real estate commissions if he sold his home within the first year of employment.

Historical Retirement and Life Insurance Benefits

Retirement Benefits—Pursuant to certain grandfathered provisions of his employment agreement, upon retirement (at or after age 65), Mr. Bakken is entitled to receive a lump sum cash payment equal to the present value of a hypothetical annuity of monthly payments that are equal to the greater of $5,000 or 40% of his respective five-year average monthly compensation for the five-year period ending June 30, 2012 (i.e., July 1, 2007 through June 30, 2012), excluding bonuses (subject to a 20-year vesting schedule), to be paid for 240 months. Mr. Bakken's agreement provides he will be entitled to the fully vested benefit if his employment is terminated without Cause or if he terminates for Good Reason at any time, and his agreement provides he will be entitled to the fully vested benefit if his employment terminates for any reason other than for Cause within two years of a Change in Control. Additionally, upon any termination following a Change in Control (except for Cause), he receives (i) the same retirement benefits described below, except that the lump sum is equal to the sum of the payments due, determined as if he is fully vested, and (ii) a lump sum payment of any unpaid amounts described below under “Life Insurance.”

Under this arrangement, an executive officer has the option to elect to receive his or her retirement benefit in the form of 240 monthly payments rather than the lump sum, provided that such election is made in accordance with the requirements described in his or her employment agreement and consistent with Code Section 409A. In addition to the possibility for reduction based on (i) the vesting schedule and/or (ii) the present value discount for a lump sum payment, an executive’s retirement benefit is subject to further discount if paid prior to age 65 (an “Early Retirement”). If payment is made in connection with an Early Retirement, the hypothetical annuity of 240 monthly payments is discounted by first calculating the benefit as an annuity starting at age 65, and then converting it to an immediate commencement annuity using the yield to maturity of 30-year U.S. Treasury Notes as of June 30, 2012 (2.76%).

If an executive officer dies before receiving full payment of his or her retirement benefit, payment will be made in a lump sum or monthly payments will continue, as applicable, to his or her designated beneficiary (or his or her estate). If an executive officer becomes disabled, he or she will receive monthly payments beginning six months after his or her disability begins and continuing until the earlier of his or her death or attainment of age 65, or until he or she ceases to be disabled, in an amount equal to his or her monthly benefit. At death or attainment of age 65, he or she (or his or her beneficiary) will receive the benefit described above under “Retirement Benefits.” No retirement benefits are payable in the event of termination of employment for Cause.

Under the amended and restated employment agreement signed by Mr. Bakken effective August 31, 2012, we froze vesting in his retirement benefits as of June 30, 2012, subject to the continued right to full acceleration in the event of termination without Cause or termination for Good Reason, as described above. As indicated, we also limited the calculation of the monthly benefit to his five-year average monthly base salary as of June 30, 2012.

Of our NEOs, only Mr. Bakken is eligible for this benefit.

Life Insurance—We agreed to pay premiums for a total of ten years on the existing policies insuring the lives of certain of our executive officers who were entitled to such benefits and were employed by the Company as of June 30, 2012. As of June 30, 2018, we have made all of the payments that we had agreed to pay on Mr. Bakken’s policies. As of June 30, 2018, the aggregate face amount of Mr. Bakken’s policies is approximately $3.2 million.

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). 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.

	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	—	—	$9,100,000[2]
Sign-On Bonus	$585,000	—	—
Initial Equity Awards	$5,000,000	—	—

1 May be increased in the Committee’s discretion.

2 Amount of fiscal 2019 long-term equity incentive reflects the grant of a single, larger equity award at the outset of a five-year period as described above under “Summary of the Fiscal 2019 Plan.”

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 was not eligible for an annual incentive award for fiscal 2017 or a long-term incentive for fiscal 2018.

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 former 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.

Compensatory Arrangements with Mr. Lacko

In June 2017, the Board appointed Mr. Lacko as Executive Vice President and Chief Financial Officer, effective July 1, 2017, replacing Michael Pomeroy, who served as Interim Chief Financial Officer since February 1, 2017. He is entitled to an annual base salary of $495,000, a target annual bonus opportunity of 60% of his annual base salary (with annual awards beginning in fiscal 2018), and annual target long-term incentives valued at $400,000 (with annual grants beginning in fiscal 2018). In addition, he received a sign-on bonus of $125,000, a sign-on equity award of restricted stock units valued at $350,000, reimbursement of moving expenses up to $50,000, and reimbursement of the real estate commissions in connection with the sale of his home of up to $50,000 if he sells his home within the first year of his employment with the Company.

Mr. Lacko's initial restricted stock unit award will vest as to one-third of the shares on each of the first three anniversaries of the date of grant in accordance with the general terms of the restricted stock awards the Company grants to employees as part of their annual long-term incentive awards. The restricted stock units will be granted pursuant to the employment inducement exception of the NYSE rules.

Separation Benefits for Ms. Miller

In connection with Ms. Miller's termination of employment effective December 31, 2017, she received the following separation benefits under her Separation and Non-Disparagement Agreement and General Release:

- A severance payment equal to $375,000, which is equivalent to one times base salary as of her date of termination;
- A pro rata portion of her bonus for fiscal 2018 (based on target);
- Acceleration of all unvested portions of her RSUs and SARs;
- Cash compensation for the value of the fiscal 2016 PSUs earned but not yet vested, based on the closing price of our common stock on December 29, 2017; and
- Benefits continuation coverage for 12 months.

Separation Benefits for Mr. Dulka

In connection with Mr. Dulka's termination of employment effective November 6, 2017, he received the following separation benefits under his Separation and Non-Disparagement Agreement and General Release:

- A severance payment equal to $300,000, which is equivalent to one times base salary as of his date of termination;
- A pro rata portion of his fiscal 2018 bonus (based on target);
- Acceleration of all unvested portions of his RSUs and SARs;
- Cash compensation for the value of the fiscal 2016 PSUs earned but not yet vested, based on the closing price of our common stock on November 6, 2017; and
- Benefits continuation coverage for 12 months.

Definitions Under Executive Agreements

Certain of the terms used in the executive agreements as in effect at the end of fiscal 2018 are defined below:

Cause—Acts resulting in a felony conviction that is materially detrimental to the financial interests of the Company; willful nonperformance by the executive of his material employment duties (other than by reason of physical or mental incapacity) after reasonable notice to the executive and reasonable opportunity (not less than 30 days) to cease such non-performance; or willful engagement in fraud or gross misconduct that is materially detrimental to the financial interests of the Company.

Change in Control—A person is or becomes the beneficial owner of 20% or more of the outstanding common stock or outstanding voting securities of the Company; consummation of a merger or consolidation of the Company, a statutory share exchange or an acquisition of all or substantially all of the Company's assets unless the beneficial owners of the Company's outstanding voting securities immediately prior to the transaction beneficially own more than 50% of the voting power of the outstanding voting securities of the surviving entity in substantially the same proportions; or the incumbent directors cease to constitute at least a majority of the Board. Furthermore, in August 2014, the Board adopted an amendment providing that a Change in Control does not occur if a person becomes the beneficial owner of 20% or more of the outstanding common stock or outstanding voting securities of the Company solely as the result of a change in the aggregate number of shares of outstanding common stock or outstanding voting securities since the last date on which such person acquired beneficial ownership of any shares of common stock or voting securities. Beginning with the Company's fiscal 2019 equity awards the Change in Control beneficial ownership triggering percentage described above has been increased from 20% to 49%.

Good Reason—Any adverse alteration in the executive's reporting responsibilities, titles or offices (or, in the case of Mr. Sawyer, a material diminution of his authority, duties or responsibilities); a material reduction of the executive's base salary (or, in the case of Mr. Sawyer, any reduction in his base salary or target bonus percentage); failure by the Company to continue any compensation plan, bonus or incentive plan; material breach of the agreement by the Company; requirement that the executive's principal place of employment be relocated by more than 30 miles from the Company's current address (other than for Mr. Sawyer); or the Company's failure to obtain an agreement from any successor entity to assume the Company's obligations under the agreement.

Disability—Physical or mental disability or health impairment that prevents the effective performance by the executive of his duties on a full-time basis.

Retirement Plans and Arrangements

We currently provide the Named Executive Officers the option to participate in two Company-sponsored retirement savings plans: the Executive Retirement Savings Plan, a nonqualified deferred compensation plan, and the Regis Individual Secured Retirement Plan (the "RiSRP"), an employee welfare benefit plan, which was added in fiscal 2016 as a post-tax retirement savings option.

Elections to defer compensation under the Executive Retirement Savings Plan are made annually, prior to the beginning of the year in which the deferred compensation is earned. Executives may defer up to 100% of their annual compensation, including bonus, on a pre-tax basis. Beginning with elections made in fiscal 2016, in-service distributions must be deferred for a minimum of two years. Employer contributions under the Executive Retirement Savings Plan for our Named Executive Officers include a 25% match on up to a maximum of $100,000 in deferred compensation (i.e., $25,000) and a discretionary annual profit sharing contribution (each on a calendar-year basis). We deposit the deferred amounts and employer contributions into a trust for the benefit of plan participants. In accordance with tax laws, the assets of the trust are subject to claims of the Company's creditors. Participant account balances are deemed invested as the executive directs, from time to time, among the investment alternatives offered. Subject to compliance with plan terms and applicable tax requirements (including, without limitation, Code Section 409A), executives may elect the distribution date for their plan accounts.

Under the RiSRP, participants may elect to contribute amounts from payroll, up to 100% of their annual compensation, including bonus, on an after-tax basis. Employee contributions under the RiSRP for our NEOs include the same match opportunity as the Executive Retirement Savings Plan, and if an NEO is participating in both plans, their aggregate match is capped at $25,000. Participants may also make contributions outside of payroll deductions, but these are not eligible for employer match. Participant contributions and employer matching contributions are deposited in participant-owned life insurance policies. These insurance policies are not subject to claims of the Company's creditors. Each participant's account balances under the life insurance policy is invested as the participant directs, from time to time, among the investment alternatives available under the insurance policy.

Pension Benefits in 2018

The following table sets forth certain information concerning pension benefits for the Named Executive Officers for fiscal 2018:

Name[1]	Age at June 30, 2018	Plan Name[2]	Number of Years of Credited Service[3] (#)	Present Value of Accumulated Benefit (#)	Payments During Last Fiscal Year (#)
Eric A. Bakken	51	Employment Agreement	24.5	946,856	—

1 Mr. Bakken is the only NEO eligible for the Company's pension benefits program, as it was frozen prior to the commencement of employment of all our other NEOs.

2 Retirement benefits provided under the applicable employment agreement for each Named Executive Officer are described above under "Summary of Executive Agreements."

3 The number of years of credited service shown for Mr. Bakken represents his actual years of service; however, for purposes of determining the value of their accumulated benefit, his years of credited service was frozen at 18.5.

4 The present value of pension benefits for Mr. Bakken is calculated based on the following assumptions: (i) freezing of the pension benefits as described above under "Summary of Executive Agreements—Retirement Plans and Arrangements," (ii) expected retirement age of the later of (A) June 30, 2018 or (B) age 65, which is the earliest time a participant may retire without any benefit reduction due to age, and (iii) discount rate of 3.90%.

Nonqualified Deferred Compensation for 2018

The following table sets forth certain information concerning nonqualified deferred compensation under our Executive Retirement Savings Plan for the NEOs for fiscal 2018:

Name	Executive Contributions in Last FY[1] ($)	Registrant Contributions in Last FY[1, 2] ($)	Aggregate Earnings in Last FY[2] ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)
Hugh E. Sawyer	—	—	—	—	—
Andrew H. Lacko	—	—	—	—	—
Eric A. Bakken	105,600	26,400	16,817	(134,785)	337,272
Jim B. Lain	—	—	—	—	—
Rachel Endrizzi	—	—	—	—	—
Annette L. Miller	—	—	556	(124,204)	123,648
Andrew W. Dulka	—	—	—	—	—

1 The Company matches deferred compensation contributions at 25% of the amount contributed by the participant, up to $25,000 per calendar year. Amounts exceeding $25,000 are due to timing differences between the calendar and fiscal year.

2 The following amounts of contributions and earnings reflected in the table above have been reported in the current year or prior years' Summary Compensation Tables as follows:

Name	Total Amount Reported in Current or Prior Summary Compensation Tables ($)	Current Year Summary Compensation Table			
		Salary ($)	Non-Equity Incentive Plan ($)	Above-Market Earnings ($)	Company Match and Profit-Sharing Contribution in All Other Compensation ($)
Hugh E. Sawyer	—	—	—	—	—
Andrew H. Lacko	—	—	—	—	—
Eric A. Bakken	351,304	105,600	—	—	26,400
Jim B. Lain	—	—	—	—	—
Rachel Endrizzi	—	—	—	—	—
Annette L. Miller	—	—	—	—	—
Andrew W. Dulka	—	—	—	—	—

The measurement funds available under the Executive Retirement Savings Plan include the Company's common stock and selected mutual funds, which are the same measurement funds available for employees generally with respect to investment of their funds in the Company's qualified 401(k) plan. Participants in the plan may change their investments in the various measurement funds at any time.

Contributions made to the RiSRP on behalf of the NEOs are not included in the table above as this plan is an after-tax nonqualified retirement plan that does not provide for a deferral of compensation.

Potential Payments Upon Termination or Change in Control

The tables that follow describe potential payments and benefits provided to our NEOs or their beneficiaries under the employment agreements, plans and arrangements in existence at June 30, 2018 under various scenarios involving a termination of employment and/or a change in control, and assuming that the termination or change in control event(s) occurred on June 30, 2018. The agreements are described in more detail under “Summary of Executive Agreements.” The following presentation has been keyed to the following events upon which an NEO or their beneficiaries would be entitled to a payment or benefit:

- Voluntary termination or involuntary termination not related to a change in control;
- Termination due to death;
- Termination due to disability;
- A change in control not involving an employment termination; and
- Involuntary termination within twenty-four months after a change in control.

Unless otherwise specified, an “involuntary termination” for these purposes includes a termination by the Company without “Cause” or by NEO for “Good Reason,” but does not include a termination for “Cause.” A “voluntary termination” refers to a termination by the NEO other than for “Good Reason.” “Cause” and “Good Reason” for these purposes have the meanings described above under “Definitions under Executive Agreements.” In January 2017, the Committee adopted a temporary policy under which employees who are terminated by the Company without Cause or who resign for Good Reason 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.

Potential Payments to NEOs Currently Employed

		Not Related to Change in Control				After a Change in Control	
Name[1]	Type of Payment or Benefit	Voluntary Termination($)	Involuntary Termination[2]($)	Death ($)	Disability ($)	Not Involving a Termination of Employment ($)	Involuntary Termination[3] ($)
Hugh E. Sawyer	Severance	—	3,866,500	—	—	—	3,866,500
	Medical and Dental Insurance Benefits[4]	—	19,527	—	—	—	19,527
	Accelerated Vesting of Equity[5, 6]	—	6,873,406	6,873,406	6,873,406	6,873,406	6,873,406
	Total	**—**	**10,759,433**	**6,873,406**	**6,873,406**	**6,873,406**	**10,759,433**
Andrew H. Lacko[7]	Severance	—	—	—	—	—	—
	Medical and Dental Insurance Benefits[4]	—	—	—	—	—	—
	Accelerated Vesting of Equity[6]	—	762,941	862,393	862,393	862,393	862,393
	Total	**—**	**762,941**	**862,393**	**862,393**	**862,393**	**862,393**
Eric A. Bakken	Severance	—	1,163,250	—	—	—	1,732,500
	Supplemental Bonus[8]		445,500	445,500	445,500	—	445,500
	Medical and Dental Insurance Benefits[4]	—	16,500	—	—	—	24,750
	Retirement Benefits[9]	1,099,922	1,294,026	1,903,176	2,463,075	1,294,026	1,294,026
	Accelerated Vesting of Equity[6]	—	819,039	1,153,789	1,153,789	1,153,789	1,153,789
	Total	**1,099,922**	**3,738,315**	**3,502,465**	**4,062,364**	**2,447,815**	**4,650,565**
Jim B. Lain	Severance	—	832,000	—	—	—	1,280,000
	Supplemental Bonus[8]	—	360,000	360,000	360,000	—	360,000
	Medical and Dental Insurance Benefits[4]	—	16,500	—	—	—	24,750
	Accelerated Vesting of Equity[6]		1,313,086	1,622,973	1,622,973	1,622,973	1,622,973
	Total	**—**	**2,521,586**	**1,982,973**	**1,982,973**	**1,622,973**	**3,287,723**
Rachel Endrizzi[10]	Severance	—	570,000	—	—	—	—
	Supplemental Bonus[8]	—	131,300	131,300	131,300	—	131,300
	Medical and Dental Insurance Benefits[4]	—	8,779	—	—	—	—
	Accelerated Vesting of Equity[6]		242,120	356,883	356,883	356,883	356,883
	Total	**—**	**952,199**	**488,183**	**488,183**	**356,883**	**488,183**

1 Each of the NEOs listed in this table is party to a written employment agreement with the Company, with the exception of Mr. Lacko.

