REGIS CORPORATION

2019
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 6/30/2019

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, 2018, was approximately $520,254,859. The registrant has no non-voting common equity.

As of August 9, 2019, the registrant had 35,968,926 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 2019 meeting of shareholders (the "2019 Proxy Statement") (to be filed pursuant to Regulation 14A within 120 days after the registrant's fiscal year-end of June 30, 2019) 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 and our franchisee's ability to attract, train and retain talented stylists; financial performance of our franchisees; acceleration of sale of salons to franchisees; if our capital investments in improving technology do not achieve appropriate returns; our ability to manage cyber threats and protect the security of potentially sensitive information about our guests, employees, vendors or Company information; The Beautiful Group's ability to 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; 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, 2019
INDEX

PART I

Item 1. Business

General:

Regis Corporation franchises, owns and operates hairstyling and hair care 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, 2019, the Company franchised, owned or held ownership interests in 7,145 locations worldwide. The Company's locations consist of 3,951 franchised salons, 3,108 company-owned salons, and 86 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 salons are haircutting and styling (including shampooing and conditioning), hair coloring and other services. Salons also sell a variety of hair care and other beauty products. We earn revenue for services and products sold at our company-owned salons, product sold to franchisees, and earn royalty revenue based on service and product sales at our franchise locations.

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 where it made financial sense for the Company and shareholders, 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 further expand its franchise business by selling 449 non-mall salons to franchisees, including 33 Supercuts salons. In fiscal year 2019, the Company accelerated its sale of salons to franchisees by selling 767 salons across all brands.

Additionally, 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 L.P., a private equity firm based in Los Angeles, California. See Note 3 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 the TBG transaction, the Company redefined its operating segments to reflect how the chief operating decision maker evaluates the business and reports its operations in two operating segments: Franchise and Company-owned 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. Additionally, on June 27, 2019, the Company entered into a settlement agreement with TBG as previously disclosed, which, among other things, was primarily responsible for reducing the Company’s potential lease liability in connection with TBG operated salons from approximately $65 million to $41 million in the fourth quarter of fiscal 2019.

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's Franchise salon operations are comprised of 3,951 franchised salons operating in the United States (U.S.), Canada, the United Kingdom and Puerto Rico. The Company's company-owned salon operations are comprised of 3,108 salons operating in the U.S., Canada, and Puerto Rico. Salons operate primarily under the trade names of SmartStyle, Supercuts and Cost Cutters, and they generally serve the value category within the industry. Salons are primarily located in strip center locations and Walmart Supercenters. During fiscal years 2019 and 2018, the number of guest visits at the Company's company-owned salons approximated 40 and 50 million, respectively.

Financial information about our segments and geographic areas for fiscal years 2019, 2018, and 2017 are included in Note 14 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

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.

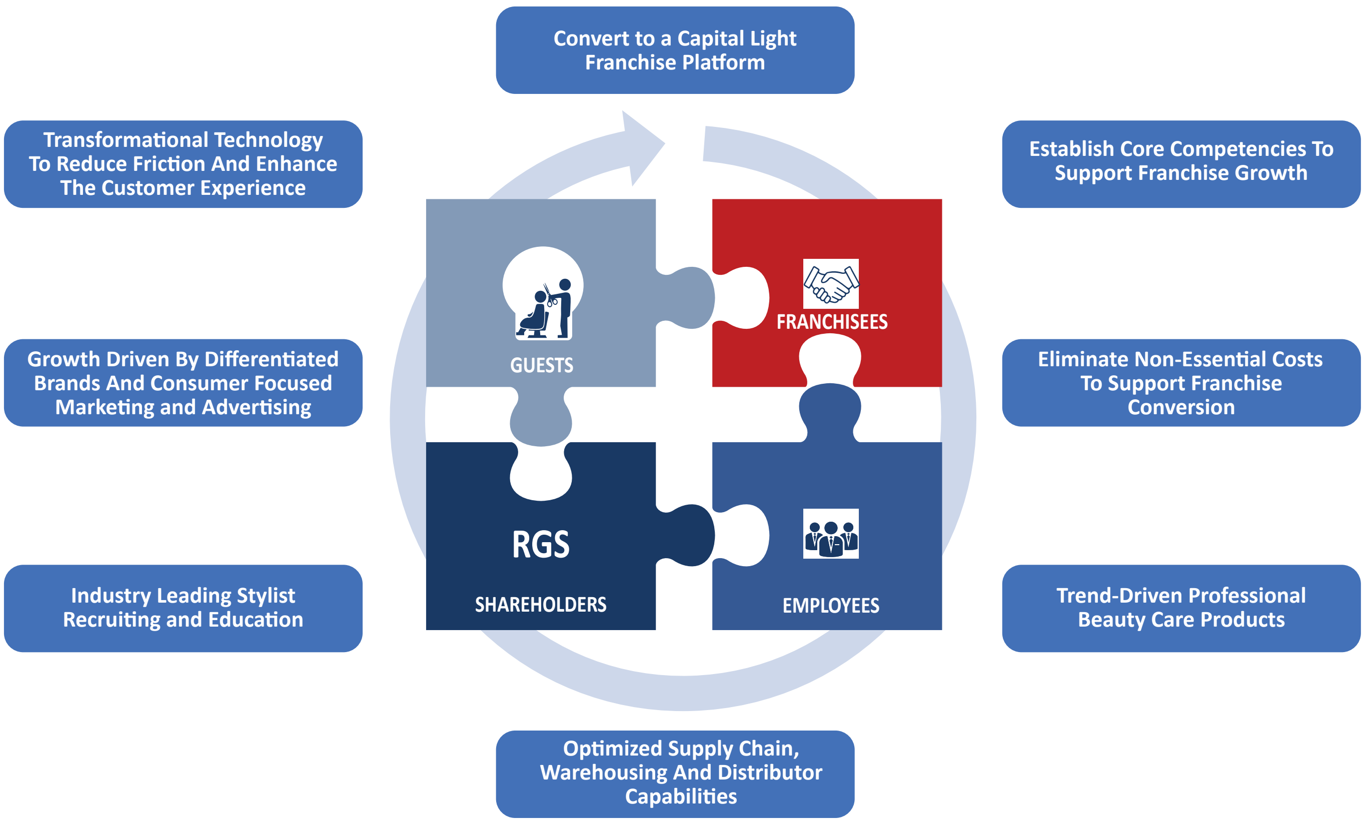
In every area in which the Company has a salon, there are competitors offering similar hair care services and products at similar prices. The Company faces competition from chains, such as Great Clips, Fantastic Sams, Sport Clips and Ulta Beauty, independently owned salons, department store salons located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

2019 Strategy:

The Company is focused on maximizing shareholder value. In order to successfully maximize shareholder value, we place a balanced approach on our guests, franchisees, employees, and shareholders. After carefully considering potential options to enhance shareholder value and based on the success of our vendition strategy in 2019, we reached a decision in August 2019 to fully transition our company-owned salons to a franchise platform. This strategic initiative is intended to facilitate an ongoing multi-year transformation to a capital-light business that we believe will be better positioned for sustainable growth. We believe the transformation of our salon platform coupled with the investments we are making in technology, marketing and advertising, merchandise and franchisor capabilities will be in the best long-term interests of our shareholders.

Key Elements of Our Strategy



In fiscal year 2019, the Company executed on various management initiatives to accelerate the growth of its franchise business and to stabilize and enhance performance in company-owned salons as we expand our franchise business and make thoughtful investments in the future state. The core components of the various management initiatives are focused on improving our performance by establishing core competencies to support franchise growth, eliminating non-essential costs, sourcing trend-driven professional beauty care products, optimizing our supply chain and distributor capabilities, creating industry-leading stylist recruiting and education, offering differentiated brands and consumer focused marketing and advertising and launching transformational technology to reduce friction and enhance the customer experience.

In order to continue providing an exceptional guest experience, we opened our technology offices in Fremont, California during fiscal year 2019 where we have invested in a dedicated product engineering team. We have partnered with Google to improve and streamline the salon discovery and customer booking experience. We also launched Opensalon™, Regis' proprietary platform that allows customers to book salon services directly and enables customers to reserve and check-in for various salon services via mobile devices or desktops, for those salons that have chosen to adopt the utilization of such technology. These technology investments are meant to drive traffic to our franchise and company-owned salons.

We continue to evaluate our investments and disinvest in non-value generating programs while investing in other value generating initiatives. In addition to closing non-performing company owned salons, 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.

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 enables our guests to select different service scheduling options based upon their preference. We believe 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, including check-ins directly from Facebook Messenger and Google, 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. Our salons are located in high-traffic strip centers and Walmart Supercenters, 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. Our franchisees control all pricing at their locations.

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 and Paul Mitchell. We also continued to expand our e-commerce initiative to distribute our Regis DESIGNLINE brand through new distribution channels, including amazon.com and walmart.com 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 making further investments to improve the speed and capabilities of our POS technology, improving the overall guest experience and develop salon management systems to support our growing base of franchisees.

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. Furthermore, we reinvigorated Supercuts creative approach to marketing by launching a new Supercuts® brand campaign in July 2019 with Michael Kelly as our spokesperson. We continually reallocate marketing investments into opportunities we believe represent the highest return to our shareholders.

Stylists

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

Field Leadership. 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. 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 aim to be an industry leader in technical training, including the utilization of digital training that we enhanced significantly during fiscal year 2019. 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. 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.

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 operations.

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.

New Location. In March 2019, we announced a relocation of Salon Support to a new location in Minneapolis, which relocation should occur by early 2020. We believe the new headquarters will facilitate collaboration amongst our internal teams, support our employee recruiting efforts and enhance shareholder value.

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 is 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. The Company has 615 franchised and 1,550 company-owned SmartStyle and Cost Cutters salons located in Walmart Supercenters. Service revenues represent approximately 71% of total company-owned SmartStyle revenues.

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. The Company has 2,340 franchised and 403 company-owned Supercuts locations throughout North America and in the United Kingdom. Service revenues represent approximately 91% of total company-owned Supercuts revenues.

