REGIS CORP
Form DEF 14A
September 15, 2009

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

SCHEDULE 14A

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

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

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o Soliciting Material Pursuant to §240.14a-12

REGIS CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held October 29, 2009

TO THE SHAREHOLDERS OF REGIS CORPORATION:

The Annual Meeting of the Shareholders 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 29, 2009, commencing at 9:00 a.m., for the following purposes:

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

2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm;

3. To approve the Company's Short Term Incentive Compensation Plan (the "Short Term Plan");

4. To amend the Company's 1991 Contributory Stock Purchase Plan (the "Stock Purchase Plan" to increase the amount the Company may contribute to the Stock Purchase Plan from $10,000,000 to $11,800,000 and reserve 1,500,000 additional shares for issuance thereunder; and

5. To transact such other business, if any, as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Only holders of record of our Common Stock at the close of business on September 1, 2009 are entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

A list of shareholders entitled to vote at the Annual Meeting will be available for examination, for any purpose germane to the Annual Meeting, at our executive offices during ordinary business hours for at least ten days prior to the Annual Meeting and for the duration of the Annual Meeting itself.

Whether or not you plan to attend the Annual Meeting in person, please vote the enclosed 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.

Remember, if your shares are held in the name of a broker, only your broker can vote your shares and only after receiving your instructions. Please contact the person responsible for your account and instruct him/her to execute a proxy card on your behalf.

By Order of the Board of Directors

Eric A. Bakken
Secretary

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE VOTE YOUR PROXY BY TELEPHONE, INTERNET, OR MAIL.

September 15, 2009

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS, OCTOBER 29, 2009

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 29, 2009, 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, we are making our proxy materials, which include our Notice of Annual Meeting of Shareholders, Proxy Statement, Form 10-K and Annual Report to Shareholders (the "Notice"), available to our shareholders over the Internet. We believe that this e-proxy process will expedite our shareholders' receipt of proxy materials and lower the costs, and reduce the environmental impact, of our annual meeting. In accordance with this rule, we sent shareholders of record as of the close of business on September 1, 2009 a Notice of Internet Availability of Proxy Materials, which mailing will commence on or about September 15, 2009. The Notice contains instructions on how these 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

The costs and expenses of solicitation of proxies will be paid by us. In addition to the use of the mails, proxies may be solicited by our directors, officers and regular employees personally or by telegraph, telephone or letter without extra compensation.

Proxies to vote at our 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 specification indicated thereon. In addition, the proxies will grant the persons entitled to vote the proxied shares the authority to vote to adjourn the meeting.

VOTING RIGHTS

Only shareholders of record as of the close of business on September 1, 2009, will be entitled to execute proxies or to vote. On that date, there were 57,105,604 shares issued, outstanding and entitled to vote. Each share of Common Stock is entitled to one vote. A majority of the outstanding shares represented in person or by proxy at the meeting is required to transact business, and constitutes a quorum for voting on items at the meeting. If you vote, your shares will be part of the quorum. Abstentions and broker non-votes will be counted as being represented at the meeting in determining the quorum, but neither will be counted as a vote in favor of a matter. The affirmative vote of a plurality of the shares of Common Stock present in person or by proxy at this annual meeting and entitled to vote is required for the election to the Board of each of the nominees for director. Shareholders do not have the right to cumulate their votes in the election of directors. The affirmative vote of the holders of the greater of (1) a majority of the shares of our Common Stock present in person or by proxy entitled to vote on the proposal or (2) a majority of the minimum number of shares entitled to vote that would constitute a quorum for the transaction of business at the meeting is required for approval of the other proposals presented in this Proxy Statement. A shareholder who abstains with respect to any of the other proposals will have the effect of casting a negative vote on that proposal. A shareholder who does not vote in person or by proxy on a proposal (including a broker non-vote) is not deemed to be present in person or by proxy for the purpose of determining whether a proposal has been approved. However, with respect to the proposal to amend the Stock Purchase Plan to reserve additional shares for issuance thereunder, the total shares cast on the proposal must exceed fifty percent of all shares entitled to vote; therefore, a broker non-vote on this proposal will have the effect of casting a negative vote on the proposal. Brokers cannot vote on their customers' behalf on "non-routine" proposals such as the amendment of the Stock Purchase Plan. Because brokers may not vote "unvested" shares on behalf of their customers for such non-routine matters, it is critical that shareholders vote their shares. If your shares are held directly and you decide to vote electronically, please follow the directions on your proxy card.