2 Severance amounts in the event of involuntary termination not related to Change in Control represent a cash payment equal to two times annual base salary for Mr. Sawyer and one times annual base salary for the other NEOs, plus, for the other NEOs, a pro-rated portion of any bonus the executive officer would have earned for the year of termination, based on actual performance.

3 In the event of an involuntary termination related to a Change in Control, Mr. Sawyer would receive the same severance as for any involuntary termination. Severance to the other NEOs represents a cash payment equal to two times annual base salary plus two times the target annual bonus for the year of termination.

Under Code Section 280G, executives will incur an excise tax on portions of these payments if the parachute value of payments exceeds a specified threshold. Under the 2004 Amended and Restated Long Term Incentive Plan (the "2004 Long Term Plan"), participants who first received awards prior to October 22, 2013 (which includes only Mr. Bakken and Ms. Endrizzi) are entitled to an excise tax gross-up if an award granted thereunder, either alone or together with other payments and benefits the participant receives or is entitled to receive would constitute a "parachute payment." These grandfathered rights to tax gross-ups were waived by Mr. Bakken and Ms. Endrizzi effective in August 2018. The 2016 Long Term Plan does not provide for any excise tax gross-ups on parachute payments. Pursuant to Mr. Bakken's employment agreement, the Company will determine whether he is better off receiving the full payment due and paying the excise tax, or receiving a reduced payment that falls just below the excise tax threshold, which is referred to as a "best of net" provision. For this hypothetical payment as of June 30, 2018, it has been estimated that Mr. Bakken would be better off receiving the full payment due. Ms. Endrizzi's employment agreement does not include any parallel "best of net" 280G provisions, as she is not entitled to enhanced severance benefits in connection with a change in control.

4 The amount represents the estimated medical and dental insurance premiums for the applicable benefits continuation period following involuntary termination. The continuation period is 18 months for Mr. Sawyer; for the other NEOs, it is 12 months if not related to a change in control and 18 months if related to a Change in Control.

5 Mr. Sawyer is entitled to acceleration of his sign-on equity awards upon death, disability, a change in control, or termination without cause or for good reason, except that in the case of his sign-on RSUs, the Company's stock price also must exceed a certain price threshold. For more information about these awards, see "Compensatory Arrangements with Mr. Sawyer" in CD&A.

6 Amounts represent the intrinsic value of SARs, RSUs, and PSUs as of June 30, 2018 for which the vesting would be accelerated. The value entered for SARs is based on the number of units for which vesting would be accelerated times the excess of $16.54, the closing price of the Company's common stock on June 30, 2018 on the NYSE, over the SAR exercise price. The value included for RSUs and PSUs is the product of the number of units for which vesting would be accelerated and $16.54.

7 Mr. Lacko is not party to a written employment agreement with the Company stipulating provisions for post-termination payments. He is eligible for accelerated vesting of equity awards upon certain termination scenarios pursuant to terms of the LTIP/grant agreements. Any severance amounts paid upon an actual termination would be determined at the discretion of the Committee.

8 Amounts represent the supplemental performance-based cash retention program payable under the various termination scenarios discussed above in "Special Incentive Program Based on Franchise Goals."

9 The amounts represent a lump sum cash payment equal to the present value of a hypothetical annuity of monthly benefits. The annuity amount and payment period vary according to the termination scenario, as described under "Summary of Executive Agreements — Employment Agreements — Historical Retirement and Life Insurance Benefits."

10 Ms. Endrizzi's employment agreement does not provide for severance payments related to a Change in Control. Supplemental bonus is covered under a separate agreement. Eligibility for accelerated vesting of equity awards upon certain termination scenarios pursuant to terms of the LTIP/grant agreements. Any severance amounts paid upon an actual termination would be determined at the discretion of the Committee.

Actual Payments Upon Termination to NEOs No Longer Employed

The amounts below reflect amounts actually paid to Ms. Miller and Mr. Dulka in connection with their termination of employment.

Name	Type of Payment or Benefit	Involuntary Termination ($)
Annette L. Miller	Severance[1]	468,750
	Medical and Dental Insurance Benefits[2]	9,539
	Accrued Vacation Time[3,]	28,846
	Accelerated Vesting of Equity[4]	439,092
	Total	**946,227**
Andrew W. Dulka	Severance[1]	352,950
	Medical and Dental Insurance Benefits[2]	9,538
	Accrued Vacation Time[3,]	11,539
	Accelerated Vesting of Equity[4]	363,592
	Total	**737,619**

1 Represents one times base salary plus pro rata portion of fiscal 2018 bonus (based on target). See "Separation Benefits for Ms. Miller" and "Separation Benefits for Mr. Dulka."

2 Represents the medical and dental insurance continuation for 12 months (up to $9,539 for Miller and $9,538 for Dulka).

3 Represents accrued vacation time through last date of employment.

4 Represents the intrinsic value of acceleration of unvested RSUs and SARs that were accelerated in connection with termination of employment, as well as payment in cash for PSUs that were earned but not yet vested.

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are providing the following information about the relationship of the annual total compensation of our median employee and the annual total compensation of Mr. Sawyer, our President and Chief Executive Officer. The pay ratio included in this information is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

For fiscal 2018, our last completed fiscal year:

- The annual total compensation of our median employee was $21,034; and
- The annual total compensation of our President and CEO, as reported in the Summary Compensation Table presented elsewhere in this Proxy Statement, was $3,078,332.

Based on this information for fiscal year 2018, we reasonably estimate that the ratio of our President and CEO's annual total compensation to the annual total compensation of our median employee, a part-time stylist at one of our salons, was 146:1.

We used the following methodology and material assumptions and reasonable estimates to identify our median employee in a manner consistent with SEC rules and guidance:

We identified our median employee by analyzing the total cash compensation paid to all members of our employee population (other than our President and CEO) who were employed on June 30, 2018. Total cash compensation incudes wages (for both salaried employees and hourly employees), cash bonuses, tips and commissions. In making this determination, we annualized the compensation of those full-time and part-time permanent employees who were employed on June 30, 2018, but did not work for us during all of fiscal 2018. No full-time equivalent adjustments were made for part-time employees.

After identifying the median employee, we calculated annual total compensation for that individual in accordance with same methodology used for our named executive officers as set forth on the Summary Compensation Table. With respect to the annual total compensation of our President and CEO, we used the amount reported in the "Total" column reported in the Summary Compensation Table.

The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices. Therefore, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

Equity Compensation Plan Information

The following table provides information about our common stock that may be issued under all of our stock-based compensation plans in effect as of June 30, 2018.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders[1]	1,541,367	$13.78	4,629,879[2]
Equity compensation plans not approved by security holders[3]	1,034,079	$11.12	—
Total	**2,575,446**	**$12.71**	**4,629,879**

1 Includes shares granted through stock options, SARs, restricted stock awards, RSUs and PSUs under the 2004 Long Term Plan and 2016 Long Term Plan. Information regarding the stock-based compensation plans is included in Note 1 and 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended June 30, 2018.

2 The Company's 2016 Long Term Plan provides for the issuance of a maximum of 6,750,000 shares of the Company's common stock through stock options, SARs, restricted stock or RSUs. As of June 30, 2018, there are 4,500,278 shares included in the number of securities remaining available for future issuance under equity compensation plans as disclosed in this table. As of June 30, 2018, there were also 129,601 common shares available for issuance under the Company's Stock Purchase Plan.

3 Consists of SARs and RSUs granted to Mr. Sawyer and Mr. Lacko under the NYSE inducement grant exception to its rules for shareholder approval of equity plans in connection with the commencement of his employment, the terms of which are described under "Compensatory Arrangements with Mr. Sawyer" and "Compensatory Arrangements with Mr. Lacko" in the CD&A.

ITEM 3

REGIS CORPORATION 2018 LONG TERM INCENTIVE PLANS

Upon the recommendation of the Compensation Committee of the Board, the Board unanimously recommends that you vote FOR approval of our 2018 Long-Term Incentive Plan.

APPROVAL OF 2018 LONG TERM INCENTIVE PLAN

Introduction

We are seeking shareholder approval for the Regis Corporation 2018 Long Term Incentive Plan (the “2018 Plan”), which was approved by our Board on August 30, 2018, subject to shareholder approval. Upon approval of the 2018 Plan by our shareholders, no further awards will be made under our current 2016 Long Term Incentive Plan (the “2016 Plan”), and the 2018 Plan will be the only active plan under which equity awards may be made to our employees and non-employee directors.

As of June 30, 2018, the 2016 Plan had approximately 4,500,278 shares remaining available for issuance. Due to structural changes to our equity program for fiscal 2019, as described above in our CD&A under “Summary of the Fiscal 2019 Plan”, additional shares are being requested to help ensure the Company has sufficient shares to meet our anticipated needs to grant equity awards to incentivize and retain employees in future years.

The 2018 Plan authorizes 1,900,000 shares for awards, together with those shares of common stock remaining available for future grants under the 2016 Plan on the date the 2018 Plan obtains shareholder approval. We believe that given our current grant practices as well as the fungible share design of the 2018 Plan, the authorized share amount under the 2018 Plan should allow us to make equity compensation awards through late August 2023, prior to the 2023 annual meeting of shareholders.

Awards outstanding under the 2016 Plan or our Amended and Restated 2004 Long-Term Incentive Plan (“2004 Plan”) as of the date the 2018 Plan becomes effective will continue to be subject to the terms of the 2016 Plan or the 2004 Plan, as applicable, but if those awards subsequently expire, are forfeited, canceled or terminated or are settled in cash, the shares subject to those awards will become available for awards under the 2018 Plan.

Shareholder approval of the 2018 Plan is being sought in order to satisfy the shareholder approval requirements of (i) the New York Stock Exchange and (ii) Section 422 of the Internal Revenue Code (“Code”) to enable options granted under the 2018 Plan to qualify as incentive stock options. If the 2018 Plan is not approved by our shareholders, the 2016 Plan will remain in effect and we will remain subject its existing share reserve.

Factors Considered in Setting Size of Requested Share Amount

As of August 24, 2018, there were 44,172,843 shares of our common stock issued and outstanding. The closing sale price of a share of our common stock on the New York Stock Exchange on that date was $21.40.

In setting the proposed number of shares reserved and issuable under the 2018 Plan, the Compensation Committee and our Board considered a number of factors as described below.

Awards Outstanding and Shares Available for Grant

The table below shows, as of June 30, 2018, the shares reserved for issuance of outstanding awards under the 2016 Plan as well as its predecessor, the 2004 Plan, and available for future grant under our 2016 Plan. The table also shows the number of shares that will be available for future grants under each equity compensation plan following approval of the 2018 Plan by our shareholders.

	As of June 30, 2018		After Approval of 2018 Plan	
	Shares Reserved for Issuance of Outstanding Awards[1]	Shares Available for Future Awards	Shares Reserved for Issuance of Outstanding Awards	Shares Available For Future Awards
2004 Plan[2]	986,321	0	986,321	0
2016 Plan[2]	1,589,125	4,500,278[3]	1,589,125	0
2018 Plan	0	0	0	—[3]
Total	**2,575,446**	**4,500,278**	**2,575,446**	**6,400,278[3]**

1 Shares reserved for issuance of outstanding awards at June 30, 2018 consist of the following:

	Types of Awards			
	Options/SARs	Full Value Awards	Weighted Average Exercise Price of Options/SARs	Weighted Average Term to Expiration
2004 Plan[2]	532,622	453,699	$14.85	5.2 years
2016 Plan[2]	1,000,000	589,125	$11.15	8.8 years

2 No further equity awards may be granted under the 2004 Plan or, following shareholder approval of the 2018 Plan, under the 2016 Plan; however, any shares that would return to the 2004 Plan or 2016 Plan as a result of an award terminating, expiring or being forfeited or being settled in cash in lieu of shares will instead become available under the 2018 Plan.

3 The 2018 Plan authorizes 1,900,000 shares for awards, together with those shares of common stock remaining available for future grants under the 2016 Plan on the date the 2018 Plan obtains shareholder approval. We expect to make fiscal 2019 equity grants in late August 2018 which will reduce the 6,400,278 shares shown in the table above under "Shares Available for Future Awards."

We believe that the expected dilution that will result from the 2018 Plan is reasonable for a company of our size in our industry.

Historical Equity Grant Practices

Our three-year average "burn rate" was 3.00% for fiscal years 2016 through 2018. We define burn rate as the total number of shares subject to awards granted to participants in a single year expressed as a percent of our basic weighted average common shares outstanding for that year. We believe our historical burn rate is reasonable for a company of our size in our industry.

Overhang

Expectations regarding future share usage under the 2018 Plan are based on a number of assumptions regarding factors such as future growth in the population of eligible participants, the rate of future compensation increases, the rate at which shares are returned to the 2018 Plan reserve through forfeitures, cancellations and the like, the level at which performance-based awards pay out, and our future stock price performance. While the Compensation Committee believes that the assumptions utilized are reasonable, future share usage will differ to the extent that actual events differ from our assumptions.

Key Compensation Practices

The 2018 Plan is substantially similar to our 2016 Plan. The primary changes reflected in the 2018 Plan, as compared to the 2016 Plan include:

- Adopts double trigger acceleration of equity awards upon a change in control as the default treatment;
- Increases the level of stock ownership required to trigger a change in control to 49%, up from 20%;
- Adds an additional category of permitted awards that (i) are not classified as stock options, SARs, restricted stock, restricted stock units or performance units and (ii) consist of our common stock or that are valued in whole or in part by reference to, or are otherwise based upon or settled in, our common stock;
- Imposes an annual limit on the number of shares that can be granted as each award type (not just performance-based awards) to any participant; and
- Increases flexibility for design of performance-based awards following the repeal of Section 162(m) of the Code.

The 2018 Plan continues to include a number of features similar to our 2016 Plan that we believe are consistent with the interests of our shareholders and sound corporate governance practices, including the following:

- Incorporates a fungible share design, with a 2.0:1 ratio (reduced slightly from the 2.4:1 ratio under the 2016 Plan), under which full value awards (such as restricted stock units and performance units) count against the shares reserved for issuance at a higher rate than appreciation awards (such as SARs and stock options);
- Prohibits cancellation of awards for cash or other property or the grant of a full value award at a time when the exercise price of the award is greater than the current fair market value of a share of our common stock;
- Subjects most awards to a minimum one-year vesting period, subject to certain exceptions, including additional exceptions for certain termination scenarios;
- Prohibits the payment of dividends or dividend equivalents on stock options and SARs, and provides that any dividends or dividend equivalents payable with respect to shares or share equivalents subject to the unvested portion of a full value award will be subject to the same restrictions and risk of forfeiture as the shares or share equivalents to which such dividends or dividend equivalents relate;
- Does not provide for any excise tax gross-ups on “parachute payments”;
- Administered by our independent Compensation Committee;
- Prohibits re-pricing of stock options or SARs, including any cancellation for cash or other property or the grant of a full value award at a time when the exercise price of the stock option or SAR is greater than the current fair market value of a share of our common stock;
- Prohibits the issuance of stock options or SARs at an exercise price that is less than the fair market value of our common stock on the date of grant;
- Prohibits liberal share recycling;
- Provides for the forfeiture of certain outstanding awards if the Compensation Committee determines that the employee has engaged in certain misconduct that is materially detrimental to the interests of the Company;
- Does not apply a “liberal” change in control definition to awards; and
- Does not allow material modifications to the 2018 Plan without prior shareholder approval, which includes amendments that would increase the number of shares of our common stock available, increase the award limits under the Plan, permit awards of options at a price less than fair market value, permit re-pricing of options or SARs, or expand the class of persons eligible to receive awards under the Plan. Shareholder approval is also required for any action that would, absent such approval, violate the rules and regulations of the NYSE or any other securities exchange applicable to us.