Signature Style. Signature Style salons are made up of acquired regional salon groups operating under the primary concepts of Hair Masters, Cool Cuts for Kids, Style America, First Choice Haircutters, Famous Hair, Cost Cutters, Magicuts, Holiday Hair, 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. The Company has 766 Signature Style franchised and 1,155 Company-owned locations throughout North America. Service revenues represent approximately 89% of total company-owned Signature Style salons revenues.

International Salons. International salons are franchised locations operating in the United Kingdom and Germany primarily under the Supercuts and Regis concepts. These salons offer similar levels of service as our North American salons. 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,		
	2019	2018	2017
Company-owned salons:			
SmartStyle/Cost Cutters in Walmart stores	1,550	1,660	2,652
Supercuts	403	928	980
Signature Style	1,155	1,378	1,468
Mall locations (1)	—	—	898
Total North American salons	3,108	3,966	5,998
Total International salons (1)(2)	—	—	275
Total, Company-owned salons	3,108	3,966	6,273
as a percent of total Company-owned and Franchise salons	44.0%	49.1%	70.3%
Franchised salons:			
SmartStyle/Cost Cutters in Walmart stores (3)	615	561	176
Supercuts	2,340	1,739	1,687
Signature Style	766	745	770
Total franchise locations, excluding TBG mall locations	3,721	3,045	2,633
Total North America TBG mall locations (1)	—	807	—
Total North American salons	3,721	3,852	2,633
Total International salons (1)(2)	230	262	13
Total, Franchised salons	3,951	4,114	2,646
as a percent of total Company-owned and Franchise salons	56.0%	50.9%	29.7%
Ownership interest locations:			
Equity ownership interest locations	86	88	89
Grand Total, System-wide	7,145	8,168	9,008

Constructed Locations (net relocations)

	Fiscal Years		
	2019	2018	2017
Company-owned salons:			
SmartStyle/Cost Cutters in Walmart stores	—	1	37
Supercuts	9	—	2
Signature Style	1	1	—
Total North American salons	10	2	39
Total International salons (1)(2)	—	1	2
Total, Company-owned salons	10	3	41
Franchised salons:			
SmartStyle/Cost Cutters in Walmart stores (3)	3	1	—
Supercuts	55	68	111
Signature Style	6	8	27
Total North American salons	64	77	138
Total International salons (1)(2)	1	2	8
Total, Franchised salons	65	79	146

Closed Locations

	Fiscal Years		
	2019	2018	2017
Company-owned salons:			
SmartStyle/Cost Cutters in Walmart stores (4)	(39)	(605)	(11)
Supercuts	(21)	(20)	(51)
Signature Style	(73)	(76)	(123)
Mall locations (Regis and MasterCuts) (1)	—	(14)	(226)
Total North American salons	(133)	(715)	(411)
Total International salons (1)(2)	—	(14)	(50)
Total, Company-owned salons	(133)	(729)	(461)
Franchised salons:			
SmartStyle/Cost Cutters in Walmart stores (3)	(18)	(4)	(6)
Supercuts	(72)	(72)	(44)
Signature Style	(33)	(40)	(43)
Mall locations (Regis and MasterCuts) (1)	(807)	(63)	—
Total North American salons	(930)	(179)	(93)
Total International salons (1)(2)	(33)	(15)	—
Total, Franchised salons	(963)	(194)	(93)

Conversions (including net franchisee transactions) (5)

	Fiscal Years		
	2019	2018	2017
Company-owned salons:			
SmartStyle/Cost Cutters in Walmart stores	(71)	(388)	(57)
Supercuts	(513)	(32)	(24)
Signature Style	(151)	(15)	(13)
Mall locations (1)	—	(884)	—
Total North American salons	(735)	(1,319)	(94)
Total International salons (1)(2)	—	(262)	(5)
Total, Company-owned salons	(735)	(1,581)	(99)
Franchised salons:			
SmartStyle/Cost Cutters in Walmart stores (3)	69	388	57
Supercuts	618	56	41
Signature Style	48	7	(6)
Mall locations (1)	—	870	—
Total North American salons	735	1,321	92
Total International salons (1)(2)	—	262	5
Total, Franchised salons	735	1,583	97

(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 operated these locations as franchise locations until June 2019. TBG has subsequently closed many of those salons and since June 2019, operates the North American salons under a license agreement. The mall-based business and the previous International segment have been reported as a discontinued operation. See Note 3 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 2019, 2018, and 2017, the Company acquired thirty-two, zero, and one salon locations, respectively, from franchisees. During fiscal years 2019, 2018, and 2017, the Company sold 767, 1,581, and 100 salon locations, respectively, to franchisees.

Salon Franchising Program:

General. We have various franchising programs supporting our 3,951 franchised salons as of June 30, 2019, consisting mainly of Supercuts, SmartStyle, Cost Cutters, First Choice Haircutters and Roosters salons. 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.

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.

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:

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.

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.

Affiliated Ownership Interest:

The Company maintains a noncontrolling 55.1% 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 directly 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®," " "Regis Salons®," "Cost Cutters®," "First Choice Haircutters®," and "Magicuts®."

Corporate Employees:

As of June 30, 2019, the Company had approximately 20,000 full and part-time employees worldwide, of which approximately 17,000 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	65	President and Chief Executive Officer
Eric Bakken	52	Executive Vice President and President of Franchise
Chad Kapadia	50	Executive Vice President and Chief Technology Officer
Andrew Lacko	49	Executive Vice President and Chief Financial Officer
Jim Lain	55	Executive Vice President and Chief Operating Officer
James Townsend	43	Executive Vice President and Chief Marketing Officer
Laura Alexander	36	Senior Vice President, Chief Merchandising Officer
Shawn Moren	52	Senior Vice President and Chief Human Resources Officer
Amanda Rusin	37	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.

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.

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.

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.

James Townsend was appointed as Executive Vice President and Chief Marketing Officer in April 2019. Before joining Regis Corporation, James was a Partner and Chief Development Officer for 72andSunny. Prior to 72andSunny, James served as Vice President of Client Services at Huge, Inc.; led the global Yahoo business for advertising agency, Goodby, Silverstein & Partners; led the San Francisco office of digital agency, Code and Theory; was the Executive Producer of the award-winning music company, The Rumor Mill; and started his career at Ogilvy in New York City.

Laura Alexander was appointed as Senior Vice President, Chief Merchandising Officer 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.

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. All of our reports, proxy and information statements and other information are available on the SEC's internet site (*www.sec.gov*).

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.

The Company is in the middle of a strategic transformation in which we seek to accelerate the growth of our franchise model while at the same time improve the performance of company-owned salons. As part of our strategic transformation, we 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"); 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 August 2019, we announced that the Company plans to convert to a fully franchised platform over time. Growth and development of our franchise model is ongoing. During fiscal year 2019, new and existing franchisees opened 834 salons, of which 67 were organic and 767 were the sale of a company-owned salon to a franchisee. The 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, salon locations, 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, Chief Merchandising Officer 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 franchised and company-owned salons. Qualified, trained stylists are key to a memorable guest experience that creates loyal customers. In order to profitably grow our business, it is important for our franchisees and company-owned salons 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 investment in 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, 2019, approximately 56% 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, 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 rebranding and/or 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 company-owned salons to franchisees may not improve our operating results and could cause operational difficulties.

During fiscal year 2019, we accelerated the sale of company-owned salons to new and existing franchisees and in August 2019 announced that we plan to convert to a fully franchised platform over time. The sales of our company-owned salons were across our brands to new and existing franchisees during fiscal year 2019.

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. Also, our gross margins on wholesale product sales are lower than our gross margins on retail product sales. Furthermore, the timing of decreasing operating costs may significantly lag the transfer to franchisees, because it takes time for us to reduce the general and administrative costs directly or indirectly associated with a transferred salon.

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.

If our capital investments in developing new technology-enabled capabilities and improving current technology infrastructure do not achieve appropriate returns, our financial condition and results of operations may be adversely affected.

We are currently making, and expect to continue to make, strategic investments in technology to improve guest experiences and improve our back-office systems, including, without limitation, our Opensalon mobile application and platform that we launched in 2019. These investments might not provide the anticipated benefits or desired return and could expose us to additional legal and compliance risks. Furthermore, some of the Company's technology capabilities and developments involve third party partnerships, on which we are dependent. If these partnerships are not successful, the capabilities may not fully achieve their anticipated returns. In addition, if we are unable to successfully protect any intellectual property rights resulting from our investments, the value received from those investments may be eroded, which could adversely affect our financial condition. Among other things, targeting the wrong investment opportunities, failing to successfully meet our strategic objectives when making the correct investments, being unable to make new concepts scalable or achieving appropriate market or franchisee adoption, and/or making an investment commitment significantly above or below our needs could adversely affect our financial condition and results of operations.

Cybersecurity incidents could result in the compromise of potentially 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 and our new investments in technology involve processing, transmission and storage of potentially 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, Company 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 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.

TBG's inability to 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 the salons in North America as a licensee (from October 2017 to June 2019 TBG operated them as a franchisee) and the salons in the United Kingdom 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, as defined by total transactions, the capabilities of TBG, the accuracy and reliability of TBG's financial reporting systems, TBG's ability to maintain adequate working capital, technology and landlord issues. In particular, as of July 31, 2019, prior to any mitigation efforts which may be available to us, we estimate that we remain liable for up to $39 million, which is a material reduction from October 1, 2017, under the leases for certain of these salons until the end of their various terms, and we could be required to make cash payments if TBG fails to do so, which could materially adversely impact our results of operations or cash flows. TBG has struggled to make changes that improve the business of the mall-based salons and the International business. TBG's same store sales have declined year over year and there is no assurance that TBG will be successful in improving performance 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 ending this income stream. In connection with the purchase agreements, subleases, transition services and other related agreements with the Company, TBG has been consistently delinquent on its payments to the Company and to third parties. TBG's continued failure to pay landlords, suppliers, service providers and other third parties could adversely affect the Company's relationships with such third parties and/or result in an allegation (albeit tenuous) by such third parties that the Company should be responsible for TBG's payment obligations, which in turn could adversely affect the Company's operations and financial condition. 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.