ITEM 1
ELECTION OF DIRECTORS

Seven directors are to be elected at this annual meeting, each to hold office for one year until the 2010 annual meeting of shareholders. Based upon the recommendation of the Nominating and Corporate Governance Committee, the Board has nominated the seven persons named below for election as directors. All of the nominees are presently directors of Regis.

The enclosed proxy, unless authority to vote is withheld, will be voted for the election of the nominees named herein as directors of Regis. In the event any one or more of such nominees shall unexpectedly become unavailable for reelection, votes will be cast, pursuant to authority granted by the enclosed proxy, for such person or persons as may be designated by the Board. The following table contains certain information with respect to the nominees:

Name and Age	Position
Rolf F. Bjelland (71)	Director
Paul D. Finkelstein (67)	President, Chief Executive Officer, and Chairman of the Board
Thomas L. Gregory (73)	Director
Van Zandt Hawn (64)	Director
Susan S. Hoyt (65)	Director
David B. Kunin (50)	Director
Stephen Watson (64)	Director

Mr. Bjelland was elected a director of Regis in 1983. Since 1983, Mr. Bjelland has held various executive positions with Lutheran Brotherhood (now called Thrivent Financial for Lutherans), a fraternal insurance society, and was President and Chairman of Lutheran Brotherhood Mutual Funds until his retirement in 2002.

Mr. Finkelstein has served as President and Chief Executive Officer of Regis since July 1, 1996, Chairman of the Board since May 4, 2004, and was Chief Operating Officer of Regis from December 1987 until June 30, 1996. He has been a director of Regis since 1987.

Mr. Gregory was elected a director of Regis in November 1996. Mr. Gregory had been a director of Supercuts, Inc. from 1991 until Supercuts was acquired by a subsidiary of Regis on October 25, 1996. He was Chairman of the Board of Supercuts from January 4, 1996 until October 25, 1996, and served as interim Chief Executive Officer of Supercuts from January 4, 1996 until January 31, 1996. From 1980 through 1994, Mr. Gregory held various executive positions with Sizzler International, Inc. and its predecessors, including President, Chief Executive Officer, Director and Vice Chairman. He is currently a director of The Cheesecake Factory, Inc., the owner and operator of upscale, full-service, casual dining restaurants throughout the United States.

Mr. Hawn was elected a director of Regis in 1991. Mr. Hawn founded Goldner Hawn Johnson & Morrison Incorporated, a private investment firm, where he has served as a managing director since 1989.

Ms. Hoyt was elected a director of Regis in 1995. Ms. Hoyt served as Executive Vice President of Human Resources of Staples, Inc. from 1996 until her retirement in September 2009. From 1991 to

1996, she was Executive Vice President of Store Operations for the Dayton Hudson Department Stores Division of Dayton Hudson Corporation.

Mr. David Kunin was elected a director of Regis in 1997. He is Chief Executive Officer of Beautopia, LLC, a manufacturer of hair care products. He was Vice President, Marketing, of Regis from November 1992 until February 1997 when he became Chief Executive Officer of Beautopia LLC, and Vice President of The Regis Foundation.

Mr. Watson was elected a director of Regis in 2008. From 1973 through 1996, Mr. Watson held various executive officer positions with Dayton Hudson Corporation, including Chairman and Chief Executive Officer of Dayton Hudson Department Stores Co. and President of Dayton Hudson Corporation. From 1997 until his retirement in 2002, Mr. Watson was President and Chief Executive Officer of Gander Mountain Company. In addition to his role as a director of Regis, Mr. Watson is currently also a director of Eddie Bauer Holdings, Inc., a retailer of apparel and accessories for the active outdoor lifestyle, and Kohl's Corporation, a specialty, family-focused, value-oriented department store.