The complete text of the 2018 Plan is attached as Appendix A.

Why We Believe You Should Vote for the 2018 Plan

The Board believes that equity compensation is an important part of total compensation for our executives as well as for certain other senior and management-level employees. We believe that shareholders should approve the 2018 Plan for the following reasons:

Compensation Philosophy. As described in the CD&A, our compensation programs are intended to work together to reward our executive officers for achieving the pre-established business goals set by the Board, to induce their commitment and continued service with the Company, and to align their interests with those of our shareholders through equity compensation and stock ownership requirements. We believe that equity compensation is one of the most effective tools to achieve these goals, and consistent with our goals for the future, we believe that equity-based incentives will continue to play an important role in our ability to incentivize our executives and other employees.

Plan Provisions Designed to Serve Shareholders' Interests and Promote Effective Corporate Governance. The 2018 Plan, which is summarized in more detail below, includes provisions described above in this Item 3 under "Key Compensation Practices" that are designed to serve the interests of our shareholders and promote effective corporate governance.

Reasonable Share Request. We are requesting additional shares to make approximately five years of additional equity grants in the normal course. We expect to return to our shareholders to seek approval of additional shares for the 2018 Plan at our 2023 annual meeting of shareholders.

Summary of the 2018 Long Term Incentive Plan

Administration

The Compensation Committee will administer the 2018 Plan and will have full power and authority to determine when and to whom awards will be granted, and the type, amount and other terms and conditions of each award, consistent with the provisions of the 2018 Plan. In addition, the Compensation Committee can specify whether, and under what circumstances, awards to be received under the 2018 Plan may be deferred automatically or at the election of either the holder of the award or the Compensation Committee. Subject to the provisions of the 2018 Plan, the Compensation Committee may amend or waive the terms and conditions, or accelerate the vesting and/or exercisability of an outstanding award. The Compensation Committee has authority to interpret the 2018 Plan, and establish rules and regulations for the administration of the 2018 Plan. The Compensation Committee may delegate its authority under the 2018 Plan to members of the Board or executive officers of the Company as it relates to awards to persons not subject to Section 16 of the Exchange Act. In addition, the Board may replace the Compensation Committee with a different committee or exercise the powers of the Compensation Committee at any time, except with respect to the grant of awards to our executive officers. Each person who is or has been a member of the Compensation Committee or of the Board, and any other person to whom the Compensation Committee delegates authority under the 2018 Plan, is indemnified by the Company from any loss resulting from any action taken or failure to act, made in good faith, under the 2018 Plan.

Eligible Participants

Any employee, officer, director or other individual, who is selected by the Compensation Committee, is eligible to receive an award under the 2018 Plan. As of August 24, 2018, our approximately 27,000 employees, including officers, and seven non-employee directors were eligible to be selected by the Compensation Committee to receive awards under the 2018 Plan.

Shares Available For Awards

Upon approval by our shareholders of this proposal, 1,900,000 shares of common stock together with those shares of common stock remaining available for future grants under the 2016 Plan on the date the 2018 Plan obtains shareholder approval will be available for issuance under the 2018 Plan. Full value awards granted under the 2018 Plan will count as 2.0 shares against the pool of authorized shares, whereas options and SARs will count as one share against the pool of authorized shares.

In the event of a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination, or recapitalization or similar event affecting the capital structure of the Company, the Compensation Committee or the Board shall make such substitutions or adjustments as it deems equitable and appropriate. Similarly, in the event of any other change in capitalization, which may include a merger, consolidation, acquisition of property or shares, stock rights offering, liquidation, disaffiliation (other than a spinoff), or similar event affecting the Company or any of its subsidiaries, the Board or the Compensation Committee may make substitutions or adjustments as it deems equitable and appropriate. Any adjustments made in accordance with the two foregoing sentences need not be the same for all participants.

If any shares of our common stock subject to any award under the 2018 Plan, or to an award under the 2016 Plan or the 2004 Plan that is outstanding on the date our shareholders approve the 2018 Plan, that expires, is forfeited or cancelled, or is settled or paid in cash will, to the extent of such expiration, forfeiture, cancellation or cash settlement, become available again for future awards under the 2018 Plan. Each share that again becomes available for awards in such manner shall increase the share reserve, with shares subject to full value awards increasing the share reserve by 2.0 shares and shares subject to options and SARs increasing the share reserve by one share. However, shares tendered or withheld in payment of the purchase price of a stock option, shares tendered or withheld to satisfy a tax withholding obligation, shares repurchased with proceeds received by the Company from exercise of a stock option and shares subject to a stock appreciation right that are not issued in connection with the stock settlement of the stock appreciation right may not be used again under the 2018 Plan. Awards granted under the plan in substitution for awards previously granted in connection with a merger, consolidation or acquisition are not charged against the number of shares available for grant as awards under the 2018 Plan.

Types of Awards and Terms and Conditions

The 2018 Plan permits the granting of:

- Stock options (incentive stock options, non-qualified stock options);
- Stock appreciation rights (SARs);
- Restricted stock;
- Restricted stock units;
- Performance units; and
- Other stock-based awards.

Awards may be granted alone, in addition to, in combination with or in substitution for, any other award granted under the 2018 Plan or any other compensation plan. The exercise price per share under any stock option and the grant price of any SAR may not be less than the fair market value on the date of grant of such option or SAR. Determinations of fair market value under the 2018 Plan will be made by reference to the closing price of our common stock on the NYSE. The term of awards of the stock-based portion of the plan will not be longer than ten years.

Stock Options. The holder of an option will be entitled to purchase a number of shares of our common stock at a specified exercise price during a specified time period (not to exceed ten years), all as determined by the Compensation Committee. The option exercise price may be payable either in cash or, at the discretion of the Compensation Committee, in other securities or other property having a fair market value on the exercise date equal to the exercise price. We have not granted stock options in recent years.

Stock Appreciation Rights. The holder of an SAR is entitled to receive an amount in cash, shares of common stock or a combination thereof, equal to the excess of the fair market value (calculated as of the exercise date or, at the Compensation Committee's discretion, as of any time during a specified period before or after the exercise date) of a specified number of shares of our common stock over the grant price of the SAR during a specified period (not to exceed ten years).

Restricted Stock. The holder of restricted stock will own shares of our common stock (including, for example, the right to vote the restricted shares). The Compensation Committee also may permit acceleration of the forfeiture period in the case of a participant's death or disability, upon a change in control of the Company and in certain other instances if included in an award agreement. If the participant's employment or service as a director, as applicable, terminates during the forfeiture period for any other reason, unvested restricted stock will be forfeited, unless the Compensation Committee determines that it would be in the Company's best interest to waive the remaining restrictions. Any dividends or distributions payable with respect to shares of our common stock that are subject to the unvested portion of a restricted stock award will be subject to the same restrictions and risk of forfeiture as the underlying shares of restricted stock. We have not granted restricted stock in recent years.

Restricted Stock Units. The holder of a restricted stock unit is entitled to receive a share of our common stock, or cash in the amount of the fair market value of a share of common stock, as of a future date, subject to certain restrictions and to a risk of forfeiture. The Compensation Committee also may permit acceleration of the forfeiture period in the case of a participant's death or disability, upon a change in control of the Company and in certain other instances if included in an award agreement. If the participant's employment or service as a director, as applicable, terminates during the forfeiture period for any other reason, unvested restricted stock will be forfeited, unless the Compensation Committee determines that it would be in the Company's best interest to waive the remaining restrictions.

Performance Awards. The Compensation Committee may grant performance unit awards under the 2018 Plan as a performance-based award if the Compensation Committee establishes one or more measures of corporate, business unit, or individual performance which must be attained, and the performance period over which the specified performance is to be attained, as a condition to the grant, vesting, exercisability, lapse of restrictions, and/or settlement of such award. Participants are entitled to receive payment for a performance-based award for any given performance period only to the extent that pre-established performance goals set by the Compensation Committee for the performance period are satisfied.

Performance goals may be based on a number of performance criteria, either alone or in any combination, and on any of an individual, consolidated or a business unit level, and on an absolute or relative basis compared to other companies and indexes or other external measures, including: earnings per share (EPS), sales, cash flow, cash flow from operations, operating profit or income, net income, operating margin, net income margin, return on net assets, economic value added, return on total assets, return on common equity, return on total capital, total shareholder return, revenue, revenue growth, earnings before interest, taxes, depreciation and amortization (EBITDA), EBITDA growth, funds from operations per share and per share growth, cash available for distribution, cash available for distribution per share and per share growth, share price performance or improvements in the Company's attainment of expense levels, implementation or completion of critical projects and any other performance criteria approved in the discretion of the Compensation Committee.

The foregoing criteria shall have any reasonable definitions that the Compensation Committee may specify, which may include or exclude any or all of the following items as the Compensation Committee may specify: unusual or non-recurring items, as defined by GAAP; effects of changes in applicable tax laws or accounting principles; effects of financing activities (e.g., effect on earnings per share of issuance of convertible debt securities); expenses for restructuring or productivity initiatives; other non-operating items; spending for acquisitions; effects of divestitures; and effects of litigation activities and settlements. Any such performance criterion or combination of such criteria may apply to a participant's award opportunity in its entirety or to any designated portion or portions of the award opportunity, as the Compensation Committee may specify. The Compensation Committee has the right to adjust any amount determined to be otherwise payable in connection with such an Award.

Other Stock-Based Awards. Other awards of our common stock and other awards that are valued in whole or in part by reference to, or are otherwise based upon or settled in, our common stock also may be granted under the 2018 Plan.

Minimum Vesting. The 2018 Plan provides that except as otherwise provided in an award agreement, time-based awards shall be subject to a vesting period of not less than one year from the applicable grant date, and performance-based awards shall subject to subject to a performance period of not less than one year. These minimum vesting and performance periods will not apply in connection with: (i) a change in control, (ii) a termination of employment or other service without cause, for good reason or due to death or disability, (iii) to a substitute award that does not reduce the vesting period of the award being replaced, (iv) awards made in payment of or exchange for other compensation already earned and payable, (v) the acquisition of shares of common stock for consideration based on the fair market value of our common stock and (vi) awards involving an aggregate number of shares not in excess of 5% of the 2018 Plan's share reserve. For purposes of awards to our non-employee directors, a vesting period will be deemed to be one year if runs from the date of one of our annual shareholder meetings to the date of the next annual shareholder meeting.

Dividends and Dividend Equivalents. The 2018 Plan prohibits the payment of dividends or dividend equivalents on stock options and SARs. It also provides that with respect to any dividends or distributions payable with respect to shares of our common stock that are subject to the unvested portion of a restricted stock or any other stock-based award involving the issuance of shares of our common stock upon the grant of the award will be subject to the same restrictions and risk of forfeiture as the underlying shares of our common stock to which such dividends or distributions relate. The 2018 Plan permits the Compensation Committee, in its discretion, to provide in an award agreement for restricted stock units, performance units or any other stock-based awards involving the issuance of units or rights to receive shares of our common stock, that the participant will be entitled to receive dividend equivalents (based on dividends actually declared and paid on outstanding shares of our common stock) on the units or other share equivalents subject to the foregoing types of awards, and those dividend equivalents will be subject to the same restrictions and risk of forfeiture as the underlying units or other share equivalents to which those dividend equivalents relate.

Limitations on Awards. The 2018 Plan also sets forth the following limitations on the amount of awards that may be granted to any one participant under the 2018 Plan during any calendar year:

- 1,250,000 shares subject to stock options and SARs;
- 1,250,000 shares subject to an award of restricted stock, restricted stock units and/or other-stock based awards;
- 1,250,000 shares subject to an award of performance units; and
- $2,000,000 initial value of performance unit awards denominated in dollars.

Duration, Termination and Amendment. Unless the 2018 Plan is discontinued or terminated by the Board, the 2018 Plan will expire on October 23, 2028. No awards may be made after that date. However, unless otherwise expressly provided in an applicable award agreement, any award granted under the 2018 Plan prior to expiration may extend beyond the end of such period through the award's normal expiration date.

The Board and, pursuant to the delegation of its authority, the Compensation Committee may amend, alter or discontinue the 2018 Plan at any time, although shareholder approval must be obtained for any action that would increase the number of shares of our common stock available, increase the award limits under the 2018 Plan, reprice awards of options or SARs at a price less than fair market value, permit repricing of options or SARs or expand the class of persons eligible to receive awards under the 2018 Plan. Shareholder approval is also required for any action that would, absent such approval, violate the rules and regulations of the NYSE or any other securities exchange applicable to us.

Change in Control. In the event of a change in control, each outstanding award will be treated as the Compensation Committee determines, including, without limitation, that (1) awards may be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (2) upon written notice to a participant, that the participant's awards will terminate upon or immediately prior to the consummation of such change in control; (3) outstanding awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an award will lapse, in whole or in part prior to or upon consummation of such change in control, and, to the extent the Compensation Committee determines, terminate upon or immediately prior to the effectiveness of such merger or change in control; (4) (A) the termination of an award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such award or realization of the participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the Compensation Committee determines in good faith that no amount would have been attained upon the exercise of such award or realization of the participant's rights, then we may terminate the award without payment), or (B) the replacement of an award with other rights or property selected by the Compensation Committee in its sole discretion; or (5) any combination of the foregoing. The Compensation Committee will not be required to treat all awards similarly in the transaction.

In the event that the successor corporation does not assume or substitute an award (or portion thereof) and unless otherwise provided in an award agreement, the award will vest in full and the participant will have the right to exercise such outstanding option and SAR, all restrictions on such restricted stock, restricted stock units and other stock-based awards will lapse, and, with respect to any performance-based awards, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an option or

SAR is not assumed or substituted in the event of a merger or change in control, the Compensation Committee will notify the participant in writing or electronically that such option or SAR will be exercisable for a period of time determined by the Compensation Committee in its sole discretion, and the option or SAR will terminate upon the expiration of such period.

Unless otherwise provided in an award agreement, if an award is assumed or substituted and during the one year period following a Change in Control the participant (i) is terminated without cause by the Company (or any successor entity) or (ii) resigns with good reason, then the participant will fully vest in and have the right to exercise such outstanding replacement awards that are options and SARs, all restrictions on any replacement awards that are restricted stock, restricted stock units and other stock-based awards will lapse, and, with respect to performance-based vesting awards, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met.

With respect to awards granted to a non-employee director, in the event of a Change in Control, the participant will fully vest in and have the right to exercise such outstanding replacement awards that are options and SARs, all restrictions on any replacement awards that are restricted stock, restricted stock units and other stock-based awards will lapse, and, with respect to performance-based vesting awards, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met.

Prohibition on Repricing Awards

No option or SAR may be amended to reduce its exercise price, no option or SAR may be canceled and replaced with an option or SAR having a lower exercise price, and no award may be cancelled in exchange for cash or other property or the grant of a full value award at a time when the exercise price of the award is greater than the current fair market value of a share of our common stock, except in connection with a stock dividend or other distribution, including a stock split, merger or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits, or potential benefits intended to be provided under the 2018 Plan.

Transferability of Awards

Unless otherwise provided by the Compensation Committee, awards under the 2018 Plan may only be transferred by will or by the laws of descent and distribution.

Federal Income Tax Consequences

Grant of Options and SARs. The grant of a stock option or SAR is not expected to result in any taxable income for the recipient.

Exercise of Options and SARs. Upon exercising a non-qualified stock option, the optionee must recognize ordinary income equal to the excess of the fair market value of the shares of our common stock acquired on the date of exercise over the exercise price, and we will generally be entitled at that time to an income tax deduction for the same amount. The holder of an incentive stock option generally will have no taxable income upon exercising the option (except that an alternative minimum tax liability may arise), and we will not be entitled to an income tax deduction. Upon exercising an SAR, the fair market value on the exercise date of any shares of our common stock received is taxable to the recipient as ordinary income and generally deductible by us.

Disposition of Shares Acquired Upon Exercise of Options and SARs. The tax consequence upon a disposition of shares acquired through the exercise of an option or SAR will depend on how long the shares have been held and whether the shares were acquired by exercising an incentive stock option or by exercising a non-qualified stock option or SAR. Generally, there will be no tax consequence to us in connection with the disposition of shares acquired under an option or SAR, except that we may be entitled to an income tax deduction in the case of the disposition of shares acquired under an incentive stock option before the applicable incentive stock option holding periods set forth in the Code have been satisfied.