On June 27, 2019, the Company entered into a Second US and Canada Omnibus Settlement Agreement with TBG as previously disclosed, which, among other things, notes that TBG has entered into lease termination and concession agreements with certain landlords which had the effect of reducing the Company's potential lease liability in connection with TBG operated salons and substituted the master franchise agreement for a license agreement in North America only. In addition, pursuant to the settlement agreement, the Company released and forgave TBG from, among other amounts, approximately $6.6 million in respect of amounts for inventory invoiced through January 17, 2019, $1.3 million in respect of continuing fees invoiced through April 5, 2019, $28,000 in respect of amounts for services under the transition services agreement, and the obligations under the United States and Canada Secured Promissory Notes dated August 2, 2018 representing approximately $11.7 million in working capital receivables and $8.0 million in accounts receivable, plus accrued interest, which had a maturity date of August 2, 2020. Based on TBG's inability to meet the requirements of the promissory notes, the Company prior to the settlement agreement, recorded a full reserve against the promissory notes (including the remaining United Kingdom promissory note). Risks and other issues related to franchisees described elsewhere in these risk factors still apply to TBG for the most part even though the Company and TBG now have a licensor-licensee instead of a franchisor-franchisee relationship. Even with the settlement agreement and after its implementation, TBG may still not be able to successfully turnaround its North America business. With regard to TBG's United Kingdom business, in October 2018, TBG filed a voluntary insolvency proceeding involving its United Kingdom business, which its creditors approved ("CVA"). In November 2018, a group of landlords filed a legal challenge to the CVA in United Kingdom's High Court alleging material irregularity and unfair prejudice. If the CVA is overturned, or is otherwise not implemented, it is likely that TBG's United Kingdom business will no longer be able to trade as a going concern, which is likely to result in bankruptcy and/or administrative proceedings. Even if the CVA is implemented and the challenge overturned or a settlement reached, TBG may still not successfully achieve the cost savings and other benefits contemplated by the CVA. Negative events associated with the CVA process and challenge could adversely affect TBG's and/or our relationships with suppliers, service providers, customers, employees, and other third parties, which in turn could adversely affect TBG's and/or our operations and financial condition. We had previously agreed in the note documents that a CVA filing would not constitute an item of default. TBG's debt obligations in the United Kingdom to us currently remain intact and the Company has fully reserved against such obligations.

The Company foresees that TBG may in the future need to attempt to further restructure or even divest of (operationally, legally, or otherwise) its businesses, operations and obligations in order to remain a going concern. The Company has certain rights and remedies under the various agreements with TBG, including, but not limited to, utilization of collateral, litigation, and reversion of the leases in respect of certain divested salons back to the Company. 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 to the Company or third parties, could adversely affect our business, including increased reputation risks, litigation risks, financial condition and results of operations or cash flows, and could prevent the transaction from delivering the anticipated benefits and shareholder value.

Our ability to franchise our company-owned SmartStyle salons and successfully operate this business is dependent on our relationship with Walmart.

At June 30, 2019, we had 2,165 SmartStyle or Cost Cutters salons within Walmart locations, including 2 salons opened during fiscal year 2019 (net of relocations). Walmart is by far our largest landlord, and we believe we are Walmart's largest tenant. Our business within each of those 2,165 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 SmartStyle locations, 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. In fiscal year 2017, we began franchising select SmartStyle branded locations. Future franchising activity will require and be limited by the approval of Walmart on a location by location basis. Walmart may not give their approval to franchise some or all of our company-owned salons. further, Walmart may attempt to impose changes to the terms and conditions of our agreements which are contrary to our economic interests. Operating both company-owned and franchised SmartStyle salons 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 7,145 locations and approximately 20,000 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, third parties 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 or abandonment of the franchise. 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 and/or to take back and operate such salons as company-owned. 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.

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 franchised and owned 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 product sales revenues and impact the health of our brands.

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, or the outcome of income examinations.

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.

Empire Education Group is unsuccessful, our financial results may be affected.

As of June 30, 2019, we maintain a 55% ownership stake in Empire Education Group (EEG), an operator of accredited cosmetology schools. Due to poor financial performance we fully impaired the investment in prior years. 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 investment.

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 employment agreement may end before the Company's multi-year strategic transformation is complete, and or a succession plan has formalized.

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. We announced in the third quarter of fiscal year 2019 that we have signed a lease for new corporate office space in Minneapolis, Minnesota and plan to sell the Edina campus.

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

In fiscal year 2019, the Company sold its distribution centers located in Chattanooga, Tennessee and Salt Lake City, Utah and signed long-term leases to continue to operate in the locations. The Chattanooga facility utilizes 230,000 square feet while the Salt Lake City facility utilizes 210,000 square feet.

The Company also leases the premises in which approximately 94% of our franchisees operate and has entered into corresponding sublease arrangements with the franchisees. Generally, 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.

The Company operates all of its salon company-owned 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.

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."

As of August 9, 2019, Regis shares were owned by approximately 10,000 shareholders based on the number of record holders and an estimate of individual participants in security position listings. The closing stock price was $18.00 per share on August 9, 2019.

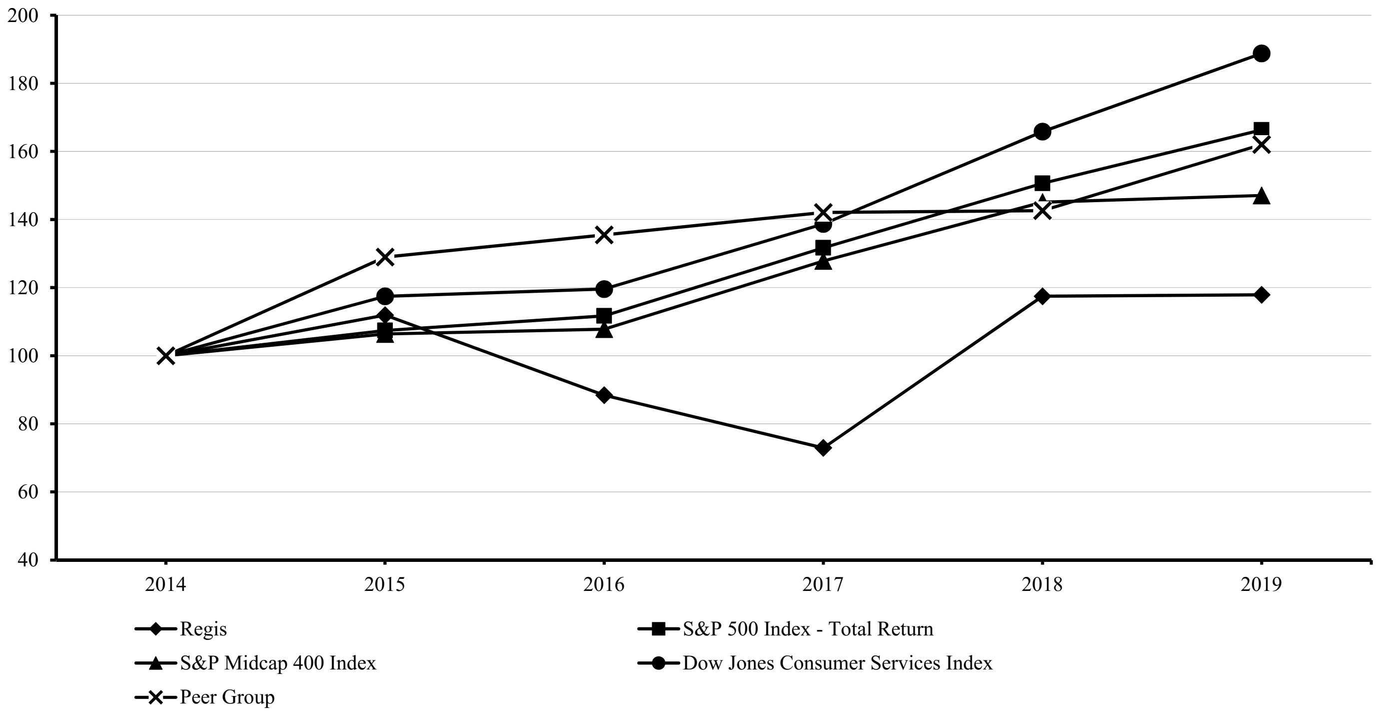
In accordance with its capital allocation policy, the Company does not pay dividends.

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., Cracker Barrel Old Country Store, DineEquity, Inc., Fossil Group, Inc., Fred's, Inc., Jack in the Box, Inc., Penn National Gaming, Inc., Revlon, Inc., Sally Beauty Holdings, Inc., Service Corporation International, The Cheesecake Factory, Inc. and Ulta Salon, Cosmetics & Fragrance Inc. 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. Information regarding executive compensation will be set forth in the 2019 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, 2014 and that dividends, if any, were reinvested.

Comparison of 5 Year Cumulative Total Return
Assumes Initial Investment of $100
June 2019



	June 30,					
	2014	2015	2016	2017	2018	2019
Regis	$ 100.00	$ 111.93	$ 88.42	$ 72.94	$ 117.47	$ 117.90
S & P 500	100.00	107.42	111.71	131.70	150.64	166.33
S & P 400 Midcap	100.00	106.40	107.81	127.83	145.09	147.07
Dow Jones Consumer Services Index	100.00	117.44	119.59	138.70	165.84	188.79
Peer Group	100.00	128.99	135.51	142.07	142.60	162.03

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, 2019, the Board has authorized $650.0 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, 2019, 28.5 million shares have been cumulatively repurchased for $569.1 million, and $80.9 million remained outstanding under the approved stock repurchase program.

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

	Fiscal Years		
	2019	2018	2017
Repurchased Shares	8,605,430	1,469,057	—
Average Price (per share)	$17.94	$16.86	$ —
Price range (per share)	$15.29 - $19.75	$15.55 - $17.90	$ —
Total	$154.4 million	$24.8 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, 2019:

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)
4/1/19 - 4/30/19	204,451	$ 19.41	26,093,201	$ 125,166
5/1/19 - 5/31/19	1,444,752	18.91	27,537,953	97,846
6/1/19 - 6/30/19	932,704	18.17	28,470,657	80,899
Total	2,581,907	$ 18.68	28,470,657	$ 80,899

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				
	2019	2018	2017	2016	2015
	(Dollars in thousands, except per share data)				
Revenues	$ 1,069,039	$ 1,235,479	$ 1,292,800	$ 1,314,762	$ 1,311,360
Operating (loss) income (a)	(22,119)	(5,139)	12,550	21,865	4,220
(Loss) income from continuing operations(a)	(20,122)	59,621	(3,295)	(8,085)	(32,704)
(Loss) Income from continuing operations per diluted share	(0.48)	1.27	(0.07)	(0.17)	(0.59)

	June 30,				
	2019	2018	2017	2016	2015
	(Dollars in thousands)				
Total assets, including discontinued operations	$ 682,837	$ 856,735	$ 1,011,488	$ 1,036,761	$ 1,162,015
Long-term debt, including current portion	119,810	90,000	120,599	120,435	120,000

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

- During fiscal year 2019, the Company recorded a $21.8 million restructuring charge related to TBG mall locations (See Note 3 to the Consolidated Financial Statements), $4.6 million of non-cash fixed asset impairment charges and $2.9 million of net gain on salons sold to franchisees.