CORPORATE GOVERNANCE

The Board believes that good corporate governance is paramount to ensure that we are managed for the long-term benefit of our shareholders. As part of our ongoing efforts to constantly improve corporate governance, the Board and management have undertaken a number of initiatives to improve our corporate governance policies and practices.

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

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics (the "Code of Ethics") that applies to all of our employees, directors and officers, including our 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 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 Securities and Exchange Commission ("SEC") or under the listing standards of the NYSE, at the same location on our website.

Director Orientation and Continuing Education

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

Director Independence

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

- has in the past three years:
  - received (or whose immediate family member has received) more than $100,000 per year in direct compensation from us, other than director or committee fees;
  - been an employee of ours;
  - had an immediate family member who was an executive officer of ours;
  - been (or whose immediate family member has been) an affiliate or employee of a present or former internal or independent auditor of Regis;
  - been (or whose immediate family member has been) employed as an executive officer of another company whose compensation committee within the past three years has included a present executive officer of Regis; or
  - is currently an employee or executive officer (or has an immediate family member who is an executive officer) of another company that makes payments to us, or receives payments from us, for property or services in an amount which, in any single fiscal year, exceeds the greater of $1.0 million or 2% of such other company's consolidated gross revenues.

Under our director independence standards described above, the Board has determined that each director, with the exception of Mr. Finkelstein and Mr. David Kunin, is independent. A supermajority of our Board members is independent.

Communications with the Board

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

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

Executive Sessions of Non-Management and Independent Directors

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

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

Committees of the Board

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

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

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

The Board committees have responsibilities as follows:

Audit Committee

This 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, this committee maintains free and open communication between the Board, the independent auditor and our management. This committee meets with management and the independent auditor at least quarterly.

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

The Board has determined that all members of the Audit Committee meet the NYSE definitions of independence and financial literacy for Audit Committee members. In addition, Rolf Bjelland, an independent director and the Chairman of the Audit Committee, has been determined by the Board to be an audit committee financial expert for purposes of the SEC rules and possesses accounting or related financial management expertise as required by the NYSE. Members serving on the Audit Committee do not currently serve on the audit committee of more than three public companies.

Compensation Committee

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

Nominating and Corporate Governance Committee

This committee discharges the Board's responsibilities related to general corporate governance, including Board organization, membership and evaluation. It also reviews and recommends to the Board corporate governance principles and presents qualified individuals for election to the Board. Finally, this committee oversees the evaluation of the performance of the Board and each standing committee of the Board. For further information regarding our director nomination process, see "Director Nomination Process" below.

Board Meetings and Attendance

The Board held ten meetings during the fiscal year ended June 30, 2009. Each incumbent director attended, in person or by teleconference, at least 75% of the meetings of both the Board and Board committees on which he or she served. Our Board does not have a formal policy relating to Board member attendance at annual meetings of shareholders; however, our directors are encouraged to attend the meeting each year. Each of the then-serving directors attended the 2008 annual meeting of shareholders.

The following table shows the number of meetings held in fiscal 2009 and the names of the directors currently serving on each committee:

Committee	**Number of Meetings During Fiscal 2009**	**Members**
Audit	6	Rolf Bjelland* Thomas Gregory Van Zandt Hawn Stephen Watson
Compensation	6	Susan Hoyt* Rolf Bjelland Thomas Gregory Stephen Watson
Nominating and Corporate Governance	3	Van Zandt Hawn* Thomas Gregory Susan Hoyt Stephen Watson

* Committee Chair

Director Nomination Process

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

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

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Compensation Discussion and Analysis ("CD&A") describes the basic objectives, principles, decisions and rationale underlying our compensation policies and decisions as well as the material elements of the compensation of our executive officers identified in the Summary Compensation Table on page 25 (the "Named Executive Officers"). The CD&A should be read in conjunction with the compensation tables beginning on page 25.