Awards Other than Options and SARs. As to other awards granted under the 2018 Plan that are payable either in cash or shares of our common stock that are either transferable or not subject to substantial risk of forfeiture, the holder of the award must recognize ordinary income equal to (i) the amount of cash received or, as applicable, (ii) the excess of (A) the fair market value of the shares received (determined as of the date of receipt) over (B) the amount (if any) paid for the shares by the holder of the award. We will generally be entitled at that time to an income tax deduction for the same amount.

Section 162(m) Compensation Deduction Limitation. Code Section 162(m) as in effect prior to the enactment of the Tax Cuts and Jobs Act in December 2017 limited to $1 million the amount of annual compensation paid to each "covered employee" (as then defined, the CEO and the three other highest paid executive officers employed at the end of the year other than the CFO) that a public company would be permitted to deduct, unless the compensation qualified as performance-based for purposes of Section 162(m). The Tax Cuts and Jobs Act retained the $1 million deduction limit, but repealed the performance-based compensation exemption and expanded the definition of "covered employees" effective for taxable years beginning after December 31, 2017. "Covered employees" as now defined includes any person who served as CEO or CFO of the Company at any time during a calendar year, the three other most highly compensated executive officers of the Company as of the end of that calendar year, and any other person who was considered a covered employee in a previous taxable year (but not earlier than 2017). Any awards the Company grants pursuant to the 2018 Plan to covered employees, whether performance-based or otherwise, will be subject to the $1 million annual deduction limitation.

Delivery of Shares for Tax Obligation. Under the 2018 Plan, the Compensation Committee may permit participants receiving or exercising awards, subject to the discretion of the Compensation Committee and upon such terms and conditions as it may impose, to deliver shares of our common stock (either shares received upon the receipt or exercise of the award or shares previously owned by the holder of the option) to us to satisfy federal and state income tax obligations.

Plan Benefits

The amount, type and timing of awards granted under the 2018 Plan are determined in the sole discretion of the administrator and therefore cannot be determined in advance. The future awards that would be received under the 2018 Plan by executive officers and other employees are discretionary and are therefore not determinable at this time.

Information regarding awards made under the 2016 Plan during fiscal 2018 to our directors and Named Executive Officers is provided elsewhere in this Proxy Statement. Please see the "Fiscal 2018 Director Compensation Table" section of this Proxy Statement for additional information regarding grants under the Long Term Plan to non-employee directors during the fiscal 2018. In addition, please refer to the "Grants of Plan-Based Awards" table of this Proxy Statement for a listing of awards granted to our Named Executive Officers during fiscal 2018. Finally, a description of the changes to our equity program for fiscal 2019 are described above in the CD&A under "Summary of the Fiscal 2019 Plan."

Upon the recommendation of the Compensation Committee of the Board, the Board unanimously recommends a vote FOR the approval of our 2018 Long Term Incentive Plan.

ITEM 4

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Upon the recommendation of the Audit Committee of the Board, the Board unanimously recommends a vote <u>FOR</u> ratification of the appointment of PricewaterhouseCoopers LLP.

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected PricewaterhouseCoopers LLP, certified public accountants and independent registered public accounting firm, as our independent registered public accounting firm for the fiscal year ending June 30, 2019. Although not required, the Board wishes to submit the selection of PricewaterhouseCoopers LLP for shareholders' ratification at the Annual Meeting. If the shareholders do not so ratify, the Audit Committee will reconsider its selection.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire and are expected to be available to respond to appropriate questions.

Upon the recommendation of the Audit Committee of the Board, the Board unanimously recommends a vote FOR ratification of the appointment of PricewaterhouseCoopers LLP.

Audit Fees

Aggregate audit fees billed for professional services rendered by PricewaterhouseCoopers LLP were $2,290,900 for the year ended June 30, 2018, and $1,754,500 for the year ended June 30, 2017. Such fees were primarily for professional services rendered for the audits of our consolidated financial statements as of and for the years ended June 30, 2018 and 2017, limited reviews of our unaudited condensed consolidated interim financial statements, and accounting consultations required to perform an audit in accordance with generally accepted auditing standards.

Audit-Related Fees

There were no audit-related services by PricewaterhouseCoopers LLP in the years ended June 30, 2018 or 2017.

Tax Fees

Aggregate non-audit related tax fees billed for professional services rendered by PricewaterhouseCoopers LLP for the year ended June 30, 2018 and June 30, 2017 were $802,000 and $401,000, respectively. The tax fees for the years ended June 30, 2018 and 2017 were for strategic tax planning and divestiture services, tax reform, tax compliance, general tax consulting and assistance with income tax audits.

All Other Fees

In addition to the fees described above, aggregate fees of $1,800 were billed by PricewaterhouseCoopers LLP during each of the years ended June 30, 2018 and 2017, for fees related to a research tool that we access through PricewaterhouseCoopers LLP.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee has approved the engagement of PricewaterhouseCoopers LLP to perform auditing services for the current fiscal year ending June 30, 2019. In accordance with Company policy, any additional audit or non-audit services must be approved in advance. All of the professional services provided by PricewaterhouseCoopers LLP during the years ended June 30, 2018 and June 30, 2017 were approved or pre-approved in accordance with the policies of our Audit Committee.

AUDIT COMMITTEE REPORT

The Audit Committee reports to and assists the Board in providing oversight of the financial management, independent auditors and financial reporting procedures of the Company. Each member of the Audit Committee is "independent" within the meaning of applicable NYSE listing standards. The Audit Committee has adopted a written charter describing its functions, which has been approved by the Board.

Our management is responsible for preparing our financial statements and the overall reporting process, including our system of internal controls. Our independent auditors, PricewaterhouseCoopers LLP, are responsible for auditing the financial statements and our system of internal controls over financial reporting and expressing opinions thereon.

In this context, the Committee has met and held discussions with management and the independent auditors. Management represented to the Committee that our consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. The Committee discussed with the independent auditors matters required to be discussed by the applicable rules of the Public Company Accounting Oversight Board (PCAOB).

In addition, the Committee has received the written disclosures and the letter from the independent accountant required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Committee concerning independence, and has discussed with the independent auditors the independent auditors' independence.

The Committee discussed with our independent auditors the overall scope and plans for their audit. The Committee meets with the independent auditors, with and without management present, to discuss the results of their examinations, the evaluations of our internal controls and the overall quality of our financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the year ended June 30, 2018 for filing with the SEC. The Committee also has recommended to the Board the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2019.

Michael J. Merriman, Chair
Virginia Gambale
David J. Grissen
M. Ann Rhoades
David P. Williams
Members of the Audit Committee

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our officers, directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Such officers, directors and shareholders are required by the SEC's regulations to furnish us with copies of all such reports.

To our knowledge, based solely on a review of copies of reports filed with the SEC during the fiscal year ended June 30, 2018, all applicable Section 16(a) filing requirements were complied with, except that a Form 4 for each of Mr. Bakken, Mr. Dulka, Ms. Endrizzi, Mr. Lacko, Mr. Lain, Ms. Miller, Ms. Shawn Kathryn Moren and Ms. Kersten Zupfer was filed on June 26, 2018 reporting PSUs granted to such executive officers on October 17, 2017.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During fiscal 2018, we were not a party to any related party transactions covered by the Exchange Act rules.

Our Related Party Transaction Approval Policy sets forth our policies and procedures for the review, approval or ratification of certain related party transactions by the Nominating and Corporate Governance Committee. The policy applies to any transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships in which the Company, or any of its subsidiaries, is or will be a participant and in which a related person has a direct or indirect interest, but exempts the following:

- Payment of compensation by the Company to a related party for the related party's service to the Company as a director, officer or employee;
- Transactions available to all employees or all shareholders of the Company on the same terms;
- Transactions that, when aggregated with the amount of all other transactions between the Company and the related party or any entity in which the related party has an interest, involve less than $10,000 in a fiscal year; and
- Transactions in the ordinary course of the Company's business at the same prices and on the same terms as are made available to customers of the Company generally.

The Nominating and Corporate Governance Committee must approve any related party transaction subject to this policy before commencement of the related party transaction; provided, however, that if a related party is only first identified after it commences or first becomes a related party transaction, it must be brought to the Nominating and Corporate Governance Committee for ratification. Alternatively, the Nominating and Corporate Governance Committee has delegated authority to its Chair to approve related party transactions if they arise between the Nominating and Corporate Governance Committee's meetings.

The Nominating and Corporate Governance Committee will analyze the following factors, in addition to any other factors it deems appropriate, in determining whether to approve a related party transaction:

- Whether the terms are fair to the Company;
- Whether the transaction is material to the Company;
- The role the related party has played in arranging the related party transaction;
- The structure of the related party transaction; and
- The interests of all related parties in the related party transaction.

The Nominating and Corporate Governance Committee may, in its sole discretion, approve or deny any related party transaction. Approval of a related party transaction may be conditioned upon the Company and the related party taking any actions that the Nominating and Corporate Governance Committee deems appropriate. The Nominating and Corporate Governance Committee reviews this policy on an annual basis.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of August 24, 2018, the ownership of our common stock by each shareholder who is known by us to own beneficially more than 5% of our outstanding shares, by each director and director nominee, by each executive officer and former executive officer identified in the Summary Compensation Table, and by all current executive officers and directors as a group. Except as indicated below, the parties listed in the table have the sole voting and investment power with respect to the shares indicated. Unless otherwise indicated, the address for each person or entity named below is c/o Regis Corporation, 7201 Metro Boulevard, Edina, Minnesota 55439. Our Company had 44,172,843 shares of common stock issued and outstanding as of August 24, 2018.

Name of Beneficial Owner or Identity of Group		Number of Shares Beneficially Owned[1] (#)	Percent of Class (%)
More than 5% Shareholders	Birch Run Capital Advisors, LP[2]	10,655,170	23.9
	BlackRock, Inc.[3]	4,675,538	10.5
	Dimensional Fund Advisors LP[4]	3,930,451	8.8
	The Vanguard Group[5]	3,359,353	7.5
	Cramer Rosenthal McGlynn, LLC[6]	2,777,217	6.2
	Brown Advisory Incorporated[7]	2,515,906	5.7
Named Executive Officers	Hugh E. Sawyer[8]	10,500	*
	Andrew H. Lacko	11,492	*
	Eric A. Bakken[10]	145,268	*
	Jim B. Lain	71,153	*
	Rachel Endrizzi	16,828	*
	Annette L. Miller[9]	26,620	*
	Andrew W. Dulka[9]	24,066	*
Directors and Nominees (in addition to Mr. Sawyer, who is listed above):	Daniel G. Beltzman[2]	10,672,250	24.0
	Virginia Gambale	3,785	*
	David J. Grissen	31,807	*
	Mark S. Light	31,807	*
	Michael J. Merriman	52,202	*
	M. Ann Rhoades	20,311	*
	David P. Williams[11]	96,862	*
	All current executive officers and directors as a group (sixteen persons)[12]	**11,169,951**	**25.1**

* less than 1%

1 Includes the following shares not currently outstanding but deemed beneficially owned because of the right to acquire them pursuant to restricted stock units that vest within 60 days or have vested but have not yet been distributed: 54,862 shares for Mr. Williams, 42,202 shares for Mr. Merriman, 31,807 shares for Messrs. Grissen and Light, 30,000 shares for Mr. Bakken, 26,403 shares for Mr. Lain, 20,311 shares for Ms. Rhoades, 17,535 shares for Mr. Beltzman, 8,253 shares for Ms. Endrizzi, 4,017 shares for Mr. Lacko and 3,785 shares for Ms. Gambale. Includes the following shares not currently outstanding but deemed beneficially owned because of the right to acquire them pursuant to options and SARs exercisable within 60 days: 46,803 shares by Mr. Bakken, 27,629 shares by Mr. Lain and 14,275 shares by Ms. Endrizzi.

2 Based on information in a Schedule 13D/A filed by Birch Run Capital Advisors, LP ("Birch Run") on August 22, 2014 and Form 4s filed by Mr. Beltzman on September 2, 2014 and March 17 and 18, 2015 reporting purchases by the Funds (as defined below), these securities are owned directly by Birch Run Capital Partners, L.P., Torch BRC, L.P. and Walnut BRC, L.P. (collectively, the "Funds"). Birch Run Capital Partners, L.P. is the record owner of 1,658,941 shares.

Torch BRC, L.P. is the record owner of 3,962,648 shares. Walnut BRC, L.P. is the record owner of 5,033,581 shares. Birch Run Capital GP, LLC serves as the General Partner to Birch Run Capital Partners, L.P.; Walnut BRC GP, LLC serves as the General Partner to Walnut BRC, L.P.; and Torch BRC GP, LLC serves as the General Partner to Torch BRC, L.P. (collectively, "the General Partners"). Mr. Beltzman and Gregory Smith are the co-Managers of the General Partners. Furthermore, Birch Run Capital Advisors, LP ("the Advisor") serves as the registered investment adviser to the Funds. BRC Advisors GP, LLC ("Advisor GP") serves as General Partner to the Advisor. Mr. Beltzman and Mr. Smith are the Limited Partners of the Adviser and the Co-managers of the Adviser GP. The Adviser, the Adviser GP, Mr. Beltzman and Mr. Smith may be deemed to share voting and dispositive power over the reported securities. Each of the Adviser, the Adviser GP, Mr. Beltzman, and Mr. Smith disclaim beneficial ownership of any interests of the reported securities in excess of such person's or entity's respective pecuniary interest in the securities. On its Schedule 13D/A, Birch Run reported sole voting power over 0 shares, shared voting power over 8,504,788 shares, sole dispositive power over 0 shares and shared dispositive power over 9,996,589 shares. Based on the Form 4s referenced above, the shared voting power number has likely increased, and the shared dispositive power number has likely increased to 10,655,170. The address for Birch Run is 1350 Broadway, Suite 2215, New York, NY 10018.

3 Based on information in a Schedule 13G/A filed by BlackRock, Inc. on May 8, 2018, BlackRock, Inc. reported sole voting power over 4,564,725 shares, shared voting power over 0 shares, sole dispositive power over 4,675,538 shares and shared dispositive power over 0 shares. BlackRock, Inc. is a parent holding company and holds the sole power to dispose or to direct the disposition of shares held by its subsidiaries BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Advisors, LLC, BlackRock Asset Management Schweiz AG, BlackRock Investment Management, LLC, BlackRock Investment Management (Australia) Limited, BlackRock Investment Management (UK) Limited, BlackRock (Netherlands) B.V., BlackRock Financial Management, Inc. and BlackRock Japan Co., Ltd. (collectively, the "BlackRock Subsidiaries"). Except for BlackRock Fund Advisors, none of the BlackRock Subsidiaries own more than 5% of our outstanding shares of common stock. The address for BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

4 Based on information in a Schedule 13G/A filed by Dimensional Fund Advisors LP ("Dimensional") on February 9, 2018, Dimensional reported sole voting power over 3,776,256 shares, shared voting power over 0 shares, sole dispositive power over 3,930,451 shares and shared dispositive power over 0 shares. The address for Dimensional is Building One, 6300 Bee Cave Road, Austin, TX 78746.

5 Based on information in a Schedule 13G/A filed by The Vanguard Group ("Vanguard") on February 12, 2018, Vanguard reported sole voting power over 38,413 shares, shared voting power over 8,600 shares, sole dispositive power over 3,314,140 shares and shared dispositive power over 45,213 shares. The address for Vanguard is 100 Vanguard Blvd., Malvern, PA 19355.

6 Based on information in a Schedule 13G/A filed by Cramer Rosenthal McGlynn, LLC ("Cramer Rosenthal") on February 14, 2018, Cramer Rosenthal reported sole voting power over 2,733,205 shares, shared voting power over 0 shares, sole dispositive voting power over 2,777,217 shares and shared dispositive power over 0 shares. The address for Cramer Rosenthal is 520 Madison Ave., New York, NY 10022.

7 Based on information in a Schedule 13G/A filed by Brown Advisory Incorporated ("Brown") on April 9, 2018, Brown reported sole voting power over 2,502,478 shares, shared voting power over 0 shares, sole dispositive power over 0 shares and shared dispositive power over 2,515,906 shares. Brown is a parent holding company and holds the sole power to vote or to direct the vote of shares held by its subsidiaries Brown Investment Advisory & Trust Company and Brown Advisory LLC (collectively, the "Brown Subsidiaries"). Except for Brown Advisory LLC, which owns 2,509,121 shares of the class of securities reported, none of the Brown Subsidiaries own more than 5% of our outstanding shares of common stock. The address for Brown is 901 South Bond Street, Suite 400, Baltimore, MD 21231.