- 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.

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) franchises, owns and operates beauty salons. As of June 30, 2019, the Company franchised, owned or held ownership interests in 7,145 worldwide locations. Our locations consisted of 7,059 system-wide North American and International salons, and in 86 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, 2019, we had approximately 20,000 corporate employees worldwide. See discussion within Part I, Item 1.

In October 2018, 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. See Note 3 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.

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. A summary of costs associated with the SmartStyle salon restructuring for fiscal year 2018 is as follows:

(Dollars in thousands)	Financial Line Item	Fiscal Year 2018
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.

As part of the Company's strategic transition to a franchise focused business the Company is selling salons to franchisees. The impact of these transactions are as follows:

(Dollars in thousands)	Twelve Months Ended June 30, 2019	2018	2017	(Decrease) Increase 2019	2018
Salons sold to franchisees (1)	767	1,582	99	(815)	1,483
Cash proceeds received	$ 94,787	$ 11,582	$ 2,253	$ 83,205	$ 9,329
Gain on sale of venditions, excluding goodwill derecognition	$ 69,973	$ 4,140	$ 492	$ 65,833	$ 3,648
Non-cash goodwill derecognition	(67,055)	(3,899)	—	63,156	(3,899)
Gain from sale of salon assets to franchisees, net	$ 2,918	$ 241	$ 492	$ 2,677	$ (251)

(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 International segment, representing approximately 250 salons in the UK, to The Beautiful Group (TBG).

RESULTS OF OPERATIONS

The Company reports its operations in two operating segments: Franchise salons and Company-owned salons, effective October 2017. 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 discontinued operations for all periods presented. Discontinued operations are discussed at the end of this section. See Note 3 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K for further discussion on this transaction.

The Company realigned its field leadership team beginning in the first quarter of fiscal year 2018. An outcome of this reorganization is that the costs associated with senior district leaders were moved out of cost of goods sold and site operating expense and into G&A. This change affected one month of comparability during the fiscal year ended June 30, 2018. The estimated impact of the field reorganization (decreased) increased Cost of Service, Site Operating expense and General and Administrative expense by $(2.4), $(0.4) and $2.8 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 (loss) income or cash flows from operations.

System-wide results

As we transition to an asset-light franchise platform our results will be more impacted by our system-wide sales, which include sales by all points of distribution, whether owned by the Company or our franchisees. While we do not record sales by franchisees as revenue, and such sales are not included in our consolidated financial statements, we believe that this operating measure is important in obtaining an understanding of our financial performance. We believe system-wide sales information aids in understanding how we derive royalty revenue and in evaluating performance.

System-wide same-store sales by concept are detailed in the table below:

	Twelve Months Ended June 30,		
	2019	**2018**	**2017**
SmartStyle	1.0 %	(0.2)%	(0.4)%
Supercuts	(0.2)	1.9	1.2
Signature Style	(0.8)	0.5	(1.5)
Total, excluding TBG mall-locations	(0.1)%	NA	NA
TBG mall-locations	(4.5)	NA	NA
Total	(0.5)%	0.9 %	(0.2)%

____

(1) System-wide same-store sales are calculated as the total change in sales for system-wide company-owned and franchise locations for more than one year (including TBG mall locations in 2019) that were open on a specific day of the week during the current period and the corresponding prior period. Year-to-date system-wide same-store sales are the sum of the system-wide same-store sales computed on a daily basis. Franchise salons that do not report daily sales are excluded from same-store sales. 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. System-wide same-store sales are calculated in local currencies to remove foreign currency fluctuations from the calculation.

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							
	2019	2018	2017	2019	2018	2017	2019	2018
	(Dollars in millions)			% of Total Revenues (1)			Basis Point (Decrease) Increase	
Service revenues	$ 749.7	$ 899.3	$ 960.8	70.1%	72.8%	74.3%	(270)	(150)
Product revenues	225.6	258.7	259.9	21.1	20.9	20.1	20	80
Franchise royalties and fees	93.8	77.4	72.1	8.8	6.3	5.6	250	70
Cost of service (2)	452.8	530.6	610.4	60.4	59.0	63.5	140	(450)
Cost of product (2)	128.8	140.6	126.3	57.1	54.3	48.6	280	570
Site operating expenses	141.0	154.1	153.7	13.2	12.5	11.9	70	60
General and administrative	177.0	174.0	157.3	16.6	14.1	12.2	250	190
Rent	131.8	183.1	180.5	12.3	14.8	14.0	(250)	80
Depreciation and amortization	37.8	58.2	52.1	3.5	4.7	4.0	(120)	70
TBG restructuring	21.8	—	—	2.0	—	—	200	—
Operating (loss) income	(22.1)	(5.1)	12.6	(2.1)	(0.4)	1.0	(170)	(140)
Interest expense	(4.8)	(10.5)	(8.6)	(0.4)	(0.8)	(0.7)	40	(10)
Gain on sale of salon assets to franchisees, net	2.9	0.2	0.5	0.3	—	—	30	—
Interest income and other, net	1.7	5.2	1.5	0.2	0.4	0.1	(20)	30
Income tax benefit (expense) (3)	2.1	69.8	(9.2)	9.6	685.0	155.6	N/A	N/A

(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. 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:

	Fiscal Years		
	2019	2018	2017
	(Dollars in thousands)		
Company-owned salons			
SmartStyle	$ 208,531	$ 283,942	$ 290,098
Supercuts	383,380	463,644	524,420
Signature Style	323,462	356,796	375,571
Total Company-owned salons	915,373	1,104,382	1,190,089
Company-owned salon same-store sales (decrease) increase (1)	(0.4)%	0.3 %	(0.9)%
Franchise salons			
Product excluding TBG	42,915	34,638	30,623
TBG product	16,990	19,065	—
Total franchise product	59,905	53,703	30,623
Royalties and fees	93,761	77,394	72,088
Total franchise salons revenue	153,666	131,097	102,711
Franchise same-store sales, excluding TBG mall locations (2)	0.3 %	N/A	N/A
Franchise salon same-store sales (decrease) increase (2)	(0.7)%	2.1 %	1.3 %
Consolidated revenues	$ 1,069,039	$ 1,235,479	$ 1,292,800
Percent change from prior year	(13.5)%	(4.4)%	(1.7)%

(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. 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.

(2) Franchise same-store sales are calculated as the total change in sales for salons that have been a franchise location for more than one year that were open on a specific day of the week during the current period and the corresponding prior period. Franchise same-store sales are the sum of the franchise same-store sales computed on a daily basis. Franchise salons that do not report daily sales are excluded from same-store sales. 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. Franchise same-store sales are calculated in local currencies to remove foreign currency fluctuations from the calculation. TBG is not included in 2018 same-store sales as it was not a franchise location in the previous year. As of June 27, 2019, TBG North American mall locations are no longer franchise locations so they will not be included in same store sales going forward.

Decreases in consolidated revenues were driven by the following:

Factor	Fiscal Years	
	2019	2018
Company-owned same-store sales	(0.3)%	0.4 %
Closed salons	(4.3)	(3.9)
Salons sold to franchisees	(9.1)	(2.8)
New company-owned stores	0.1	0.2
Franchise product and royalties and fees	0.2	—
Franchise same-store sales (1)	—	—
TBG product, royalties and fees	(0.1)	1.6
Advertising fund	0.6	—
Foreign currency	(0.3)	0.3
Other	(0.3)	(0.2)
Total	(13.5)%	(4.4)%

(1) Franchise same-store sales increase (decrease) franchise royalties. As we transition to the asset-light franchise platform, franchise same-store sales will become more significant to consolidated revenues.

Fiscal Year Ended June 30, 2019 Compared with Fiscal Year Ended June 30, 2018

Consolidated Revenues

Consolidated revenues are primarily comprised of service and product revenues, as well as franchise royalties and fees. Service revenue declined $149.7 million, or 16.6%, primarily due to the sale of salons to franchisees and a decline in company-owned same-store service sales of 0.3%. We closed 133 company-owned salons, constructed (net of relocations) 10 company-owned salons and sold (net of buybacks) 735 company-owned salons during fiscal year 2019 (2019 Net Salon Count Changes). Product revenue decreased $33.1 million or 12.8% due to lower sales to TBG and a system-wide decline of retail sales of 2.4% excluding TBG. Partially offsetting these decreases was an increase in royalty and fee revenue of $16.4 million, or 21.1%, due to the net addition of 644 non-TBG franchisees during the year.

Service Revenues

The $149.7 million decrease in service revenues during fiscal year 2019 was primarily due to the 2019 Net Salon Count Changes and a decrease in company-owned same-store service sales of 0.3% which was primarily a result of a 4.7% decrease in same-store guest visits, partially offset by a 4.4% increase in average ticket price. Service revenues were also unfavorably impacted by a cumulative adjustment in the prior year related to discontinuing a piloted loyalty program that occurred in the prior year.

Product Revenues

The $33.1 million decrease in product revenues during fiscal year 2019 was primarily due to 2019 Net Salon Count Changes, a decline in product sold to TBG, the lapping of a one-time benefit related to discounted close-out product sales as part of the SmartStyle operational restructuring in the prior year and a decline in system-wide same-store product sales excluding TBG of 2.4%. The decrease in system-wide same-store product sales excluding TBG was primarily a result of a 6.0% decrease in transactions, partially offset by an increase in average ticket price of 3.6%.