Compensation Philosophy

The compensation programs for our executive officers have been established and maintained by the Compensation Committee (referred to as the "Committee" in the Executive Compensation section of this Proxy Statement) and are structured to motivate our executive officers, including our Named Executive Officers, to achieve the pre-established business goals set by the Board. Accordingly, our compensation programs are intended to work together to reward our executive officers for achieving such goals, 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. The Committee has established an executive pay philosophy that targets total remuneration (i.e., base salary + annual and long-term incentives + benefits) around the market median, relative to our Peer Group (identified below) as well as the broader retail market, subject to adjustments in the Committee's discretion based on company-wide and individual performance factors.

As described in more detail below, the Committee reviews and approves each element of compensation and the level of each element for our executive officers, including the Named Executive Officers. In its review, the Committee looks at peer group information to assess the appropriateness of the mix of compensation elements and the targeted levels of rewards for each compensation element, but does not use a particular formula for determining the exact mix or amount of compensation. Accordingly, while the Committee strives to structure a total compensation package that is competitive with the market median, the Committee has discretion to make subjective determinations based on its perceptions of both company-wide and individual performance when selecting the mix and levels of compensation. Since total remuneration for our executive officers is driven by market compensation levels, most of the Committee's decisions are made on the basis of information on market practices provided by Hay Group, an independent consulting firm that provides executive compensation consulting services to the Committee.

The compensation paid to the Named Executive Officers in fiscal 2009 was determined primarily by making incremental changes to our historical compensation programs that have developed based on our compensation philosophy. The Committee's ability to rely primarily on historical compensation programs with only incremental changes is due, in part, to the fact that many of our executive officers have been employed by Regis for many years and are familiar with the general programs. In fiscal 2009, the Compensation Committee engaged Hay Group to conduct a comprehensive review of the Company's executive compensation and incentive programs. As a result of this review, modifications were made to the Company's historic compensation programs to ensure alignment with business plans going forward. These modifications are discussed in more detail below.

Compensation Committee Responsibilities

The Committee is charged with developing and administering the base salary, annual (i.e., bonus) and long-term incentive, and benefit programs for our executive officers. In developing the compensation programs, a basic objective for the Committee is that the total compensation paid to the Named Executive Officers be fair, reasonable and competitive in relation to the median compensation for similar positions at our peer group of companies, as identified below (the "Peer Group"), as well as in the broader retail market. This objective is consistent with our executive pay philosophy.

The primary purpose of the Committee is to discharge the responsibilities of the Board relating to the compensation of our executive officers. The 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 in, our incentive compensation and equity-based plans.

Role of Executive Officers in Compensation Decisions

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

Setting Compensation

In General

In advising the Committee, the Hay Group prepares competitive pay analyses regarding both the Peer Group referenced in the next paragraph below and the broader retail market, and provides information on our performance compared to the Peer Group. Based on these analyses, the Hay Group advises the Committee on the level and design of compensation programs for our executive officers. The Chairperson of the Committee works directly with Hay Group to determine the scope of the work needed to assist the Committee in its decision-making processes. Hay Group also works with management consistent with Committee direction to gain a better understanding of our pay policies and practices, and to facilitate the development of our compensation strategies and approach to determining compensation levels.

Our Peer Group

In making overall compensation decisions, the Committee compares each element of total compensation against the Peer Group data and against broader retail market data, each as presented by Hay Group. The Peer Group used by the Committee to benchmark the compensation of our Named

Executive Officers was initially developed in the fall of 2006 and was approved in February 2007. The composition of the Peer Group was reviewed and adjusted during fiscal 2009. The changes to the Peer Group included the following: 1) Guitar Center, Inc. was removed from the Peer Group because it was taken private in 2007; 2) Applebee's International, Inc. was removed from the Peer Group because it was acquired by the International House of Pancakes (IHOP) in 2007; and 3) DineEquity, Inc. (formerly IHOP), the company resulting from IHOP's acquisition of Applebee's International, Inc., was added to the Peer Group. We expect to review the composition of the Peer Group at least every other year and adjust it as the Committee determines to reflect changes at Regis or at members of our Peer Group (e.g., changes in lines of business, mergers, acquisitions, spin-offs and the like). Since we do not believe that there are any companies that are exact competitors or peers within our industry, we have selected companies for our Peer Group based on the following criteria, which are representative of our key business characteristics:

- Annual revenues on a system-wide basis between one-half to two times our revenue;
- Small box specialty retail and service companies;
- Customer service element is critical to business;
- Exclusion of apparel companies, due to the increased risk such companies confront in forecasting fashion trends far enough in advance to order product and manage inventory; and
- Companies targeting a moderate customer in terms of income and style.