8 Shares are held in a joint brokerage account with his spouse.

9 For former named executive officers, the number shown takes into account forfeitures and accelerations (net of shares forfeited for taxes) of equity that occurred in connection with the officer's termination of employment, but does not include sales or acquisitions after they ceased to be a named executive officer, if any.

10 Includes 400 shares held indirectly through a profit-sharing account.

11 Includes 2,000 shares held in a joint brokerage account with his father.

12 See footnotes 1, 2, 8, 10 and 11 for information regarding the nature of certain indirect and deemed ownership of the shares included in this amount.

USER'S GUIDE

Annual Meeting of Shareholders, October 23, 2018

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 23, 2018 (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 24, 2018 a Notice of Internet Availability of Proxy Materials (the "Notice"), which mailing will commence on or about September 6, 2018. 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 mail, 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, 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 proposal to approve our 2018 long-term incentive compensation plan. 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.

Definitions and Glossary

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.

Voting Rights and Requirements

Only shareholders of record as of the close of business on August 24, 2018 will be entitled to sign proxies or to vote. On that date, there were 44,172,843 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 eight 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 Approval of our 2018 Long-Term Incentive Plan	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" ☑	No	"AGAINST"
Item 4 Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2019	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. For Items 3 and 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 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 vote is not binding on us; however, we will consider the shareholders to have approved the compensation of our named executive officers if the number of shares voted "FOR" the proposal exceeds the number of shares voted "AGAINST" the proposal.

Communications with the Board

Shareholders and other interested parties who wish to contact the Board, any individual director or the 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.

Proposals of Shareholders

Shareholders who intend to present proposals at the 2019 annual meeting of shareholders, and who wish to have such proposals included in our proxy statement for the 2019 annual meeting, must be certain that such proposals are received by us not later than May 9, 2019. Such proposals must meet the requirements set forth in the rules and regulations of the SEC in order to be eligible for inclusion in the proxy statement for our 2019 annual meeting.

For shareholders who intend to present proposals or director nominees directly at the 2019 annual meeting and not for inclusion in our 2019 proxy statement, we must receive notice of such proposal not later than July 25, 2019 and not earlier than June 25, 2019, provided that in the event that the date of the 2019 annual meeting is more than 30 days before or more than 70 days after the anniversary date of the Annual Meeting, notice by the shareholder must be delivered not earlier than the close of business on the 120th day prior to the 2019 annual meeting and not later than the close of business on the later of the 90th day prior to the 2019 annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by us. Such proposals must meet the requirements set forth in our bylaws in order to be presented at our 2019 annual meeting.

Proposals and notices of intention to present proposals at our 2019 annual meeting should be addressed to our Corporate Secretary, 7201 Metro Boulevard, Edina, Minnesota 55439.

Annual Report to Shareholders and Form 10-K

Our Annual Report to Shareholders and Form 10-K, including financial statements for the year ended June 30, 2018, is available on our website at www.regiscorp.com. If requested, we will provide shareholders with copies of any exhibits to the Form 10-K upon the payment of a fee covering our reasonable expenses in furnishing the exhibits. Such requests should be directed to our Corporate Secretary, at our address stated herein.

Notice of Internet Availability of Proxy Materials

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on October 23, 2018.

The Notice and Proxy Statement and Annual Report on Form 10-K are available in the Investor Information Relations section of our website, www.regiscorp.com.

General

The Board knows of no other matter to be acted upon at the Annual Meeting. However, if any other matter is properly brought before the Annual Meeting, the shares covered by your proxy will be voted thereon in accordance with the best judgment of the persons acting under such proxy.

Your vote is very important no matter how many shares you own.

You are urged to read this Proxy Statement carefully and, whether or not you plan to attend the Annual Meeting, to promptly submit a proxy by telephone or through the Internet in accordance with the voting instructions provided to you.

By Order of the Board
Amanda P. Rusin
Corporate Secretary

September 6, 2018

APPENDIX A:
2018 LONG TERM INCENTIVE PLAN

I. Establishment and Purpose

1.1 **Establishment.** This Regis Corporation 2018 Long Term Incentive Plan ("Plan") is established by Regis Corporation ("Company"), effective as of October 23, 2018 (the "Effective Date"), provided approval of the Company's shareholders is obtained at the Company's 2018 annual meeting of shareholders.

1.2 **Purpose.** The purpose of the Plan is to foster and promote the long-term financial success of the Company and materially increase shareholder value by motivating performance through incentive compensation. The Plan also is intended to encourage Participant ownership in the Company, attract and retain talent, and enable Participants to participate in the long-term growth and financial success of the Company. The Plan and the grant of Awards thereunder are expressly conditioned upon the Plan's approval by the shareholders of the Company.

1.3 **Compliance with 409A.** The Plan is intended to meet the requirements of paragraph (2), (3) and (4) of Code Section 409A(a) to the extent applicable, and the terms and provisions of the Plan should be interpreted and applied in a manner consistent with such requirements, including the regulations and other guidance issued under Code Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Code Section 409A such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Code Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Code Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Committee. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Code Section 409A, the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Code Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Code Section 409A. Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that constitutes a "nonqualified deferred compensation plan" subject to Section 409A of the Code, if the Participant is a "specified employee" within the meaning of Section 409A of the Code, any payments (whether in cash, shares of Common Stock or other property) to be made with respect to the Award upon the Participant's "separation from service" (within the meaning of Code Section 409A) shall be delayed until the earlier of (A) the first day of the seventh month following the Participant's separation from service and (B) the Participant's death. Each payment under any Award shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment to be made under any Award. With respect to any Award granted under this Plan that constitutes "deferred compensation" subject to Section 409A of the Code, the Company may, in its discretion, terminate such Awards pursuant to and in accordance with Section 409A and Treasury Regulation § 1.409A-3(j)(4)(ix)(B).

II. Definitions

For purposes of the Plan, the following terms are defined as set forth below:

2.1 “Affiliate” means any entity that is a subsidiary or a parent corporation, as defined in Section 424(e) of the Code, of the Company or any other entity designated by the Committee as covered by the Plan in which the Company has, directly or indirectly, at least a 20% voting interest.

2.2 “Agreement” means any agreement entered into pursuant to the Plan by which an Award is granted to a Participant, and any amendments thereto.

2.3 “Award” means any Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Unit or other stock-based award granted to a Participant under the Plan. Awards shall be subject to the terms and conditions of the Plan and shall be evidenced by an Agreement containing such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable. Any Award may be granted as a performance-based Award if the Committee establishes one or more measures of consolidated, business unit or individual performance which must be attained, and the performance period over which the specified performance is to be attained, as a condition to the grant, vesting, exercisability, lapse of restrictions and/or settlement of such Award. In connection with any such Award, the Committee shall determine the extent to which performance measures have been attained and other applicable terms and conditions have been satisfied, and the degree to which the grant, vesting, exercisability, lapse of restrictions and/or settlement of such Award has been earned.

2.4 “Beneficiary” means any person or other entity, which has been designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the compensation, specified under the Plan to the extent permitted. If there is no designated beneficiary, then the term means any person or other entity entitled by will or the laws of descent and distribution to receive such compensation.

2.5 “Board of Directors” or “Board” means the Board of Directors of the Company.

2.6 “Cause” means, for purposes of determining whether and when a Participant has incurred a Termination of Employment for Cause, any act or omission which permits the Company to terminate the written employment agreement or arrangement between the Participant and the Company or an Affiliate for “cause” as defined in such agreement or arrangement. In the event (1) there is no such agreement or arrangement, (2) such agreement or arrangement does not define the term “Cause” or (3) the applicable Agreement does not otherwise provide a definition of the term “Cause,” then “Cause” means (a)(i) a felony conviction under any Federal or state statute which is materially detrimental to the financial interests of the Company, or (ii) willful non-performance by the Participant of his or her material employment duties other than by reason of his or her physical or mental incapacity after reasonable written notice to the Participant and reasonable opportunity (not less than thirty (30) days) to cease such non-performance; or (b) the Participant willfully engaging in fraud or gross misconduct which is materially detrimental to the financial interests of the Company.

2.7 “Change in Control” means the first to occur of any of the following events:

(1) any “person” within the meaning of Section 2(a)(2) of the Securities Act of 1933 and Section 14(d) of the Exchange Act is or has become the “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of forty-nine percent (49%) or more of either (a) the then outstanding shares of Common Stock of the Company (the “Outstanding Common Stock”) or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Voting Securities”), except for an acquisition by an entity resulting from a Business Combination (as defined below) in which clauses (i) and (ii) of subparagraph (2) applies, provided that a Change in Control shall not occur if a person becomes the beneficial owner of forty-nine percent (49%) or more of the Outstanding Common Stock or Outstanding Voting Securities solely as the result of a change in the aggregate number of shares of Outstanding Common Stock or Outstanding Voting Securities since the last date on which such person acquired beneficial ownership of any shares of Common Stock or voting securities (provided, however, that if a person becomes the beneficial owner of forty-nine percent (49%) or more of the Outstanding Common Stock or Outstanding Voting Securities by reason of such change in the aggregate number of shares of Outstanding Common Stock or Outstanding Voting

Securities and thereafter becomes the beneficial owner of any additional shares of Common Stock or voting securities (other than pursuant to a dividend or distribution paid or made by the Company on the Outstanding Common Stock or Outstanding Voting Securities or pursuant to a split or subdivision of the Outstanding Common Stock or Outstanding Voting Securities), then a Change in Control shall occur unless upon becoming the beneficial owner of such additional shares of Common Stock or voting securities such person does not beneficially own more than forty-nine percent (49%) of the Outstanding Common Stock or Outstanding Voting Securities);

(2) consummation of (a) a merger or consolidation of the Company with or into another entity, (b) a statutory share exchange or (c) the acquisition by any person (as defined above) of all or substantially all of the assets of the Company (each, a "Business Combination"), unless immediately following such Business Combination, (i) all or substantially all of the beneficial owners of the Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the voting power of the then outstanding shares of voting stock (or comparable voting equity interests) of the surviving or acquiring entity resulting from such Business Combination (including such beneficial ownership of an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), in substantially the same proportions (as compared to the other beneficial owners of the Company's voting stock immediately prior to such Business Combination) as their beneficial ownership of the Company's voting stock immediately prior to such Business Combination and (ii) no person (as defined above) beneficially owns, directly or indirectly, forty-nine percent (49%) or more of the voting power of the outstanding voting stock (or comparable equity interests) of the surviving or acquiring entity (other than a direct or indirect parent entity of the surviving or acquiring entity, that, after giving effect to the Business Combination, beneficially owns, directly or indirectly, 100% of the outstanding voting stock (or comparable equity interests) of the surviving or acquiring entity), or

(3) individuals who constitute the Company's Board of Directors on the Effective Date (the "Incumbent Board") have ceased for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least three-quarters (75%) of the directors comprising the Incumbent Board shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board;

provided, however, that for any payment with respect to any Award under the Plan that is subject to Section 409A of the Code, the Change in Control must also be a change in control event under Treas. Reg. Section 1.409A-3(i)(5).

2.8. "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor, along with related rules, regulations and interpretations.

2.9 "Commission" means the Securities and Exchange Commission or any successor thereto.

2.10 "Committee" means the committee of the Board responsible for granting Awards under the Plan, which shall be the Compensation Committee of the Board, until such time as the Board may designate a different committee. The Committee shall consist solely of two or more directors, each of whom is a "Non-Employee Director" within the meaning of Rule 16b-3. In addition, each member of the Committee must be an "independent director" as determined under the corporate governance rules of the New York Stock Exchange, as amended from time to time.

2.11 "Common Stock" means the shares of the Company's common stock, $0.05 par value, whether presently or hereafter issued, and any other stock or security resulting from adjustment thereof as described hereinafter, or the common stock of any successor to the Company which is designated for the purpose of the Plan.

2.12 "Company" means Regis Corporation, a Minnesota corporation, and includes any successor or assignee corporation or corporations into which the Company may be merged, changed or consolidated; any corporation for whose securities the securities of the Company shall be exchanged; and any assignee of or successor to substantially all of the assets of the Company.

2.13 "Disability" means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

2.14 "Disaffiliation" means a subsidiary's or Affiliate's ceasing to be a subsidiary or Affiliate for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the subsidiary or Affiliate) or a sale of a division of the Company and its Affiliates.

2.15 "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

2.16 "Exercise Price" means the price at which the Common Stock may be purchased under an Option or may be obtained under a Stock Appreciation Right.

2.17 "Fair Market Value" means the value of one share of Common Stock, determined pursuant to the applicable method described below, without regard to whether the Common Stock is restricted or represents a minority interest:

(1) if the Common Stock is listed on a securities exchange or quoted on an automated quotation system, the closing price of a share of Common Stock on the relevant date (or, if such date is not a business day or a day on which quotations are reported, then on the immediately preceding date on which quotations were reported) or if a closing price was not reported on the grant date, then the arithmetic mean of the high and low prices on that date or on the first preceding trading date, as reported by the principal national exchange on which such shares of Common Stock are traded (in the case of an exchange) or by the automated quotation system, as the case may be;

(2) if the Common Stock is not listed on a national securities exchange or quoted on the automated quotation system, but is actively traded in the over-the counter market, the average of the closing bid and asked prices for a share of Common Stock on the relevant date (or, if such date is not a business day or a day on which quotations are reported, then on the immediately preceding date on which quotations were reported), or the most recent preceding date for which such quotations are reported; and

(3) if, on the relevant date, the Common Stock is not publicly traded or reported as described in (1) or (2) above, the value determined by the reasonable application of a reasonable valuation method which is consistent with Treas. Reg. § 1.409A-1(b)(5)(iv), selected in good faith by the Board.

2.18 "Full Value Award" means an Award other than a Stock Option Award or Stock Appreciation Right Award.

2.19 "Good Reason" means, for purposes of determining whether and when a Participant has incurred a Termination of Employment for Good Reason, any act or omission which permits the Participant to terminate the written employment agreement or arrangement between the Participant and the Company or an Affiliate for "good reason" as defined in such agreement or arrangement. In the event (a) there is no such agreement or arrangement, (b) such agreement or arrangement does not define the term "Good Reason" or (c) the applicable Agreement does not otherwise provide a definition of the term "Good Reason," then "Good Reason" means the occurrence, without the express written consent of the Participant, of any of the following:

(1) any material diminution in the nature of the Participant's authority, duties or responsibilities;

(2) any reduction by the Company in the Participant's base salary then in effect or target bonus percentage, other than an across the board reduction of not more than 10% that applies to all other similarly-situated employees of the Company;

(3) following a Change in Control, failure by the Company to continue in effect (without substitution of a substantially equivalent plan or a plan of substantially equivalent value) any compensation plan, bonus or incentive plan, stock purchase plan, stock option plan, life insurance plan, health plan, disability plan or other benefit plan or arrangement in which the Participant is then participating;

provided that the Participant notifies the Company of such condition set forth in clause (1), (2) or (3) of this definition within ninety (90) days of its initial existence and the Company fails to remedy such condition within thirty (30) days of receiving such notice (the "Cure Period") and the Participant delivers written notice of termination of employment to the Company's General Counsel within thirty (30) days following the end of the Cure Period.

2.20 "Grant Date" means the date as of which an Award is granted pursuant to the Plan or such later effective date for the Award as specified at the time of grant.

2.21 "Incentive Stock Option" means any Stock Option intended to be and designated as an "incentive stock option" within the meaning of Section 422 of the Code.

2.22 "Non-Qualified Stock Option" means an Option to purchase Common Stock in the Company granted under the Plan, the taxation of which is pursuant to Section 83 of the Code.

2.23 "Option Period" means the period during which the Option remains outstanding in accordance with an Agreement and Article VI.

2.24 "Outside Director" means a member of the Board who is not an employee of the Company or any of its subsidiaries.

2.25 "Participant" means a person who satisfies the eligibility conditions of Article V and to whom an Award has been granted by the Committee under the Plan. In the event that a Representative is appointed for a Participant, then the term "Participant" shall mean such appointed Representative. Notwithstanding the appointment of a Representative, the term "Termination of Employment" shall mean the Termination of Employment of the Participant.