Royalties and Fees

The increase of $16.4 million in royalties and fees during fiscal year 2019 was primarily due to higher royalties and advertising fund revenue due to an increase of 644 non-TBG franchisees in fiscal year 2019 and an increase of 0.3% in same-store sales at franchised locations excluding TBG.

Cost of Service

The 140 basis point increase in cost of service as a percent of service revenues during fiscal year 2019 was primarily due to state minimum wage increases, a favorable shrink adjustment in the prior year and a one-time benefit from a settlement in fiscal year 2018.

Cost of Product

The 280 basis point increase in cost of product as a percent of product revenues during fiscal year 2019 was primarily due to higher discounting, the shift to lower margin wholesale product sales, favorable shrink adjustment in the prior year and a one-time benefit from a settlement in the prior year, partially offset by inventory reserves in the prior year related to the January 2018 SmartStyle portfolio restructure and lower franchise product sold to TBG. Margins on retail product sales were 50.8% and 52.0% in fiscal years 2019 and 2018, respectively. Margins on wholesale product sales were 21.2% and 21.6% in fiscal years 2019 and 2018, respectively.

Site Operating Expenses

Site operating expenses decreased $13.0 million during fiscal year 2019 due primarily to the 2019 Net Salon Count Changes, partially offset by higher advertising fund expense due to the increase in franchise salon counts, higher employment litigation reserves and higher contract maintenance, repairs and services costs related to open salons.

General and Administrative

General and administrative expense (G&A) increased $3.0 million during fiscal year 2019 primarily due to an $8.0 million gain in the prior year associated with life insurance proceeds, increased stock compensation and professional fees, partially offset by lower administrative, corporate and field salaries and bonuses.

Rent

Rent expense decreased by $51.3 million during fiscal year 2019 primarily due to lease termination fees and other related closure costs associated with the January 2018 SmartStyle portfolio restructure and the 2019 Net Salon Count Changes, partially offset by rent inflation.

Depreciation and Amortization

Depreciation and amortization expense (D&A) decreased $20.4 million during fiscal year 2019, primarily due to costs in the prior year associated with returning certain SmartStyle locations to their pre-occupancy condition in connection with the January 2018 SmartStyle restructuring and lower depreciation due to a reduced salon base and lower salon asset impairments.

TBG Mall Location Restructuring

In fiscal year 2019, the Company recorded a reserve against a note receivable of $8.0 million and accounts receivables of $12.7 million due from TBG based on TBG's inability to meet the requirements of the promissory notes, including non-payment of amounts due to the Company. The $8.0 million note relates to prior year inventory shipments and the $12.7 million of receivables primarily relates to current year inventory shipments. The remaining charge relates to reserves in connection with the settlement agreement with TBG in June 2019. There were no related TBG mall restructuring charges in fiscal year 2018.

Interest Expense

Interest expense decreased by $5.7 million during fiscal year 2019 primarily due to a lower outstanding principal and lower interest rates associated with the revolving credit facility compared to the retired senior term note and the lapping of the premium and unamortized debt discount expense associated with retirement of the senior term note in March 2018.

Gain from sale of salon assets to franchisees, net

In fiscal year 2019, the gain from sale of salon assets to franchisees was $2.9 million, including non-cash goodwill derecognition of $67.1 million. In fiscal year 2018, the gain from the sale of salons assets to franchisees was $0.2 million, including $3.9 million of non-cash goodwill derecognition.

Interest Income and Other, net

The $3.5 million decrease in interest income and other, net during fiscal year 2019 was primarily due to prior year income from transition services related to TBG and the lapping of interest income associated with life insurance contracts settled in June 2018.

Income Taxes

During fiscal year 2019, the Company recognized an income tax benefit of $2.1 million on $22.3 million of loss from continuing operations before income taxes as compared to recognizing income tax benefit of $69.8 million on $10.2 million of loss from continuing operations before income taxes during fiscal year 2018. The recorded tax provision and effective tax rate for the twelve months ended June 30, 2019 were different than what would normally be expected primarily due to 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.

Income (Loss) from Discontinued Operations, Net of Income Taxes

Income from TBG discontinued operations was $5.9 million during fiscal year 2019 primarily due to tax benefits associated with the wind-down and transfer of legal entities. During fiscal year 2018, the Company recognized $53.2 million of loss, net of taxes from TBG 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 3 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

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

Consolidated Revenues

Consolidated revenues are primarily comprised of service and product revenues, as well as franchise royalties and fees. Service revenue declined $61.4 million, or 6.4%, and product revenue declined $1.2 million, or 0.5%, primarily due to salon count. Royalty and fee revenue increased $5.3 million or 7.4% due to the increase in franchise locations. 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 $61.4 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.

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 $5.3 million in royalties and fees during fiscal year 2018 was primarily due to the increase of 1,468 in franchised locations and same-store sales increases at franchised locations.

Cost of Service

The 450 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 170 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 570 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, the shift to lower margin wholesale product sales 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. Margins on retail product sales were 52.0% and 54.8% in fiscal years 2018 and 2017, respectively. Margins on wholesale product sales were 21.6% and 25.9% in fiscal years 2018 and 2017, respectively.

Site Operating Expenses

Site operating expenses increased $0.4 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.

Gain From Sale of Salon Assets to Franchisees, net

In fiscal year 2018, the gain from the sale of salons assets to franchisees was $0.2 million compared to $0.5 million in fiscal year 2017. The Company sold 1,581 and 100 salons to franchisees in 2018 and 2017, respectively. The decrease in the gain from sales is due to the mix of salons sold.

Interest Income and Other, net

The $3.7 million increase in interest income and other, net during fiscal year 2018 was primarily due to income from transition services related to TBG and incremental interest income, 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 $69.8 million on $10.2 million of loss from continuing operations before income taxes as compared to recognizing income tax expense of $9.2 million on $5.9 million of income from continuing operations before income taxes 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. 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.

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. In fiscal year 2017 the loss from discontinued operations represents the mall-based and International segment's loss from operations. See Note 3 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 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				
	2019	2018	2017	2019	2018
	(Dollars in millions)			Increase (Decrease)	
Total revenue	$ 915.4	$ 1,104.4	$ 1,190.1	$ (189.0)	$ (85.7)
Same-store sales	(0.4)%	0.4%	(0.1)%	(70 bps)	50 bps
Operating income	$ 58.3	$ 50.5	$ 78.9	$ 7.8	$ (28.4)

Company-owned Salon Revenues

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

	Fiscal Years	
Factor	2019	2018
Same-store sales	(0.4)%	0.4 %
Closed salons	(4.5)	(4.1)
Salons sold to franchisees	(11.8)	(3.7)
New stores	0.1	0.2
Foreign currency	(0.3)	0.3
Other	(0.2)	(0.3)
Total	(17.1)%	(7.2)%

Fiscal Year Ended June 30, 2019 Compared with Fiscal Year Ended June 30, 2018

Company-owned Salons Revenues

Company-owned salon revenues decreased $189.0 million in fiscal year 2019 primarily due to the 2019 Net Salon Count Changes and same-store sales decrease of 0.4%. The same-store sales decrease was due to a 4.7% decrease in same-store guest visits, partially offset by a 4.3% increase in average ticket price.

Company-owned Salon Operating Income

Company-owned salon operating income increased $7.8 million during fiscal year 2019 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, and field general and administrative savings primarily due to lower headcount. These increases were partially offset by the 2019 Net Salon Count Changes, state minimum wage increases, rent inflation and marketing investments.

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

Company-owned Salons Revenues

Company-owned salon revenues decreased $85.7 million in fiscal year 2018 primarily due to the 2018 Net Salon Count Changes, partly offset by same-store sales increase of 0.4%. The same-store sales decrease 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 $28.4 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.

Franchise Salons

	Fiscal Years				
	2019	2018	2017	2019	2018
	(Dollars in millions)			Increase (Decrease)	
Revenue					
Product	$ 42.9	$ 34.6	$ 30.6	$ 8.3	$ 4.0
Product sold to TBG	17.0	19.1	—	(2.1)	19.1
Total Product	$ 59.9	$ 53.7	$ 30.6	$ 6.2	$ 23.1
Royalties and fees (1)	93.8	77.4	72.1	16.4	5.3
Total franchise salons revenue (2)	$ 153.7	$ 131.1	$ 102.7	$ 22.6	$ 28.4
Operating income	$ 36.4	$ 34.0	$ 32.4	$ 2.4	$ 1.6
Operating (loss) income from TBG	(20.2)	1.6	—	(21.9)	1.6
Total operating income (2)	$ 16.1	$ 35.6	$ 32.4	$ (19.5)	$ 3.2

(1) Includes $1.6 million and $1.2 million of royalties related to TBG during the fiscal years 2019 and 2018, respectively.

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

Increases in Franchise revenues were driven by the following:

	Fiscal Years	
Factor	2019	2018
Same-store sales	0.1%	0.6%
Franchise product	(0.6)	(1.5)
Franchise royalties and fees	1.9	0.6
TBG product, royalties and fees	(1.2)	19.7
Closed salons	(1.5)	(1.3)
Advertising fund	5.5	0.6
Foreign currency	(0.4)	0.4
Salons sold to franchisees and new salons	13.4	8.5
	17.2%	27.6%

Fiscal Year Ended June 30, 2019 Compared with Fiscal Year Ended June 30, 2018

Franchise Salon Revenues

Franchise salon revenues increased $22.6 million during fiscal year 2019 due to a $8.3 million increase in franchise product sales and a $16.4 million increase in royalties and fees as a result of higher franchise salons counts, partially offset by lower product sales to TBG. Our franchisees constructed (net of relocations) 65 salons, purchased (net of Company buybacks) 735 salons from the Company and closed 156 salons (excluding TBG mall locations).

Franchise Salon Operating Income

Franchise salon operating income excluding TBG increased $2.4 million due to higher product and royalty revenue as a result of the increase in franchise salon count. Franchise salon operating income including TBG, decreased $19.5 million during fiscal year 2019 due to the TBG restructuring charge of $21.8 million related primarily related to notes and accounts receivable reserves.

Cash Generated from Salons Sold to Franchisees

During fiscal years 2019 and 2018, the Company generated $94.8 million and $11.6 million of cash respectively, from the sale of company-owned salons to franchisees.