Each company in our current 14-member Peer Group meets a majority of those criteria. The companies are:

Advanced Auto Parts, Inc.	Foot Locker, Inc.	PetSmart, Inc.
Auto Zone, Inc.	Game Stop Corp.	Radio Shack Corp.
Brinker International, Inc.	H&R Block, Inc.	Service Corporation International
CBRL Group, Inc.	Jack in the Box, Inc.	Starbucks Corp.
DineEquity, Inc.	Papa John's International, Inc.	

The Peer Group provides direct incumbent information on a job title match basis (e.g., Chief Executive Officer, Chief Financial Officer) for the companies with which we compete for executive talent. Hay Group's Retail Industry Total Remuneration Survey (the "Hay Group Survey" or the "Survey") is used to provide an additional benchmark for compensating the Named Executive Officers and furnishes compensation data on the broader retail market place (covering over 90 organizations, a majority of which are specialty stores). The Survey provides the Committee with information on the broader market that the Company competes in and how the Peer Group compares to this broader market. The compensation data utilized from the Survey is selected based on job content since data based on matching titles derived from proxy statement information may not be available or may not adequately represent the actual job content of our executive officers.

The data from the Peer Group and the Hay Group Survey includes base salary, annual incentive bonus, equity incentive compensation and benefits and perquisites for the named executive officers of those companies. The data provides the Committee with market information for executives and accounts for the considerable variation in compensation that corresponds to differing levels of responsibility and duties by title among Named Executive Officers.

Compensation Elements

In General

The compensation and benefits programs for our Named Executive Officers are intended to work together toward the recruitment, retention and motivation of the executive talent required to successfully manage and grow our business and to achieve our short and long-term business objectives. Beyond that, individual elements of compensation are designed for different purposes. The elements of compensation for our Named Executive Officers are:

- Base salary, which is designed to attract and retain executives over time;

- Annual incentive (bonus) compensation, which is designed to focus executives on achieving the business objectives established by the Board for a particular year, including specific objectives related to growth in our earnings per share ("EPS");

- Long-term incentive compensation, consisting of stock appreciation rights ("SARs"), restricted stock and restricted stock units ("RSUs"), which is designed to focus executives on the long-term success of the Company, as reflected in increases in our stock price, and to encourage stock ownership that aligns the interests of our executives with those of our shareholders; and

- Benefits, which are designed to provide long-term executive retention and commitment to the Company.

In addition, Named Executive Officers may receive termination or change in control compensation and benefits. Termination compensation and benefits are designed to ease an employee's transition due to an unexpected employment termination, while change in control compensation and benefits are designed to encourage employees to remain focused on our business in the event of rumored or actual fundamental corporate changes.

As previously stated, the Committee has a long-standing total remuneration (i.e., base salary + annual- and long-term incentives + benefits) executive pay philosophy that aims to provide an aggregate compensation package that is competitive around the median of the market relative to both our Peer Group and the broader retail market, while individual compensation elements may exceed or lag the market median. To this end, the Committee establishes the amount and mix of base salary and variable compensation by referencing market practices for total 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 compensation package for a Named Executive Officer, the Committee considers the internal relationship of pay across all executive positions. The Committee structures variable compensation that provides the opportunity to earn above market compensation for results above target and below market compensation when the target is missed.

In fiscal 2009, the Committee asked Hay Group to conduct a comprehensive review of Regis' executive compensation and incentive programs. The Committee believes that Regis is transitioning from a growth company to a mature company with more traditional growth patterns. The Company's compensation plans were designed for a growth organization and the Committee wanted to ensure that the compensation plans are aligned with the new business environment.