2.26 "Performance Unit" shall have the meaning set forth in Section 9.1 hereof.

2.27 "Plan" means the Regis Corporation 2018 Long Term Incentive Plan, as herein set forth and as may be amended from time to time.

2.28 "Prior Plans" means the Regis Corporation Amended and Restated 2004 Long Term Incentive Plan and the Regis Corporation 2016 Long Term Incentive Plan (each, a "Prior Plan"), and awards outstanding under the Prior Plans as of the Effective Date shall be referred to as "Prior Plan Awards."

2.29 "Qualifying Termination of Service" means any of the following terminations of employment or service, as applicable, that occurs during the one year period following a Change in Control: (i) a termination of the Participant's employment or services without Cause, or (ii) a resignation by the Participant with Good Reason.

2.30 "Representative" means (a) the person or entity acting as the executor or administrator of a Participant's estate pursuant to the last will and testament of a Participant or pursuant to the laws of the jurisdiction in which the Participant had the Participant's primary residence at the date of the Participant's death; (b) the person or entity acting as the guardian or temporary guardian of a Participant; (c) the person or entity which is the beneficiary of the Participant upon or following the Participant's death; or (d) the person to whom an Award has been permissibly transferred; provided that only one of the foregoing shall be the Representative at any point in time as determined under applicable law and recognized by the Committee.

2.31 "Restricted Stock" means Common Stock granted to a Participant under Section 8.1 hereof and which is subject to certain restrictions and to a risk of forfeiture or repurchase by the Company.

2.32 "Restricted Stock Unit" means an Award to a Participant under Section 8.1 hereof under which no Common Stock actually is awarded to the Participant on the date of grant. Each Award of a Restricted Stock Unit entitles a Participant to receive a share of Common Stock, or cash in the amount of the Fair Market Value of a share of Common Stock, as of a future date, subject to certain restrictions and to a risk of forfeiture.

2.33 "Rule 16b-3" means Rule 16b-3, as from time to time in effect and applicable to the Plan and Participants, promulgated by the Commission under Section 16 of the Exchange Act.

2.34 "Stock Appreciation Right" means a right granted under Article VII.

2.35 "Stock Option" or "Option" means a right, granted to a Participant under Section 6.1 hereof, to purchase Common Stock at a specified price during specified time periods.

2.36 "Termination of Employment" means the occurrence of any act or event whether pursuant to an employment agreement or otherwise that actually or effectively causes or results in the person's ceasing, for whatever reason, to be any and all of an officer or employee of the Company or of any Affiliate, including, without limitation, death, Disability, dismissal, severance at the election of the Participant, retirement, or severance as a result of the discontinuance, liquidation, sale or transfer by the Company or its Affiliates of a business owned or operated by the Company or its Affiliates.

With respect to any person who is not an employee with respect to the Company or an Affiliate (such as a non-employee member of the Board), the Agreement shall establish what act or event shall constitute a Termination of Employment for purposes of the Plan. A Termination of Employment shall occur with respect to an employee who is employed by an Affiliate if the Affiliate shall cease to be an Affiliate and the Participant shall not immediately thereafter become an employee of the Company or an Affiliate. To the extent that an Award granted under the Plan is subject to Internal Revenue Code Section 409A, a Termination of Employment shall mean a "separation from service" under Code Section 409A and the regulations and guidance issued with respect thereto (all references herein to Code Section 409A shall include such regulations and guidance). Notwithstanding the foregoing, no Termination of Employment shall be deemed to have occurred in the case of (1) an approved leave of absence; and (2) any change in status so long as the individual remains in the service of the Company or any Affiliate in a capacity that satisfies the eligibility conditions of Article V.

In addition, certain other terms used herein have definitions given to them in the first place in which they are used.

III. Administration

3.1 **Committee Structure and Actions.** The Plan shall be administered by the Committee in accordance with the rules and responsibilities of the Committee.

3.2 **Committee Authority.** Subject to the terms of the Plan, the Committee shall have the authority:

(1) to select those persons to whom Awards may be granted from time to time;

(2) to determine whether and to what extent Awards are to be granted hereunder;

(3) to determine the number of shares of Common Stock to be covered by each Award granted hereunder;

(4) to determine the terms and conditions of any Award granted hereunder, provided that the Exercise Price of any Option or Stock Appreciation Right shall not be less than the Fair Market Value per share of Common Stock as of the Grant Date;

(5) to adjust the terms and conditions, at any time or from time to time, of any Award, subject to the limitations of Section 13.1;

(6) to determine to what extent and under what circumstances shares of Common Stock and other amounts payable with respect to an Award shall be deferred;

(7) to provide for the forms of Agreement to be utilized in connection with this Plan;

(8) to determine what legal requirements are applicable to the Plan, Awards, and the issuance of Common Stock, and to require of a Participant that appropriate action be taken with respect to such requirements;

(9) to cancel, with the consent of the Participant or as otherwise provided in the Plan or an Agreement, outstanding Awards;

(10) to require as a condition of the exercise of an Award or the issuance or transfer of a certificate (or other representation of title) of Common Stock, the withholding from a Participant of the amount of any taxes as may be necessary in order for the Company or any other employer to obtain a deduction or as may be otherwise required by law;

(11) to determine whether and with what effect an individual has incurred a Termination of Employment (or, as applicable, a "separation from service" pursuant to Code Section 409A);

(12) to determine the restrictions or limitations on the transfer of Common Stock;

(13) to determine whether an Award is to be adjusted, modified or purchased, or is to become fully vested and/or exercisable, under the Plan or the terms of an Agreement;

(14) to determine the permissible methods of Award exercise and payment within the terms and conditions of the Plan and the particular Agreement;

(15) to adopt, amend and rescind such rules and regulations as, in its opinion, may be advisable in the administration of this Plan; and

(16) to appoint and compensate agents, counsel, auditors or other specialists to aid it in the discharge of its duties.

The Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any Agreement) and to otherwise supervise the administration of the Plan. The Committee's policies and procedures may differ with respect to Awards granted at different times and may differ with respect to a Participant from time to time, or with respect to different Participants at the same or different times.

Any determination made by the Committee pursuant to the provisions of the Plan shall be made in its sole discretion, and in the case of any determination relating to an Award may be made at the time of the grant of the Award or, unless in contravention of any express term of the Plan or an Agreement, at any time thereafter. All decisions made by the Committee pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Participants. Any determination shall not be subject to de novo review if challenged in court.

3.3 **Delegation of Authority.** To the extent not inconsistent with applicable law or stock exchange rules, the Committee may delegate all or any portion of its authority under the Plan to determine and administer Awards to Participants who are not subject to Section 16 of the Exchange Act to one or more persons who are either members of the Board of Directors or executive officers of the Company.

3.4 **Indemnification.** Each person who is or has been a member of the Committee or of the Board, and any other person to whom the Committee delegates authority under the Plan, shall be indemnified and held harmless by the Company, to the extent permitted by law, against and from (1) any loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act, made in good faith, under the Plan and (2) any and all amounts paid by such person in settlement thereof, with the Company's approval, or paid by such person in satisfaction of any judgment in any such action, suit or proceeding against such person, provided such person shall give the Company an opportunity, at the Company's expense, to handle and defend the same before such person undertakes to handle and defend it on such person's own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person or persons may be entitled under the Company's articles of incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

IV. Shares Subject To Plan

4.1 **Number of Shares.** Subject to the adjustment under Section 4.7, the number of shares of Common Stock that have been reserved for issuance and may be the subject of Awards and issued under the Plan shall be 1,900,000, plus any shares of Common Stock remaining available for future grants under a Prior Plan on the Effective Date, all of which may be issued upon the exercise of Incentive Stock Options. No further awards may be made under a Prior Plan after the Effective Date. Such shares of Common Stock may consist, in whole or in part, of authorized and unissued shares or shares acquired from a third party. In determining the number of shares of Common Stock to be counted against this share reserve in connection with any Award, the following rules shall apply:

(1) Shares of Common Stock that are subject to Awards of Options or Stock Appreciation Rights shall be counted against the share reserve as one share of Common Stock for every share of Common Stock covered by an Option or Stock Appreciation Right granted.

(2) Shares of Common Stock that are subject to Full Value Awards shall be counted against the share reserve as 2.0 shares of Common Stock for every share of Common Stock covered by a Full Value Award granted.

(3) Where the number of shares of Common Stock subject to an Award is variable on the Grant Date, the number of shares of Common Stock to be counted against the share reserve shall be the maximum number of shares of Common Stock that could be received under that particular Award, until such time as it can be determined that only a lesser number of shares of Common Stock could be received.

(4) Awards that may be settled solely in cash shall not be counted against the share reserve, nor shall they reduce the shares of Common Stock authorized for grant to a Participant in any calendar year.

4.2 **Release of Shares.** The Committee shall have full authority to determine the number of shares of Common Stock available for Awards, which shall include (without limitation) as available for distribution any shares of Common Stock that have ceased to be subject to an Award or a Prior Plan Award; any shares of Common Stock subject to any Award or Prior Plan Award that have been previously forfeited; and any shares of Common Stock under an Award or Prior Plan Award that otherwise terminates without issuance of Common Stock being made to a Participant. Each share of Common Stock that again becomes available for Awards as provided in the previous sentence shall correspondingly increase the share reserve under Section 4.1 by one share of Common Stock if such share was subject to an Option or Stock Appreciation Right and by 2.0 shares of Common Stock if such share of Common Stock was subject to a Full Value Award. Notwithstanding the foregoing, the following shares of Common Stock shall not again become available for Awards or increase the number of shares of Common Stock available for grant under the Plan: (i) shares of Common Stock tendered by the Participant or withheld by the Company in payment of the purchase price of an Option issued under the Plan or a Prior Plan, (ii) shares of Common Stock tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Award or a Prior Plan Award, (iii) shares of Common Stock repurchased by the Company with proceeds received from the exercise of an Option issued under the Plan or a Prior Plan, and (iv) shares of Common Stock subject to a Stock Appreciation Right issued under the Plan or a Prior Plan that are not issued in connection with the stock settlement of that Stock Appreciation Right upon its exercise. Any shares of Common Stock that are available immediately prior to the termination of the Plan, or any shares of Common Stock returned to the Company for any reason subsequent to the termination of the Plan, may be transferred to a successor plan. For purposes of this Section 4.2, the terms Option and Stock Appreciation Right shall include stock options and stock appreciation rights granted under a Prior Plan, and the term Full Value Award shall include restricted stock, restricted stock units and performance units granted under a Prior Plan.

4.3 **Substitute Awards.** Substitute awards granted pursuant to Section 13.9 shall not be charged against the maximum number of shares of Common Stock set forth above. Additionally, in the event that a company acquired by the Company or an Affiliate or which the Company or any Affiliate combines has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not be charged against the foregoing maximum share limitations; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employees of the Company or an Affiliate prior to such acquisition or combination.

4.4 **Restrictions on Awards.** Common Stock issued upon exercise of an Award shall be subject to the terms and conditions specified herein and to such other terms, conditions and restrictions as the Committee in its discretion may determine or provide in the Award Agreement. The Company shall not be required to issue or deliver any certificates for Common Stock, cash or other property prior to (i) the completion of any registration or qualification of such shares of Common Stock under federal, state or other law, or any ruling or regulation of any government body which the Committee determines to be necessary or advisable; (ii) the satisfaction of any applicable withholding obligation in order for the Company or an Affiliate to obtain a deduction or discharge its legal obligation with respect to the exercise of an Award; or (iii) where required by Code Section 409A for payments or transfers made upon a Participant's "separation from service" as defined in Code Section 409A to a Participant who is a "specified employee" under Code Section 409A, the first business day after the expiration of the six month period following such separation from service or if earlier, the date of Participant's death. The Company may cause any certificate (or other representation of title) for any shares of Common Stock to be delivered to be properly marked with a legend or other notation reflecting the limitations on transfer of such Common Stock as provided in this Plan or as the Committee may otherwise require. The Committee may require any person exercising an Award to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of the Common Stock in compliance with applicable law or otherwise. Fractional shares of Common Stock shall not be delivered, but shall be rounded to the next lower whole number of shares of Common Stock.

4.5 **Shareholder Rights.** No person shall have any rights of a shareholder as to Common Stock subject to an Award until, after proper exercise of the Award or other action required, such shares of Common Stock shall have been recorded on the Company's official shareholder records as having been issued and transferred. Upon exercise of the Award or any portion thereof, the Company will have a reasonable period in which to issue and transfer the shares of Common Stock, and the Participant will not be treated as a shareholder for any purpose whatsoever prior to such issuance and transfer. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date such shares of Common Stock are recorded as issued and transferred in the Company's official shareholder records, except as provided herein or in an Agreement.

4.6 **Annual Limitations.** The Committee will have complete discretion to determine the number of shares of Common Stock subject to Awards granted to any Participant; provided that, subject to the provisions of Section 4.7, during any Fiscal Year: (1) the number of shares of Common Stock covered by Options or Stock Appreciation Rights granted to any one Participant will not exceed 1,250,000 shares of Common Stock; (2) the number of shares of Common Stock covered by an Award of Restricted Stock or Restricted Stock Units and/or other stock-based awards described in Article X granted to any one Participant will not exceed 1,250,000 shares of Common Stock; (3) the number of shares of Common Stock covered by Performance Units granted to any one Participant will not exceed 1,250,000 shares of Common Stock; and (4) no Participant will receive cash-denominated Performance Units having an initial value greater than $2,000,000.

4.7 **Effect of Certain Changes.**

(1) In the event of a merger, consolidation, acquisition of property or shares, stock rights offering, liquidation, Disaffiliation (other than a spinoff), or similar event affecting the Company or any of its subsidiaries (each, a "Corporate Transaction"), the Committee or the Board may in its discretion make such substitutions or adjustments as it deems appropriate and equitable to (A) the aggregate number and kind of shares of Common Stock or other securities reserved for issuance and delivery under Section 4.1, (B) the various maximum limitations set forth in Section 4.6 upon certain types of Awards and upon the grants to individuals of certain types of Awards, (C) the number and kind of shares of Common Stock or other securities subject to outstanding Awards; and (D) the Exercise Price of outstanding Options and Stock Appreciation Rights.

(2) In the event of a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination, or recapitalization or similar event affecting the capital structure of the Company (each, a "Share Change"), the Committee or the Board shall make such substitutions or adjustments as it deems appropriate and equitable to (A) the aggregate number and kind of shares of Common Stock or other securities reserved for issuance and delivery under Section 4.1, (B) the various maximum limitations set forth in Section 4.6 upon certain types of Awards and upon the grants to individuals of certain types of Awards, (C) the number and kind of shares of Common Stock or other securities subject to outstanding Awards; and (D) the Exercise Price of outstanding Options and Stock Appreciation Rights.

(3) In the case of Corporate Transactions, the adjustments contemplated by clause (1) of this Section 4.7 may include, without limitation, (A) the cancellation of outstanding Awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Committee or the Board in its sole discretion (it being understood that in the case of a Corporate Transaction with respect to which holders of Common Stock receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Committee that the value of an Option or Stock Appreciation Right shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each share of Common Stock pursuant to such Corporate Transaction over the exercise price of such Option or Stock Appreciation Right shall conclusively be deemed valid); (B) the substitution of other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the shares of Common Stock subject to outstanding Awards; and (C) in connection with any Disaffiliation, arranging for the assumption of Awards, or replacement of Awards with new awards based on other property or other securities (including, without limitation, other securities of the Company and securities of entities other than the Company), by the affected subsidiary, Affiliate, or division or by the entity that controls such subsidiary, Affiliate, or division following such Disaffiliation (as well as any corresponding adjustments to Awards that remain based upon Company securities). The Committee may adjust the performance goals applicable to any Awards to reflect any Share Change and any Corporate Transaction as it deems appropriate and equitable and may make adjustments for any unusual or non-recurring events and other extraordinary items, impact of charges for restructurings, discontinued operations, and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as identified in the Company's financial statements, notes to the financial statements, management's discussion and analysis or the Company's other filings with the Commission. Any adjustments made pursuant to this Section 4.7 to Awards that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code. Any adjustments made pursuant to this Section 4.7 to Awards that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the Awards either (x) continue not to be subject to Section 409A of the Code or (y) comply with the requirements of Section 409A of the Code.

(4) Any adjustment under this Section 4.7 need not be the same for all Participants.