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

Franchise Salon Revenues

Franchise salon revenues increased $28.4 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 $5.3 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 963 salons, constructed (net of relocations) 65 salons and purchased (net of Company buybacks) 767 salons from the Company, including 1,132 salons previously included in the Company's mall-based business and International segment.

Franchise Salon Operating Income

Franchise salon operating income increased $3.2 million during fiscal year 2018 primarily due to the increased number of new franchised locations and increased franchise product sales.

Cash Generated from Salons Sold to Franchisees

During fiscal years 2018 and 2017, the Company generated $11.6 million and $2.3 million of cash respectively, from the sale of company-owned salons to franchisees.

Corporate

Fiscal Year Ended June 30, 2019 Compared with Fiscal Year Ended June 30, 2018

Corporate Operating Loss (1)

Corporate operating loss of $96.6 million increased $5.3 million during fiscal year 2019 primarily driven by a prior year gain of $8.0 million associated with life insurance proceeds, partly offset by savings realized from Company initiatives, including lowering headcount and lower incentive compensation.

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 gain of $8.0 million associated with life insurance proceeds and savings realized from Company initiatives, partly offset by higher incentive compensation and severance associated with terminations of former executives and professional fees in 2018.

---

(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 salons sold to franchisees, operating activities, available cash and cash equivalents, and our borrowing agreements are our most significant sources of liquidity.

As of June 30, 2019, cash and cash equivalents were $70.1 million, with $65.4 million, $4.5 and $0.2 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 $183.5 million was available as of June 30, 2019. 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 (used in) provided by Operating Activities

During fiscal year 2019, cash used in operating activities was $17.5 million primarily a result of a decline in Company-owned operating margin, strategic investment in new retail product lines and planned strategic G&A investments to enhance the Company's franchisor capabilities and support the increase in volume and cadence of transactions and conversions into the Franchise portfolio, partially offset by the elimination of certain general and administrative costs.

During fiscal year 2018, cash provided by operating activities was $2.6 million primarily due to operating margin, partially offset by the payment of lease termination and other related closure costs associated with the Company's January 2018 SmartStyle portfolio restructures.

During fiscal year 2017, cash provided by operating activities of $58.3 million was primarily due to cash provided by salon operations.

Cash Flows from Investing Activities

During fiscal year 2019, cash provided by investing activities of $87.8 million, was primarily from cash proceeds from sale of salon assets of $94.8 million and proceeds from company-owned life insurance policies of $24.6 million, partially offset by capital expenditures of $31.6 million.

During fiscal year 2018, cash used in investing activities of $1.1 million, was primarily from capital expenditures of $30.7 million, partly offset by cash proceeds from company-owned life insurance policies of $18.1 million and cash proceeds from the sale of salon assets of $11.6 million.

During fiscal year 2017, cash used in investing activities of $30.2 million, was primarily from $33.8 million for capital expenditures, partly offset by cash proceeds from sale of salon assets of $2.3 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.

Cash Flows from Financing Activities

During fiscal year 2019, cash used in financing activities of $126.7 million was primarily for repurchase of common stock of $152.7 million and employee taxes paid for shares withheld of $2.5 million, partly offset by proceeds from the sale and lease back of the Company's distribution centers of $28.8 million.

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.

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	2019	2018	2019	2018
	(fiscal year)			(Dollars in thousands)	
Revolving credit facility	2023	3.65%	3.34%	$ 90,000	$ 90,000
Long-term lease liability	2034	3.30%	—%	17,354	—
Long-term lease liability	2034	3.70%	—%	11,556	—
				$ 118,910	$ 90,000

As of June 30, 2019 and 2018, the Company had $90.0 million of outstanding borrowings under a $295.0 million revolving credit facility. The unsecured five-year revolving credit facility 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 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.

In fiscal year 2019, the Company sold its Salt Lake City and Chattanooga Distribution Centers to an unrelated party. The Company is leasing the properties back for 15 years with the option to renew. As the Company plans to lease the property for more than 75% of its economic life, the sales proceeds received from the buyer-lessor are recognized as a financial liability. This financial liability is reduced based on the rental payments made under the lease that are allocated between principal and interest.

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)
2019	26.8%	1,120
2018	15.6%	(400)
2017	19.6%	60

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

The basis point increase in the debt to capitalization ratio as of June 30, 2019 compared to June 30, 2018 was primarily due to the repurchase of 8.6 million shares of common stock for $152.7 million.

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.

Contractual Obligations and Commercial Commitments

The following table reflects a summary of obligations and commitments outstanding by payment date as of June 30, 2019:

		Payments due by period			
Contractual Obligations	**Total**	**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	$ —
Lease liabilities (a)	29,810	1,925	3,974	4,082	21,234
Other long-term liabilities	8,600	1,656	1,785	1,457	3,702
Total on-balance sheet	128,410	3,581	5,759	95,539	24,936
Off-balance sheet(b):					
Operating lease obligations	617,814	202,159	267,120	109,678	38,857
Total off-balance sheet	617,814	202,159	267,120	109,678	38,857
Total	$ 746,224	$ 205,740	$ 272,879	$ 205,217	$ 63,793

(a) The total lease liability does not include interest. Payments due by period are the payments due per the lease agreement and include embedded interest. Therefore, the total payments do not equal the liability.

(b) In accordance with accounting principles generally accepted in the United States of America as of June 30, 2019, these obligations are not reflected in the Consolidated Balance Sheet. See Note 1 new lease accounting standard discussion.

On-Balance Sheet Obligations

Our debt obligations are primarily composed of our revolving credit facility at June 30, 2019.

Lease liabilities are related to sale and leaseback transactions for two distribution centers at June 30, 2019.

Other long-term liabilities of $8.6 million include $5.8 million related to a Nonqualified Deferred Salary Plan and a salary deferral program of $2.8 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, 2019, 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, 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, 2019. 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, 2019, the Board has authorized $650.0 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, 2019, 28.5 million shares have been cumulatively repurchased for $569.1 million, and $80.9 million remained outstanding under the approved stock repurchase program.

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, 2019 and 2018, the Company-owned reporting unit had $117.8 and $184.8 million of goodwill, respectively, and the Franchise reporting unit had $227.9 and $227.9 million of goodwill, respectively. See Note 5 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. The goodwill assessment involves a one-step comparison of the reporting unit's fair value to its carrying value, including goodwill ("Step 1"). 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.

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, proceeds from the sale of Company-owned salons to franchisees 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 engages third-party valuation consultants to assist in evaluating the Company's estimated fair value calculations. See Note 1 to the Consolidated Financial Statements.

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 related to continuing operations of $4.6 million, $11.1 million and $7.9 million for fiscal years 2019, 2018 and 2017, respectively 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 $70.7 and $68.6 million at June 30, 2019 and 2018, 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.

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.

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

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. In the past, the Company has used 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 adjusts in accordance with market conditions and the Company's short and long-term borrowing needs. As of June 30, 2019, the Company had an outstanding variable rate debt of $90.0 million. As of June 30, 2019, the Company did not have any outstanding interest rate swaps.

Foreign Currency Exchange Risk:

Over 91% of the operations 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, 2019, the Company did not have any derivative instruments to manage its foreign currency risk.

During fiscal years 2019, 2018 and 2017, 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 (the "Company") as of June 30, 2019 and June 30, 2018, and the consolidated statements of operations, of comprehensive income (loss), of sharehoders' equity, and of cash flows for each of the three years in the period ended June 30, 2019, 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, 2019 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, 2019 and June 30, 2018 and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2019 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, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers in 2019.

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 Control 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.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill Impairment Assessment - Company-Owned Reporting Unit

As described in Notes 1 and 5 to the consolidated financial statements, the Company's consolidated goodwill balance was $345.7 million at June 30, 2019, and the goodwill associated with the Company-owned reporting unit was $117.8 million. The Company performs its annual impairment assessment as of April 30. For the fiscal year 2019 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 units. The Company compared the carrying value of the reporting units, including goodwill, to their estimated fair value. Management disclosed that the results of these assessments indicated that the estimated fair value of the Company's reporting units exceeded their carrying value and the Company-owned reporting unit had headroom of approximately 20%. The fair value of the Company-owned reporting unit was determined based on a discounted cash flow analysis. The key assumptions used in determining fair value were the number and pace of salons sold to franchisees and proceeds for salon sales.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Company-owned reporting unit is a critical audit matter are there was significant judgment by management when developing the fair value measurement of the reporting unit. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's discounted future cash flow model and significant assumptions, including the number and pace of salons sold to franchisees and proceeds for salon sales. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Company's reporting units. These procedures also included, among others, testing management's process for determining fair value of the reporting unit; evaluating the appropriateness of the discounted future cash flow model; testing the completeness, accuracy, and relevance of underlying data used in the model; and evaluating the significant assumptions used by management, including number and pace of salons sold to franchisees and proceeds for salon sales. Evaluating management's assumptions related to the number and pace of salons sold to franchisees and proceeds for salon sales involved evaluating whether the assumptions used by management were reasonable considering current and past performance of the reporting unit and industry data and whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discounted future cash flow model.