Base Salary

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

The Committee considers both internal equity and external competitiveness in determining the base salary of our Named Executive Officers. The Committee strives to set a base salary that is appropriately competitive for each executive officer based on our executive pay philosophy and given his or her individual experience and performance. This approach is applied consistently for all executive officers. After considering input from our Chief Executive Officer regarding the performance of the other Named Executive Officers, the Committee uses its judgment regarding individual performance, market competitiveness, length of service and other factors, including Company performance, that it deems relevant to determine the appropriate base salary and size of any salary increase for each Named Executive Officer. The review of individual performance includes a specific review of the individual performance of Messrs. Finkelstein and Pearce conducted jointly by the Committee and the Nominating and Corporate Governance Committee, and more general reviews of the individual performance of the other Named Executive Officers, focused primarily on the scope of responsibilities of each Named Executive Officer.

Base Salary Decisions for Fiscal 2009 and Fiscal 2010

The base salaries paid in fiscal 2009 to each of our Named Executive Officers are shown under the "Salary" column of the Summary Compensation Table. Changes in base salaries are typically considered by the Committee in April (to be effective in July) each year. In April 2008 and April 2009 base salaries for the executive officers were increased slightly for each of fiscal 2009 and fiscal 2010, respectively, based on historical rates of annual increase, and to adjust for inflation. When we adjusted compensation packages in 2007, we eliminated certain benefits and increased the base salaries of our Named Executive Officers to maintain the overall level of compensation of these executives. These changes were carried forward to each of fiscal 2008 and fiscal 2009. Additionally, in fiscal 2009, Hay Group conducted a comprehensive review of Regis' executive compensation and incentive programs in comparison to its new business environment. Hay Group's analysis determined that most of Regis' executives were provided above market incentive opportunities and conservative base salaries. Based on this analysis, the Committee decided to rebalance the components of our executive's total compensation by implementing a decrease in the annual bonus opportunity for our executive officers by ten percent (10%), and a commensurate increase in the base salary of our executive officers (the basis for other components of an executive's compensation (including the annual bonus opportunity)) of seven percent (7%), effective in fiscal 2010. The Hay Group advised the Committee that the resulting mix of total cash compensation is more commensurate with pay practices of other retail organizations operating in mature markets.

Annual Incentive (Bonus) Compensation

Annual incentive (bonus) compensation for our Named Executive Officers is determined each year under the Short Term Plan. Annual cash bonus amounts are established under the Short Term Plan, and payouts have historically been based on achievement of EPS targets (described below). The Committee believes that EPS is an objective measure that serves as a reasonable gauge of our bottom-line performance because it takes into account all aspects of our financial performance.

Each year, the Committee evaluates our annual and long-term strategic plan to determine if the financial metrics are appropriate to measure achievement of our objectives and to motivate executives. Based on discussions with our Chief Executive Officer and Chief Financial & Administrative Officer, the Board determines the financial metrics to be included in the Short Term Plan. The metrics are generally approved in April each year.

Annual Incentive Compensation Decisions for Fiscal 2009

The Short Term Plan provides for a full bonus if 100% of the targeted EPS for the year is achieved and a threshold bonus equal to 37.5% of the full bonus if 85% of the targeted EPS for the year is achieved. EPS performance between 85% and 100% of targeted EPS yields a bonus that is calculated by interpolation between those fixed points. No bonus is paid if EPS falls below 85% of the original EPS target. In addition, due to the critical leadership role of the Chief Executive Officer in achieving EPS performance, the Short Term Plan provides for his total bonus to exceed the target bonus amount (up to 100% of his annual base salary) if EPS exceeds 105% of the EPS target for the year.