4.8 **Dividends and Dividend Equivalents.** No dividends, dividend equivalents or distributions will be paid with respect to shares of Common Stock subject to an Option or Stock Appreciation Right. Any dividends or distributions payable with respect to shares of Common Stock that are subject to the unvested portion of a Restricted Stock or any other stock-based award involving the issuance of shares of Common Stock upon grant of the award will be subject to the same restrictions and risk of forfeiture as the shares of Common Stock to which such dividends or distributions relate. In its discretion, the Committee may provide in an Agreement for Restricted Stock Units, Performance Units or any other stock-based awards involving the issuance of units or rights to receive shares of Common Stock that the Participant will be entitled to receive dividend equivalents, based on dividends actually declared and paid on outstanding shares of Common Stock, on the units or other share equivalents subject to the foregoing types of Awards, and such dividend equivalents will be subject to the same restrictions and risk of forfeiture as the units or other share equivalents to which such dividend equivalents relate. The additional terms of any such dividend equivalents will be as set forth in the applicable Agreement, including the time and form of payment and whether such dividend equivalents will be credited with interest or deemed to be reinvested in additional units or share equivalents. Any shares of Common Stock issued or issuable during the term of this Plan as the result of the reinvestment of dividends or the deemed reinvestment of dividend equivalents in connection with an Award or a Prior Plan Award shall be counted against, and replenish upon any subsequent forfeiture, the Plan's share reserve as provided in this Article IV.

V. Eligibility

5.1 **Eligibility.** Except as herein provided, the persons who shall be eligible to participate in the Plan and be granted Awards shall be those persons who are common law employees of the Company or any Affiliate, non-employee members of the Board, or other individuals selected by the Committee. Of those persons described in the preceding sentence, the Committee may, from time to time, select persons to be granted Awards and shall determine the terms and conditions with respect thereto. In making any such selection and in determining the form of the Award, the Committee shall give consideration to such factors deemed appropriate by the Committee.

VI. Stock Options

6.1 **General.** The Committee shall have authority to grant Options under the Plan at any time or from time to time. An Option shall entitle the Participant to receive Common Stock upon exercise of such Option, subject to the Participant's satisfaction in full of any conditions, restrictions or limitations imposed in accordance with the Plan or an Agreement (the terms and provisions of which may differ from other Agreements) including, without limitation, payment of the Exercise Price.

6.2 **Grant.** The grant of an Option shall occur as of the Grant Date determined by the Committee. Stock Options may be granted alone or in connection with other Awards. An Award of Options shall be evidenced by, and subject to the terms of, an Agreement. Only a person who is a common-law employee of the Company, any parent corporation of the Company, or a subsidiary (as such terms are defined in Section 424 of the Code) on the date of grant shall be eligible to be granted an Incentive Stock Option. To the extent that any Option is not designated as an Incentive Stock Option or even if so designated does not qualify as an Incentive Stock Option, it shall constitute a Non-Qualified Stock Option.

6.3 **Terms and Conditions.** Options shall be subject to such terms and conditions as shall be determined by the Committee, including the following:

(1) Exercise Price. Except in the case of substitute awards granted pursuant to Section 13.9, the Exercise Price per share of Common Stock shall not be less than the Fair Market Value per share of Common Stock as of the Grant Date. If an Option intended to qualify as an Incentive Stock Option is granted to an individual who owns or who is deemed to own shares of Common Stock possessing more than ten percent (10%) of the combined voting power of all classes of stock of the Company, a corporation which is a parent corporation of the Company, or any subsidiary of the Company (each as defined in Section 424 of the Code) (a "10% Owner"), the Exercise Price per share of Common Stock shall not be less than one hundred ten percent (110%) of such Fair Market Value per share of Common Stock.

(2) Option Period. The Option Period of each Option shall be fixed by the Committee, provided that no Option shall be exercisable more than ten (10) years after the date the Option is granted. In the case of an Incentive Stock Option granted to a 10% Owner, the Option Period shall not exceed five (5) years. No Option which is intended to be an Incentive Stock Option shall be granted more than ten (10) years from the date the Plan is adopted by the Company or the date the Plan is approved by the shareholders of the Company, whichever is earlier.

(3) Exercisability. An Option shall be exercisable at such times and to the extent provided in the Agreement. The Committee may at any time accelerate the exercisability of all or part of any Option. If the Committee intends that an Option be able to qualify as an Incentive Stock Option, the Committee may, in its discretion, provide that the aggregate Fair Market Value (determined at the date of grant of the Option) of the Common Stock as to which such Incentive Stock Option held by a Participant which is exercisable for the first time during any calendar year (including all other incentive stock options held by the Participant issued under all plans of the Company and its Affiliates), shall not exceed $100,000.

(4) Method of Exercise. Subject to the provisions of this Article VI and the Agreement, a Participant may exercise Options, in whole or in part after they become exercisable, during the Option Period by giving written notice of exercise on a form provided by the Committee to the Company specifying the number of shares of Common Stock subject to the Option to be purchased or in such other manner as is prescribed by the Committee or its delegates. Such notice shall be accompanied by payment in full of the purchase price by cash or certified check or such other form of payment as the Company may accept. If permitted by the Committee, payment in full or in part may also be made by (i) withholding Common Stock otherwise issuable to the Participant upon exercise of the Option or by delivering Common Stock already owned by the Participant, in each case having a total Fair Market Value on the date of exercise equal to the Option Price; (ii) the delivery of cash by a broker-dealer as a

"cashless" exercise, provided such method of payment may not be used by a director or executive officer of the Company to the extent it would violate the Sarbanes-Oxley Act of 2002; or (iii) any combination of the foregoing.

(5) Non-transferability of Options. Except as provided under the Plan or an Agreement, or as otherwise approved by the Committee, no Option shall be sold, assigned, margined, transferred, encumbered, conveyed, gifted, alienated, hypothecated, pledged, or otherwise disposed of, other than by will or by the laws of descent and distribution, and all Options shall be exercisable during the Participant's lifetime only by the Participant or the Participant's Representative.

6.4 **Termination by Reason of Death.** Unless otherwise provided in an Agreement or determined by the Committee, if a Participant incurs a Termination of Employment due to death or dies within three (3) months after a termination described in Section 6.7, any unexpired and unexercised Option held by such Participant shall thereafter be fully exercisable for a period of one (1) year immediately following the date of such death or until the expiration of the Option Period, whichever period is the shorter.

6.5 **Termination by Reason of Disability.** Unless otherwise provided in an Agreement or determined by the Committee, if a Participant incurs a Termination of Employment due to a Disability, any unexpired and unexercised Option held by such Participant shall thereafter be fully exercisable by the Participant for a period of one (1) year immediately following the date of such termination or until the expiration of the Option Period, whichever period is the shorter, and the Participant's death at any time following such Termination of Employment due to Disability shall not affect the foregoing.

6.6 **Termination for Cause.** If the Participant incurs a Termination of Employment for Cause, the Option shall terminate immediately.

6.7. **Other Termination.** Unless otherwise provided in an Agreement or determined by the Committee, and subject to the provisions of Section 13.16, if a Participant incurs a Termination of Employment that is involuntary on the part of the Participant (but is not due to death, Disability or termination for Cause) or is voluntary on the part of the Participant, any Option held by such Participant shall thereupon terminate, except that such Option, to the extent then exercisable, may be exercised for the lesser of the ninety (90) consecutive day period commencing with the date of such Termination of Employment or until the expiration of the Option Period, whichever period is the shorter. Unless otherwise provided in an Agreement, the death or Disability of a Participant after a Termination of Employment otherwise provided herein shall not extend the time permitted to exercise an Option.

VII. Stock Appreciation Rights

7.1 **General.** The Committee shall have authority to grant Stock Appreciation Rights under the Plan at any time or from time to time. Stock Appreciation Rights may be awarded either alone or in addition to other Awards granted under the Plan. Subject to the Participant's satisfaction in full of any conditions, restrictions or limitations imposed in accordance with the Plan or an Agreement, a Stock Appreciation Right shall entitle the Participant to surrender to the Company the Stock Appreciation Right and to be paid therefore in cash or Common Stock or a combination thereof the amount described in Section 7.3(2).

7.2 **Grant.** The grant of a Stock Appreciation Right shall occur as of the Grant Date determined by the Committee Except in the case of substitute awards granted pursuant to Section 13.9, in no event shall the Exercise Price per share of Common Stock be less than the Fair Market Value per share of Common Stock as of the Grant Date. A Stock Appreciation Right entitles a Participant to receive cash or Common Stock or a combination thereof as determined by the Committee and set forth in the Award Agreement in accordance with Section 7.3(2). An Award of Stock Appreciation Rights shall be evidenced by, and subject to the terms of an Agreement, which shall become effective upon execution by the Participant.

7.3. **Terms and Conditions.** Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined by the Committee, including the following:

(1) Period and Exercise. The term of a Stock Appreciation Right shall be established by the Committee, provided that the term of a Stock Appreciation Right shall not exceed ten (10) years after the Grant Date. A Stock

Appreciation Right shall be for such period and shall be exercisable at such times and to the extent provided in the Agreement. The Committee may at any time accelerate the exercisability of all or part of any Stock Appreciation Right. Stock Appreciation Rights shall be exercised by the Participant's giving written notice of exercise on a form provided by the Committee (if available) to the Company specifying the portion of the Stock Appreciation Right to be exercised or in such other manner as is prescribed by the Committee or its delegates.

(2) Amount. Upon the exercise of a Stock Appreciation Right, a Participant shall be entitled to receive an amount in cash or Common Stock or a combination thereof equal in value to the excess of the Fair Market Value per share of Common Stock as of the date of exercise over the Exercise Price per share of Common Stock specified in the related Agreement, multiplied by the number of shares of Common Stock in respect of which the Stock Appreciation Right is exercised. For purposes of determining the number of shares of Common Stock to be delivered upon exercise of a Stock Appreciation Right to be paid in stock, the amount the Participant is entitled to receive in accordance with the foregoing sentence shall be divided by the Fair Market Value per share of Common Stock as of the date of exercise of such Stock Appreciation Right.

(3) Non-transferability of Stock Appreciation Rights. Except as provided in the Plan or in an Agreement, no Stock Appreciation Rights shall be sold, assigned, margined, transferred, encumbered, conveyed, gifted, alienated, hypothecated, pledged or otherwise disposed of, other than by will or the laws of descent and distribution, and all Stock Appreciation Rights shall be exercisable during the Participant's lifetime only by the Participant or the Participant's Representative.

(4) Termination. A Stock Appreciation Right shall be forfeited or terminated at such time as an Option would be forfeited or terminated under the Plan, unless otherwise provided in an Agreement.

VIII. Restricted Stock And Restricted Stock Units

8.1 **General.** The Committee shall have authority to grant Restricted Stock and/or Restricted Stock Units under the Plan at any time or from time to time. The Committee shall determine the number of shares of Restricted Stock and/or the number of Restricted Stock Units to be awarded to any Participant, the time or times within which such Awards may be subject to forfeiture, and any other terms and conditions of the Awards. Each Award shall be confirmed by, and be subject to the terms of, an Agreement which shall become effective upon execution by the Participant.

8.2. **Grant, Awards and Certificates.** An Award of Restricted Stock or of Restricted Stock Units shall occur as of the Grant Date determined by the Committee and as provided in an Agreement. Restricted Stock and Restricted Stock Units may be awarded either alone or in addition to other Awards granted under the Plan. Notwithstanding the limitations on issuance of Common Stock otherwise provided in the Plan, each Participant receiving an Award of Restricted Stock shall be issued a certificate (or other representation of title) in respect of such Restricted Stock. Such certificate shall be registered in the name of such Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award as determined by the Committee. The Committee may require that the certificates evidencing such shares of Common Stock be held in custody by the Company until the restrictions thereon shall have lapsed and that, as a condition of any Award of Restricted Stock, the Participant shall have delivered a share power, endorsed in blank, relating to the Common Stock covered by such Award.

8.3. **Terms and Conditions.** Restricted Stock and Restricted Stock Units shall be subject to such terms and conditions as shall be determined by the Committee, including the following:

(1) Limitations on Transferability. The issue prices for Restricted Stock and Restricted Stock Units shall be set by the Committee and may be zero. Subject to the provisions of the Plan and the Agreement, during a period set by the Committee, subject to the provisions of Section 13.16 (and, in the case of Restricted Stock Units, until the date of delivery of Common Stock), commencing with the date of such Award (the "Restriction Period"), the Participant shall not be permitted to sell, assign, margin, transfer, encumber, convey, gift, alienate, hypothecate, pledge or otherwise dispose of Restricted Stock or Restricted Stock Units.

(2) Rights. Except as provided in Section 8.3(1), the Participant shall have, with respect to the Restricted Stock, all of the rights of a shareholder of the Company holding the class of Common Stock that is the subject of the

Restricted Stock, including, if applicable, the right to vote the shares of Common Stock and the right to receive any cash dividends, except as limited by Section 4.8. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder.

(3) Criteria. Based on service, performance by the Participant or by the Company or the Affiliate, including any division or department for which the Participant is employed, or such other factors or criteria as the Committee may determine, the Committee may provide for the lapse of restrictions in installments or upon a single date or event and may accelerate the vesting of all or any part of any Award of Restricted Stock and waive the restrictions for all or any part of such Award of Restricted Stock.

(4) Forfeiture. Unless otherwise provided in an Agreement or determined by the Committee, if the Participant incurs a Termination of Employment due to death or Disability during the Restriction Period, the restrictions shall lapse and the Participant shall be fully vested in the Restricted Stock or Restricted Stock Units. Except to the extent otherwise provided in the applicable Agreement and the Plan and subject to the provisions of Section 13.16, upon a Participant's Termination of Employment for any reason during the Restriction Period other than a Termination of Employment due to death or Disability, all shares of Restricted Stock and Restricted Stock Units still subject to restriction shall be forfeited by the Participant, except the Committee shall have the discretion to waive in whole or in part any or all remaining restrictions with respect to any or all of such Participant's Restricted Stock and Restricted Stock Units.

(5) Delivery. If a share certificate is issued in respect of Restricted Stock, the certificate shall be registered in the name of the Participant but shall be held by the Company for the account of the Participant until the end of the Restricted Period. If and when the Restriction Period expires without a prior forfeiture of Restricted Stock or Restricted Stock Units subject to such Restriction Period, unlegended certificates (or other representation of title) for Common Stock shall be delivered to the Participant at the time and subject to the conditions provided in the Agreement governing such Award.

(6) Election. If so provided in the applicable Award Agreement, a Participant may elect to further defer receipt of the Restricted Stock or payment of Common Stock with respect to Restricted Stock Units for a specified period or until a specified event, subject to the Committee's approval and to such terms as are determined by the Committee. Subject to any exceptions adopted by the Committee, such election must be made in compliance with the terms and conditions of Section 409A of the Code.

IX. Performance Units

9.1 **General.** The Committee shall have authority to grant Performance Units under the Plan at any time or from time to time. A Performance Unit ("Performance Unit") consists of the right to receive cash or Common Stock upon achievement of certain performance goals and may be awarded either alone or in addition to other Awards granted under the Plan. The Committee shall have complete discretion to determine the number of Performance Units granted to each Participant. Each Performance Unit Award shall be evidenced by, and be subject to the terms of, an Agreement which will become effective upon execution by the Participant. The time period during which a Performance Unit Award shall be earned shall be the "Performance Period," and shall be at least one (1) fiscal year in length; provided, however, that the Performance Period may be less than one (1) fiscal year in length in the event of a Change in Control or a Termination of Employment without Cause or for Good Reason or due to death or Disability. Performance Units may be subject to performance goals which shall be established by the Committee.

9.2 **Earning Performance Unit Awards.** After the applicable Performance Period shall have ended, the Committee shall determine the extent to which the established performance goals have been achieved.

9.3 **Termination of Employment Due to Death or Disability.** Unless otherwise provided in an Agreement, in the event of a Termination of Employment due to death or Disability during a Performance Period, the Participant shall receive a pro rata share (based on the portion of the Performance Period during which the Participant was providing services to the Company or an Affiliate) of the Award (as determined following the completion of the Performance Period) earned with respect to the Participant's Performance Units relating to such Performance Period. Unless otherwise determined by the Committee, in the event that a Participant's employment terminates for any other reason, all Performance Units shall be forfeited by the Participant to the Company.