/s/ PricewaterhouseCoopers LLP
Minneapolis, Minnesota
August 27, 2019

We have served as the Company's auditor since at least 1990. We have not been able to determine 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, 2019	June 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 70,141	$ 110,399
Receivables, net	30,143	52,430
Inventories	77,322	79,363
Other current assets	33,216	47,867
Total current assets	210,822	290,059
Property and equipment, net	78,090	99,288
Goodwill	345,718	412,643
Other intangibles, net	8,761	10,557
Other assets	34,170	37,616
Long-term assets held for sale (Note 1)	5,276	6,572
Total assets	$ 682,837	$ 856,735
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 47,532	$ 57,738
Accrued expenses	80,751	100,716
Total current liabilities	128,283	158,454
Long-term debt, net	90,000	90,000
Long-term lease liability	28,910	—
Other noncurrent liabilities	111,399	121,843
Total liabilities	358,592	370,297
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Common stock, $0.05 par value; issued and outstanding, 36,869,249 and 45,258,571 common shares at June 30, 2019 and 2018, respectively	1,843	2,263
Additional paid-in capital	47,152	194,436
Accumulated other comprehensive income	9,342	9,656
Retained earnings	265,908	280,083
Total shareholders' equity	324,245	486,438
Total liabilities and shareholders' equity	$ 682,837	$ 856,735

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

REGIS CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars and shares in thousands, except per share data)

	Fiscal Years		
	2019	2018	2017
Revenues:			
Service	$ 749,660	$ 899,345	$ 960,781
Product	225,618	258,740	259,931
Royalties and fees	93,761	77,394	72,088
	1,069,039	1,235,479	1,292,800
Operating expenses:			
Cost of service	452,827	530,582	610,384
Cost of product	128,816	140,623	126,297
Site operating expenses	141,031	154,067	153,668
General and administrative	177,004	174,045	157,335
Rent	131,816	183,096	180,478
Depreciation and amortization	37,848	58,205	52,088
TBG Restructuring (Note 3)	21,816	—	—
Total operating expenses	1,091,158	1,240,618	1,280,250
Operating (loss) income	(22,119)	(5,139)	12,550
Other (expense) income:			
Interest expense	(4,795)	(10,492)	(8,584)
Gain on sale of salon assets to franchisees	2,918	241	492
Interest income and other, net	1,729	5,199	1,471
(Loss) income from continuing operations before income taxes	(22,267)	(10,191)	5,929
Income tax benefit (expense)	2,145	69,812	(9,224)
(Loss) Income from continuing operations	(20,122)	59,621	(3,295)
Income (loss) from discontinued operations, net of income taxes (Note 3)	5,896	(53,185)	(15,244)
Net (loss) income	$ (14,226)	$ 6,436	$ (18,539)
Net income (loss) per share:			
Basic:			
(Loss) Income from continuing operations	$ (0.48)	$ 1.28	$ (0.07)
Income (loss) from discontinued operations	0.14	(1.14)	(0.33)
Net (loss) income per share, basic (1)	$ (0.34)	$ 0.14	$ (0.40)
Diluted:			
(Loss) income from continuing operations	$ (0.48)	$ 1.27	$ (0.07)
Income (loss) from discontinued operations	0.14	(1.13)	(0.33)
Net (loss) income per share, diluted (1)	$ (0.34)	$ 0.14	$ (0.40)
Weighted average common and common equivalent shares outstanding:			
Basic	41,829	46,517	46,359
Diluted	41,829	47,035	46,359

(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		
	2019	**2018**	**2017**
Net (loss) income	$ (14,226)	$ 6,436	$ (18,539)
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments during the period:			
Foreign currency translation adjustments	185	(168)	(1,889)
Reclassification adjustments for losses included in net (loss) income (Note 2)	—	6,152	—
Net current period foreign currency translation adjustments	185	5,984	(1,889)
Recognition of deferred compensation	(499)	336	157
Other comprehensive (loss) income	(314)	6,320	(1,732)
Comprehensive (loss) income	$ (14,540)	$ 12,756	$ (20,271)

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, 2016	46,154,410	$ 2,308	$ 207,475	$ 5,068	$ 292,073	$ 506,924
Net loss					(18,539)	(18,539)
Foreign currency translation adjustments				(1,889)		(1,889)
Exercise of SARs & stock options, net	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	273,580	493,345
Net income					6,436	6,436
Foreign currency translation adjustments				5,984		5,984
Stock repurchase program	(1,469,057)	(74)	(24,724)			(24,798)
Exercise of SARs & stock options, net	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)					67	67
Balance, June 30, 2018	45,258,571	2,263	194,436	9,656	280,083	486,438
Net loss					(14,226)	(14,226)
Foreign currency translation adjustments (Note 1)				185		185
Stock repurchase program	(8,605,430)	(431)	(154,114)			(154,545)
Exercise of SARs & stock options, net	22,263	1	(222)			(221)
Stock-based compensation			9,003			9,003
Recognition of deferred compensation (Note 10)				(499)		(499)
Net restricted stock activity	193,845	10	(1,951)			(1,941)
Minority interest (Note 1)					51	51
Balance, June 30, 2019	36,869,249	$ 1,843	$ 47,152	$ 9,342	$ 265,908	$ 324,245

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

REGIS CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands)

	Fiscal Years		
	2019	2018	2017
Cash flows from operating activities:			
Net income (loss)	$ (14,226)	$ 6,436	$ (18,539)
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Non-cash impairment related to discontinued operations	306	38,826	—
Depreciation and amortization	33,261	39,433	40,722
Depreciation related to discontinued operations	—	3,738	14,239
Equity in loss of affiliated companies	—	—	81
Deferred income taxes	(9,812)	(80,241)	7,962
Gain on life insurance proceeds	—	(7,986)	—
Gain from sale of salon assets to franchisees, net	(2,918)	(241)	(492)
Non-cash TBG restructuring charge (Note 3)	21,008	—	—
Loss on write down of inventories	—	—	5,905
Salon asset impairments (2)	4,587	11,092	11,366
Accumulated other comprehensive income reclassification adjustments (Note 3)	—	6,152	—
Stock-based compensation	9,003	8,269	13,142
Amortization of debt discount and financing costs	275	4,080	1,403
Other non-cash items affecting earnings	(903)	(294)	935
Changes in operating assets and liabilities (1):			
Receivables	(17,304)	(12,081)	724
Inventories	(8,492)	13,940	4,010
Income tax receivable	(703)	527	(535)
Other current assets	(783)	239	(899)
Other assets	(5,546)	(11,229)	(2,586)
Accounts payable	(5,836)	(1,103)	(684)
Accrued expenses	(20,158)	(10,940)	(13,056)
Other noncurrent liabilities	717	(6,027)	(5,362)
Net cash (used in) provided by operating activities	(17,524)	2,590	58,336
Cash flows from investing activities:			
Capital expenditures	(31,616)	(29,571)	(26,572)
Capital expenditures related to discontinued operations	—	(1,171)	(7,271)
Proceeds from sale of salon assets to franchisees	94,787	11,582	2,253
Proceeds from company-owned life insurance policies	24,617	18,108	876
Proceeds from sale of investment	—	—	500
Net cash (used in) provided by investing activities	87,788	(1,052)	(30,214)
Cash flows from financing activities:			
Borrowings on revolving credit facilities	—	90,000	—
Repayments of long-term debt	—	(124,230)	—
Repurchase of common stock	(152,661)	(24,798)	—
Proceeds from sale and lease back transactions	28,821	—	—
Sale and lease back transaction payments	(378)	—	—
Employee taxes paid for shares withheld	(2,477)	(2,413)	(3,698)
Settlement of equity awards	—	(794)	(3,151)
Net cash used in financing activities	(126,695)	(62,235)	(6,849)
Effect of exchange rate changes on cash and cash equivalents	35	(514)	935
(Decrease) increase in cash and cash equivalents	(56,396)	(61,211)	22,208
Cash and cash equivalents:			
Beginning of year	148,775	208,634	187,778
Cash and cash equivalents included in current assets held for sale	—	1,352	—
Beginning of year, total cash and cash equivalents	148,775	209,986	187,778
End of year	$ 92,379	$ 148,775	$ 209,986

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

(2) In fiscal year 2017, $3.4 million of salon asset impairments were classified as discontinued operations. There were no other significant non-cash activities related to discontinued operations in the years presented.

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") franchises, owns and operates hairstyling and hair care salons throughout the United States (U.S.), the United Kingdom (U.K.), Canada and Puerto Rico. The business is evaluated in two segments, Franchise salons and Company-owned salons. See Note 14 to the Consolidated Financial Statements. Franchised salons throughout the U.S. and Canada are primarily located in strip shopping centers or Walmart Supercenters. All salons in the U.K. are franchised locations and operate in leading department stores, mass merchants and high-street locations. 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 strip shopping centers or Walmart Supercenters.

During the first quarter of fiscal year 2018, 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 operated these locations as franchise locations until June 27, 2019. See additional discussion on these discontinued operations in Note 3 to the Consolidated Financial Statements.

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, 2019, 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, 2019, total assets, total liabilities and total shareholders' equity of Roosters were $9.6, $1.7 and $7.9 million, respectively. As of June 30, 2018, total assets, total liabilities and total shareholders' equity of Roosters were $8.3, $0.6, and $7.7 million. Net income attributable to the non-controlling interest in Roosters was immaterial for fiscal years 2019, 2018 and 2017. Shareholders' equity attributable to the non-controlling interest in Roosters was $1.0 million as of June 30, 2019 and 2018, respectively and recorded within retained earnings on the Consolidated Balance Sheet.

The Company accounts for its investment in Empire Education 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 EEG’s common stock, as well as the right to appoint four of the five members of EEG’s Board of Directors. The Company wrote off its investment balance in EEG in fiscal year 2016.

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, 2019 and 2018.

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, accounts and notes receivable from franchisees and receivables related to salons sold to franchisees. 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, 2019, 2018 and 2017, the allowance for doubtful accounts was $2.0, $1.2 and $0.8 million, respectively. With the exception of the TBG restructuring (Note 3), activity in the allowance for doubtful accounts during fiscal years 2019, 2018 and 2017 was not significant.

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.

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, 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. Activity in the inventory valuation reserves during fiscal years 2019, 2018 and2017 was not significant.

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 $31.9, $38.1 and $42.7 million in fiscal years 2019, 2018 and 2017, 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 three 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.

Non-Current Assets Held for Sale:

In March 2019, the Company announced that it had entered into a ten year lease for a new corporate headquarters and would be selling the land and buildings currently used for its headquarters. The non-current assets held for sale represent the net book value of the land of $1.7 and $1.7 million and buildings of $3.6 and $4.9 million, as of June 30, 2019 and June 30, 2018, respectively. No impairments were identified as of June 30, 2019.

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 related to continuing operations of $4.6, $11.1 and $7.9 million were recorded during fiscal years 2019, 2018 and 2017, respectively.

Goodwill:

As of June 30, 2019 and 2018, the Franchise salons reporting unit had $227.9 and $227.9 million of goodwill and the Company-owned reporting unit had $117.8 and $184.8 million of goodwill, respectively. See Note 5 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. The goodwill assessment involves a one-step comparison of the reporting unit's fair value to its carrying value, including goodwill ("Step 1"). 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.