Annual incentive compensation targets under the Short Term Plan are expressed as a percentage of base salary (which, for this purpose, excludes the modest increase in base salary to cover perquisites described below under "Benefits"), and the percentage increases with job scope and complexity to provide greater upside opportunity for increased responsibility. For the last fiscal year, the target bonus was set at 75% of base salary for the Chief Executive Officer (which bonus, as noted above, may be increased to a maximum bonus equal to 100% of salary if the EPS target described above is achieved), 60% of base salary for any Senior Executive Vice President, and 55% of base salary for Executive Vice Presidents. The bonus opportunity for an executive officer whose base salary changed during the year is based on a weighted average of the annualized base salaries in effect for the year. The table below shows the threshold and target payouts (expressed as a percentage of base salary) that correspond to the threshold and target levels of achievement for each Named Executive Officer who participates in the Short Term Plan and continues to serve as one of our executive officers:

2009 SHORT TERM INCENTIVE COMPENSATION PLAN

Executive Officer	FY09 Incentive Percent of Salary Threshold	Target*	FY09 EPS Threshold	Target
Paul D. Finkelstein Chairman & CEO	28% $(322,031)	75% $(858,750)	$ 1.78	$ 2.09
Randy L. Pearce SEVP, CFO & CAO	23% $(112,500)	60% $(300,000)	$ 1.78	$ 2.09
Gordon B. Nelson EVP-Fashion, Education & Marketing	21% $ (92,194)	55% $(245,850)	$ 1.78	$ 2.09
Mark Kartarik EVP-President Franchise Division	21% $ (85,800)	55% $(228,000)	$ 1.78	$ 2.09
Bruce Johnson EVP-Real Estate and Construction	21% $ (69,930)	55% $(183,150)	$ 1.78	$ 2.09
Kris Bergly Former Executive Vice President, Chief Operating Officer	21% $ (63,621)	55% $(166,627)	$ 1.78	$ 2.09

*

As noted, the CEO is eligible to receive an increased bonus payout (equal to 100% of base salary) should actual EPS meet or exceed 105% of the Board-approved EPS target. For fiscal year 2009, EPS had to meet or exceed $2.19 for the CEO to receive the increased bonus; as this target was not reached in fiscal 2009, the CEO did not receive such increased bonus.

Early in fiscal 2009 it became clear that the business plan that Regis had adopted for the year was no longer consistent with Regis' business operations due to the unforeseen and significant deterioration of the market-wide economic conditions. In order to engage and motivate executives for achievement of business objectives that were aligned with the current economic environment for the remainder of the fiscal year, the Committee approved a "supplemental award" for fiscal 2009. The supplemental award program provided our executive officers with the opportunity to receive the payouts (expressed as a percentage of salary) identified in the table below upon the achievement of certain performance goals for the period October 1, 2008 through June 30, 2009. The performance goals were aimed at reducing the Company's expenses and were based on the achievement of benchmark reductions in debt and inventory levels as well as in capital, operating and other acquisition-related expenditures during the identified period. The supplemental bonus program was designed to provide an additional opportunity to earn a bonus for fiscal 2009, and not as a replacement of the "original" short-term bonus opportunity (based on EPS). If the executive officers were able to attain a bonus award under each of the original EPS target and under the supplemental award program, the executive would receive the greater of the two payments, but would not be paid both awards.

FY09 SUPPLEMENTAL AWARD OPPORTUNITY

Executive Officer	Target*	Award Achieved
Paul D. Finkelstein Chairman & CEO	30.0% $(343,500)	$ 343,500
Randy L. Pearce SEVP, CFO & CAO	30.0% $(150,000)	$ 150,000
Gordon B. Nelson EVP-Fashion, Education & Marketing	27.5% $(122,925)	$ 122,925
Mark Kartarik EVP-President Franchise Division	27.5% $(114,000)	$ 114,400
Bruce Johnson EVP-Real Estate and Construction	27.5% $ (91,575)	$ 91,575
Kris Bergly* Former Executive Vice President, Chief Operating Officer	27.5% $(104,500)	$ 83,314

* For Mr. Bergly, the award achieved reflects the pro rata bonus earned based on the actual number of days in which he was employed during the fiscal year prior to his termination on April 17, 2009 (291/365).