9.5 **Nontransferability.** Unless otherwise provided in an Agreement, Performance Units may not be sold, assigned, margined, transferred, encumbered, conveyed, gifted, alienated, hypothecated, pledged, or otherwise disposed of, other than by will or by the laws of descent and distribution.

9.5 **Election to Defer.** If so provided in an Award Agreement, a Participant may elect to defer settlement of the Performance Units for a specified period or until a specified event, subject to the Committee's approval, on such terms as are determined by the Committee, and subject to compliance with Section 409A of the Code.

9.6 **Payment.** Payment with respect to Performance Units shall be made in accordance with the related Agreement. Subject to Section 9.5, payment with respect to a Performance Unit shall be made no later than the fifteenth day of the third month after the last day of the applicable Performance Period.

9.7 **Performance Goals.** Performance goals applicable to Performance Units may be based on such criteria determined by the Committee, either alone or in any combination, on either an individual, consolidated or business unit level, and on an absolute or relative basis compared to other companies or indexes or other external measures, as the Committee may determine, including, without limitation: earnings per share ("EPS"); tax-adjusted EPS; pre-tax EPS; sales; cash flow; cash flow from operations; operating profit or income; net income; operating margin; net income margin; return on net assets; economic value added; return on total assets; return on common equity; return on total capital; total shareholder return; revenue; revenue growth; earnings before interest, taxes, depreciation and amortization ("EBITDA"); EBITDA growth; funds from operations per share and per share growth; cash available for distribution; cash available for distribution per share and per share growth; share price performance or improvements in the Company's attainment of expense levels; implementing or completion of critical projects and any other performance criteria approved in the discretion of the Committee. The foregoing criteria shall have any reasonable definitions that the Committee may specify, which may include or exclude any or all of the following items as the Committee may specify: unusual or non-recurring items, as defined by GAAP; effects of changes in applicable tax laws or accounting principles; effects of financing activities (e.g., effect on earnings per share of issuance of convertible debt securities); expenses for restructuring or productivity initiatives; other non-operating items; spending for acquisitions; effects of divestitures; and effects of litigation activities and settlements. Any such performance criterion or combination of such criteria may apply to the Participant's Award opportunity in its entirety or to any designated portion or portions of the Award opportunity, as the Committee may specify. The Committee has the right to adjust any amount determined to be otherwise payable in connection with such an Award.

X. Other Stock-Based Awards

Other Awards of Common Stock and other Awards that are valued in whole or in part by reference to, or are otherwise based upon or settled in, Common Stock, including (without limitation) unrestricted shares of Common Stock may be granted under the Plan.

XI. Change In Control Provisions

11.1 In the event of a Change in Control, each outstanding Award will be treated as the Committee determines, including, without limitation, that (1) Awards may be assumed, or substantially equivalent Awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (2) upon written notice to a Participant, that the Participant's Awards will terminate upon or immediately prior to the consummation of such Change in Control; (3) outstanding Awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an Award will lapse, in whole or in part prior to or upon consummation of such Change in Control, and, to the extent the Committee determines, terminate upon or immediately prior to the effectiveness of such merger or Change in Control; (4) (A) the termination of an Award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the Committee determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), or (B) the replacement of such Award with other rights or property selected by the Committee in its sole discretion; or (5) any combination of the foregoing. In taking any of the actions permitted under this Section 11.1, the Committee will not be required to treat all Awards similarly in the transaction.

11.2 In the event that the successor corporation does not assume or substitute for the Award (or portion thereof) (such Awards that are assumed or substituted for are referred to as "Replaced Awards" and the awards issued in respect of such Replaced Awards are referred to as "Replacement Awards"), except as otherwise provided in an Agreement, the Participant will fully vest in and have the right to exercise such outstanding Option and Stock Appreciation Right, including shares of Common Stock as to which such Award would not otherwise be vested or exercisable, all restrictions on such Restricted Stock, Restricted Stock Units and any other stock-based awards described in Article X will lapse, and, with respect to such Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted in the event of a merger or Change in Control, the Committee will notify the Participant in writing or electronically that such Option or Stock Appreciation Right will be exercisable for a period of time determined by the Committee in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

11.3 For the purposes of this Article XI, an Award will be considered assumed or substituted for if, with respect to the applicable Replacement Award, (1) it is of the same type as the Replaced Award; (2) it has a value equal to the value of the Replaced Award as of the date of the Change in Control, as determined by the Committee in its sole discretion consistent with this Article XI; (3) the underlying Replaced Award was an equity-based Award, it relates to publicly traded equity securities of the Company or the entity surviving the Company (or such surviving entity's parent) following the Change in Control; (4) it contains terms relating to vesting (including with respect to a termination of employment) that are substantially identical to those of the Replaced Award; and (5) its other terms and conditions are not less favorable to the Participant than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control) as of the date of the Change in Control. Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of the applicable Replaced Award if the requirements of the preceding sentence are satisfied. The determination whether the conditions of this Section 11.3 are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

11.4 Unless otherwise provided in the applicable Award Agreement, if an Award is assumed or substituted for a Replacement Award, upon a Qualifying Termination of Service, the Participant will fully vest in and have the right to exercise such outstanding Replacement Awards that are Options and Stock Appreciation Rights, including shares of Common Stock as to which such Replacement Award would not otherwise be vested or exercisable, all restrictions on any Replacement Awards that are Restricted Stock, Restricted Stock Units and/or other stock-based awards described in Article X will lapse, and, with respect to such Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met.

11.5 Notwithstanding anything to the contrary in Article XI, with respect to Awards granted to an Outside Director, in the event of a Change in Control, the Participant will fully vest in and have the right to exercise Options and/or Stock Appreciation Rights as to all of the shares of Common Stock underlying such Award, including those shares of Common Stock which otherwise would not be vested or exercisable, all restrictions on Restricted Stock, Restricted Stock Units and/or other stock-based awards described in Article X will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met.

XII. Provisions Applicable To Shares Acquired Under This Plan

12.1 **No Company Obligation.** Except to the extent required by applicable securities laws, none of the Company, an Affiliate or the Committee shall have any duty or obligation to affirmatively disclose material information to a record or beneficial holder of Common Stock or an Award, and such holder shall have no right to be advised of any material information regarding the Company or any Affiliate at any time prior to, upon, or in connection with receipt, exercise or distribution of an Award. The Company makes no representation or warranty as to the future value of the Common Stock issued or acquired in accordance with the provisions of the Plan.

VIII. Miscellaneous

13.1 **Amendments and Termination; No Repricing.** Unless earlier terminated by the Board, the Plan shall terminate on October 23, 2028. The Board may amend, alter, or discontinue the Plan at any time, but no termination, amendment, alteration or discontinuation shall be made which would materially impair the rights of a Participant under an Award theretofore granted without the Participant's consent, except such an amendment (a) made to cause the Plan to comply with applicable law, including without limitation an amendment to bring the Award into compliance with, or obtain an exemption from, the requirements of Code Section 409A; or (b) made to permit the Company or an Affiliate a tax deduction under applicable law. Subject to Section 13.17, the Committee may amend, alter or discontinue the terms of any Award theretofore granted, prospectively or retroactively, on the same conditions and limitations (and exceptions to limitations) as apply to the Board, and further subject to any approval or limitations the Board may impose. Notwithstanding the foregoing, any material amendments (as determined under the rules of the New York Stock Exchange, as amended from time to time or otherwise required by law) to the Plan shall require shareholder approval. Except as provided in Section 4.7, no Option or Stock Appreciation Right Award granted under the Plan may be (i) amended to decrease the Exercise Price thereof, (ii) cancelled in conjunction with the grant of any new Option or Stock Appreciation Right Award with a lower Exercise Price, (iii) cancelled in exchange for cash, other property or the grant of any Full Value Award at a time when the per share Exercise Price of the Option or Stock Appreciation Right Award is greater than the current Fair Market Value of a Share, or (iv) otherwise subject to any action that would be treated under accounting rules as a "repricing" of such Option or Stock Appreciation Right Award, unless such action is first approved by the Company's shareholders.

13.2 **Unfunded Status of Plan.** It is intended that the Plan be an "unfunded" plan for incentive compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

13.3 **No Additional Obligation.** Nothing contained in the Plan shall prevent the Company or an Affiliate from adopting other or additional compensation or benefit arrangements for its employees.

13.4 **Withholding.** No later than the date as of which an amount first becomes includible in the gross income of the Participant for federal income tax purposes with respect to any Award, the Participant shall pay to the Company (or other entity identified by the Committee), or make arrangements satisfactory to the Company or other entity identified by the Committee regarding the payment of, any federal, state, or local taxes of any kind required by law to be withheld with respect to such income. Unless otherwise determined by the Committee, withholding obligations may be settled with Common Stock, including shares of Common Stock that are part of the Award that give rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant. The Committee may permit a Participant to satisfy all or any part of the required tax withholding obligations (not to exceed the maximum individual statutory tax rate in each applicable jurisdiction) by authorizing the Company to withhold a number of shares of Common Stock that would otherwise be delivered to the Participant pursuant to an Award, or by transferring to the Company shares of Common Stock already owned by the Participant, with the shares of Common Stock so withheld or transferred having a Fair Market Value as of the date the withholding is effected equal to the amount of taxes to be withheld.

13.5 **Controlling Law.** The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of Minnesota (other than its law respecting choice of law). The Plan shall be construed to comply with all applicable law and to avoid liability to the Company, an Affiliate or a Participant. The Board and the Committee shall administer the Plan, and shall exercise all authority and discretion under the Plan to satisfy the requirements of Code Section 409A.

13.6 **Offset.** Any amounts owed to the Company or an Affiliate by the Participant of whatever nature may be offset by the Company from the value of any Award to be transferred to the Participant.

13.7 **Nontransferability; Beneficiaries.** No Award shall be assignable or transferable by the Participant, otherwise than by will or the laws of descent and distribution or pursuant to a beneficiary designation, and Awards shall be exercisable during the Participant's lifetime only by the Participant (or by the Participant's legal representatives in the event of the Participant's incapacity). Each Participant may designate a Beneficiary to exercise any Option or Stock Appreciation Right or receive any Award held by the Participant at the time of the Participant's death or to be assigned any other Award outstanding at the time of the Participant's death. If a deceased Participant has named no Beneficiary, any Award held by the Participant at the time of death shall be transferred as provided in his or her will or by the laws of descent and distribution. Except in the case of the holder's incapacity, only the holder may exercise an Option or Stock Appreciation Right. Notwithstanding the foregoing, the Board or the Committee may, in its discretion and subject to such limitations and conditions as the Board or the Committee deems appropriate, permit the transfer of an Award by a Participant without consideration to a Participant's children, stepchildren, grandchildren, parents, stepparents, grandparents, spouse (including an ex-spouse incident to divorce), siblings, in-laws, or persons related by reason of legal adoption (collectively, the "Family Members"), or to a trust for the exclusive benefit of the Grantee's Family Members or a partnership, corporation or limited liability the equity interests of which are owned by the Grantee and/or the Grantee's Family Members.

13.8 **No Rights with Respect to Continuance of Employment.** Nothing contained herein shall be deemed to alter the relationship between the Company or an Affiliate and a Participant, or the contractual relationship between a Participant and the Company or an Affiliate if there is a written contract regarding such relationship. Nothing contained herein shall be construed to constitute a contract of employment between the Company or an Affiliate and a Participant. The Company or an Affiliate and each of the Participants continue to have the right to terminate the employment or service relationship at any time for any reason, except as provided in a written contract. The Company or an Affiliate shall have no obligation to retain the Participant in its employ or service as a result of this Plan. There shall be no inference as to the length of employment or service hereby, and the Company or an Affiliate reserves the same rights to terminate the Participant's employment or service as existed prior to the individual becoming a Participant in this Plan.

13.9 **Awards in Substitution for Awards Granted by Other Corporations.** Awards may be granted under the Plan from time to time in substitution for awards held by employees, directors or service providers of other corporations who are about to become officers, directors or employees of the Company or an Affiliate as the result of a merger or consolidation of the employing corporation with the Company or an Affiliate, or the acquisition by the Company or an Affiliate of the assets of the employing corporation, or the acquisition by the Company or Affiliate of the shares of the employing corporation, as the result of which it becomes an Affiliate under the Plan. The terms and conditions of the Awards so granted may vary from the terms and conditions set forth in this Plan at the time of such grant as the majority of the members of the Committee may deem appropriate to conform, in whole or in part, to the provisions of the awards in substitution for which they are granted.

13.10 **Foreign Alternatives.** Notwithstanding the other provisions of the Plan, in the case of any Award to any Participant who is an employee of a foreign subsidiary or foreign branch of the Company or held by a Participant who is in any other category specified by the Committee, the Committee may specify that such Award shall not be represented by Common Stock or other securities but shall be represented by rights approximately equivalent (as determined by the Committee) to the rights that such Participant would have received if shares of Common Stock or other securities had been issued in the name of such Participant otherwise in accordance with the Plan (such rights being hereinafter called "Share Equivalents"). The Share Equivalents representing any such Award may subsequently, at the option of the Committee, be converted into cash or an equivalent number of shares of Common Stock or other securities under such circumstances and in such manner as the Committee may determine.

13.11 **Delivery of Stock Certificates.** To the extent the Company uses certificates to represent shares of Common Stock, certificates to be delivered to Participants under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the Participant, at the Participant's last known address on file with the Company. Any reference in this Section 13.11 or elsewhere in the Plan or an Agreement to actual stock certificates and/or the delivery of actual stock certificates shall be deemed satisfied by the electronic record-keeping and electronic delivery of shares of Common Stock or other mechanism then utilized by the Company and its agents for reflecting ownership of such shares of Common Stock.

13.12 **Headings.** The headings contained in this Plan are for reference purposes only and shall not affect the meaning or interpretation of this Plan.

13.13 **Severability.** If any provision of this Plan shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereby, and this Plan shall be construed as if such invalid or unenforceable provision were omitted.

13.14 **Successors and Assigns.** This Plan shall inure to the benefit of and be binding upon each successor and assign of the Company. All obligations imposed upon a Participant, and all rights granted to the Company hereunder, shall be binding upon the Participant's heirs, legal representatives and successors.

13.15 **Entire Agreement.** This Plan and each Agreement constitute the entire agreement with respect to the subject matter hereof and thereof, provided that in the event of any inconsistency between the Plan and each Agreement, the terms and conditions of this Plan shall control.

13.16 **Minimum Vesting and Performance Periods.** Notwithstanding any other provision of this Plan and except as otherwise provided in an Agreement, Awards that vest based solely on the satisfaction by the Participant of time-based vesting conditions shall be subject to a vesting period of not less than one year from the applicable Grant Date, and Awards whose grant or vesting is subject to the satisfaction of performance goals over a Performance Period shall be subject to a Performance Period of not less than one year. The foregoing minimum vesting and Performance Periods will not, however, apply in connection with: (i) a Change in Control, (ii) a termination of employment or other service without Cause, for Good Reason or due to death or Disability, (iii) to a Substitute Award that does not reduce the vesting period of the award being replaced, (iv) Awards made in payment of or exchange for other compensation already earned and payable, (v) the acquisition of shares of Common Stock for consideration based on the Fair Market Value of the Common Stock and (vi) Awards involving an aggregate number of Shares not in excess of 5% of the Plan's share reserve specified in Section 4.1. For purposes of Awards to Outside Directors, a vesting period will be deemed to be one year if runs from the date of one annual meeting of the Company's shareholders to the date of the next annual meeting of the Company's shareholders.

13.17 **Forfeiture and Compensation Recovery.** The Committee may specify in an Agreement that the Participant's rights, payments, and benefits with respect to an Award will be subject to reduction, cancellation, forfeiture or recovery by the Company upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include termination of employment or other service for Cause; violation of any material Company or Affiliate policy; breach of noncompetition, non-solicitation or confidentiality provisions that apply to the Participant; a determination that the payment of the Award was based on an incorrect determination that financial or other performance goals were met; or other conduct by the Participant that is detrimental to the business or reputation of the Company or its Affiliates. Awards and any compensation associated therewith may also be made subject to forfeiture or recovery by the Company pursuant to any compensation recovery policy adopted by the Board or the Committee at any time, including in response to the requirements of Section 10D of the Exchange Act and any implementing rules and regulations thereunder, or as otherwise required by law. Any Agreement may be unilaterally amended by the Committee to comply with any such compensation recovery policy.

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