For executives to achieve the supplemental award, they had to meet five performance goals: (1) Reduce total debt to $700 million or less; (2) reduce inventory levels to $222 million; (3) reduce capital expenditures ("CAPEX") to $53 million or less; (4) reduce investments in and expenses related to acquisitions, investments and loans to $23 million or less; and (5) reduce budgeted operating expenses by at least $15 million. Each dollar of reduction toward or exceeding the debt, inventory, CAPEX or acquisitions/investments goal is fungible among those four goals. No supplemental award would be earned if the Company was not in compliance with all debt covenants at June 30, 2009.

In fiscal 2009, we did not achieve the EPS target for fiscal 2009; however, we did achieve the expense reduction objectives established under the supplemental award program and we were in compliance with our debt covenants at June 30, 2009. Accordingly, our executives earned the target award under the supplemental award program.

Annual Incentive Compensation Decisions for Fiscal 2010

In fiscal 2009, we made the decision to change our annual incentive program, effective for fiscal 2010, based on submission of a proposal by management and a comprehensive evaluation of the overall incentive compensation program by Hay Group in January 2009. As described above regarding base salary, the annual bonus opportunity was decreased by ten percent (10%) as compared to fiscal 2009. Under the new program, business performance will be based on achieving target levels of earnings before interest, taxes, depreciation and amortization ("EBITDA") as well as attainment of certain business goals. EBITDA was identified as the most appropriate financial metric given its focus on operating earnings and cash management. In addition, a portion of the incentive compensation is based on achievement of several goals which encompass various aspects of our financial and operating performance, which the Committee believes is appropriate for a more mature company.

Accordingly, Hay Group proposed modifying the annual incentive compensation program (effective for fiscal 2010) as follows: the annual incentive bonus would be evenly split between a profit performance metric and business goal achievement. To maintain focus on operations, cash flow and liquidity, it was determined that 50% of the annual bonus opportunity would be based on achieving an EBITDA target. The remaining 50% would be based on the achievement of certain business-enhancing goals. In addition, an EBITDA profit "trigger" must be met before any bonus associated with achieving the business goals is paid out. The trigger is set at 50% of the EBITDA target approved by the Compensation Committee. This trigger is designed to protect the Company against paying out any bonuses without meeting a minimum level of profit. In addition, stretch goals have been included whereby participants have the ability to earn up to 130% of the bonus target if 105% of the EBITDA target and all of the business goals are achieved.

The business goals for fiscal 2010 cover a range of business-enhancing objectives, including debt reduction, maintenance of service margins, execution of cost savings initiatives, increasing average service and product ticket and completing the transition of the Trade Secret back office functions to Premier Salons, which will contribute to expense reduction efforts.

Management submitted the revised annual incentive compensation program to the Compensation Committee for its approval in April 2009. The revised incentive program was approved by the Compensation Committee and will be introduced in fiscal 2010. Any payout from the program will occur only after the Compensation Committee approves the Company's EBITDA achievement and achievement of the business goals, which normally occurs the following August.

The current annual incentive plan provides Threshold and Target goals. For fiscal 2010, the Committee added a Maximum goal, pursuant to which the executives have the ability to earn up to 130% of the bonus target if 105% of the EBITDA target and all of the business goals are achieved. All three levels of awards within the annual incentive plan (as set forth in the table below) are earned only after attainment of the EBITDA trigger. Maximum is defined as a "super stretch" goal with the possibility of earning a bonus equal to 65% of the target for each of the EBITDA target and the business goals, and with a 10% to 20% probability of achievement. Next is Target, which has some "stretch" associated with the goal, but it is expected to have a 50% probability of achievement and results in a bonus payout of 50% of target. Last, is the Threshold level, which is designed to keep management motivated and is expected to have an 80% to 90% probability of achievement. Achievement of the Threshold level provides a bonus payout of 12.5% of target. Achievement of either: (i) an EBITDA level; and/or (ii) Number of performance goals that is anywhere between the established Trigger and Maximum Goal amounts results in a bonus payment that is calculated by interpolation between the established payout percentages.

Long-term Incentive Compensation

<u>In General</u>. 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. Our long-term equity incentive compensation awards are granted pursuant to our 2004 Long Term Incentive Plan (the "Long Term Plan").

Each year at its April meeting, the Committee reviews the portfolio of long-term i