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, proceeds from the sale of Company-owned salons to franchisees 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 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 2019

During the fiscal year 2019, the Company did not experience any trigger events that required an interim goodwill analysis. The Company performed its annual impairment assessment as of April 30. For the fiscal year 2019 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 Franchise and Company-owned 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 the Company's reporting units exceeded their carrying value. The Franchise reporting unit had substantial headroom and the Company-owned reporting unit had headroom of approximately 20%. The fair value of the Company-owned reporting unit was determined based on a discounted cash flow analysis. The key assumptions used in determining fair value were the number and pace of salons sold to franchisees and proceeds from salon sales. We selected the assumptions by considering our historical financial performance and trends, historical salon sale proceeds and estimated future salon sale activities. The preparation of our fair value estimate includes uncertain factors and requires significant judgments and estimates which are subject to change.

There are a number of uncertain factors or events that exist which may result in a future triggering event and require 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 salon strategy,
- Franchise expansion and sales opportunities,
- 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 20% 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, 2019, 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 approximately14%.

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 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 changed to 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 performed 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 similar to than those used in fiscal year 2019.

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. 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.

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. The Company's investments have no value as of June 30, 2019, 2018.

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 2019, 2018 and 2017, the Company recorded (increases) decreases in expense for changes in estimates related to prior year open policy periods of $(1.3), $1.2 and $1.6 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, 2019, the Company had $10.1 and $23.6 million recorded in current liabilities and noncurrent liabilities, respectively, related to the Company's self-insurance accruals. 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.

Deferred Rent and Rent Expense:

The Company leases its 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:

Franchise revenues primarily include royalties, advertising fund fees, and initial franchise fees. Royalties and advertising fund revenues represent sales-based royalties that are recognized as revenue in the period in which the sales occur. The Company defers franchise fees until the salon is open and then recognizes the revenue over the term of the franchise agreement. See Note 2.

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 delivered to franchise locations.

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.

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 year 2017) 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 year 2017) and janitorial costs.

General and administrative— costs associated with field supervision (fiscal years 2019 and 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 franchise and company-owned 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 $7.7, $6.1 and $3.7 million during fiscal years 2019, 2018 and 2017, 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 and Advertising Funds:

Advertising costs consist of the Company's corporate funded advertising costs, the Company's advertising fund contributions and Franchisee's advertising fund contributions. Corporate funded advertising costs are expensed as incurred. 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. Salons, both company-owned and franchise are required to participate in the advertising funds for 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. Advertising fund contributions are expensed when the contribution is made.

The Company's advertising costs are included in site operating expenses in the Consolidated Statement of Operations and consist of the following:

	Fiscal Years		
	2019	2018	2017
	(Dollars in thousands)		
Corporate funded advertising costs	$ 21,581	$ 19,803	$ 13,139
Advertising fund contributions from company-owned salons	12,929	16,834	17,158
Advertising fund contributions from franchisees	34,073	26,818	25,871
Total advertising costs	$ 68,583	$ 63,455	$ 56,168

The Company records all advertising funds as assets and liabilities within the Company's Consolidated Balance Sheet. As of June 30, 2019 and 2018, approximately $23.8 and $23.8 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.

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 $70.7 million and $68.6 million at June 30, 2019 and 2018, 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, 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 fiscal year 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 2019, 2018 and 2017, 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 Adopted by the Company:

Revenue from Contracts with Customers

In May 2014, the FASB issued amended guidance for revenue recognition which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Company retrospectively adopted these standards on July 1, 2018. The impact of these standards was applied to all periods presented and the cumulative effect of applying the standard was recognized at the beginning of the earliest period presented. See Note 2 to the unaudited Condensed Consolidated Financial Statements for additional information regarding the impact of the adoption of the revenue recognition guidance.

Restricted Cash

In November 2016, the FASB issued 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 are no longer presented in the statement of cash flows and a reconciliation between the balance sheet and statement of cash flows must be disclosed. The Company retrospectively adopted this guidance on July 1, 2018. The impact of this standard was applied to all periods presented. As a result of including restricted cash in the beginning and end of period balances, cash, cash equivalents and restricted cash presented in the statement of cash flows increased $22.2, $38.4 and $37.6 million as of June 30, 2019, 2018, and 2017, respectively.

Statement of Cash Flows

In August 2016, the FASB issued updated cash flow guidance clarifying cash flow classification and presentation for certain items. The Company retrospectively adopted this guidance on July 1, 2018. The adoption of this standard did not have a material impact on the Company's consolidated statement of cash flows.

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. In July 2018, the FASB issued ASU 2018-11, which provides companies with the option to apply the new lease standard either at the beginning of the earliest comparative period presented or in the period of adoption. The Company will elect this optional transition relief amendment that allows for a cumulative-effect adjustment in the period of adoption and will not restate prior periods. The Company will also elect the package of practical expedients that do not require reassessment of whether existing contracts are or contain leases, lease classification or initial direct costs. The Company has also made an accounting policy election to keep leases with an initial term of 12 months or less off the balance sheet. The Company is leveraging its lease management system to facilitate the adoption of this standard and is evaluating business processes and internal controls related to lease accounting to assist in the application of the new guidance.

The Company estimates adoption of the new standard will result in a right of use asset and lease liability of approximately $1.0 billion. The right of use asset and lease liability reflect a present value of the Company's current minimum lease payments for existing operating leases primarily relating to real estate leases, over a lease term, which includes one option as options are reasonably assured of being exercised, discounted using a collateralized incremental borrowing rate. The difference between the assets and liabilities will be attributable to the reclassification of certain existing lease-related assets and liabilities as an adjustment to the right-of-use assets. The Company will use the portfolio approach in applying the discount rate.

The accounting guidance for lessors will remain largely unchanged from previous guidance, with the exception of the presentation of rent expense that the Company passes through to certain franchisees. These costs are generally paid by the Company and reimbursed by the franchisee. Historically, these costs have been recorded on a net basis within rent expense in the consolidated statements of operations but will be presented gross upon adoption of the new guidance. The Company expects the adoption of the new guidance will result in the recognition of additional franchise rental income and franchise rent expense of approximately $110 million annually beginning in fiscal year 2020. The Company does not expect the adoption of the new guidance to have a material impact on net income, cash flows or compliance with debt agreements. The Company continues to evaluate the impact the adoption of this new guidance will have on financial statement disclosures, in addition to evaluating business processes and internal controls related to lease accounting to assist in the ongoing application of the new guidance.

2. REVENUE RECOGNITION:

In May 2014, the FASB issued amended guidance for revenue recognition which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Company adopted the amended revenue recognition guidance, ASC Topic 606, on July 1, 2018 using the full retrospective transition method which required the adjustment of each prior reporting period presented. As a result of adopting this new standard, the Company is providing its updated revenue recognition policies.

Revenue Recognition and Deferred Revenue:

Revenue recognized at point of sale
Company-owned salon revenues are recognized at the time when the services are provided. Product revenues for Company-owned salons 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) upon sale and recognized as revenue upon redemption by the customer. Gift card breakage, the amount of gift cards which will not be redeemed, is recognized proportional to redemptions using estimates based on historical redemption patterns. Product sales by the Company to its franchisees are included within product revenues in the Condensed Consolidated Statement of Operations and recorded at the time product is delivered to the franchisee. Payment for franchisee product revenue is generally collected within 30 days of delivery.

Revenue recognized over time
Franchise revenues primarily include royalties, advertising fund fees, franchise fees and other fees. Royalty and advertising fund revenues represent sales-based royalties that are recognized in the period in which the sales occur. Generally, royalty and advertising fund revenue is billed and collected monthly in arrears. Advertising fund revenues and expenditures, which must be spent on marketing and related activities per the franchise agreements, are recorded on a gross basis within the Condensed Consolidated Statement of Operations. This increases both the gross amount of reported franchise revenue and site operating expense and generally has no impact on operating income and net income. Franchise fees are billed and received upon the signing of the franchise agreement. Upon adoption of the new revenue recognition guidance, recognition of these fees is deferred until the salon opening and is then recognized over the term of the franchise agreement, typically ten years. Under previous guidance, the initial franchise fees were recognized in full upon salon opening.

The following table disaggregates revenue by timing of revenue recognition and is reconciled to reportable segment revenues as follows:

	Year ended June 30, 2019		Year ended June 30, 2018	
	Company-owned	Franchise	Company-owned	Franchise
	(in thousands)			
Revenue recognized at a point in time:				
Service	$ 749,660	$ —	$ 899,345	$ —
Product	165,713	59,905	205,037	53,703
Total revenue recognized at a point in time	$ 915,373	$ 59,905	$1,104,382	$ 53,703
Revenue recognized over time:				
Royalty and other franchise fees	$ —	$ 59,688	$ —	$ 50,576
Advertising fund fees	—	34,073	—	26,818
Total revenue recognized over time	—	93,761	—	77,394
Total revenue	$ 915,373	$ 153,666	$1,104,382	$ 131,097

Information about receivables, broker fees and deferred revenue subject to the amended revenue recognition guidance is as follows:

	June 30, 2019	June 30, 2018	Balance Sheet Classification
	(in thousands)		
Receivables from contracts with customers, net	$ 23,210	$ 21,504	Accounts receivable, net
Broker fees	$ 17,819	$ 14,002	Other assets
Deferred revenue:			
Current			
Gift card liability	$ 3,050	$ 3,320	Accrued expenses
Deferred franchise fees unopened salons	193	2,306	Accrued expenses
Deferred franchise fees open salons	4,164	3,030	Accrued expenses
Total current deferred revenue	$ 7,407	$ 8,656	
Non-current			
Deferred franchise fees unopened salons	$ 15,173	$ 11,161	Other non-current liabilities
Deferred franchise fees open salons	24,194	18,346	Other non-current liabilities
Total non-current deferred revenue	$ 39,367	$ 29,507	

Receivables relate primarily to payments due for royalties, franchise fees, advertising fees, and sales of salon services and product. The receivables balance is presented net of an allowance for expected losses (i.e., doubtful accounts), primarily related to receivables from franchisees. As of June 30, 2019 and June 30, 2018, the balance in the allowance for doubtful accounts was $2.0 million and $1.2 million, respectively. Broker fees are the costs associated with using external brokers to identify new franchisees. These fees are paid upon the signing of the franchise agreement and recognized as General and Administrative expense over the term of the agreement. The adoption of the amended revenue recognition guidance did not significantly change the Company's accounting for broker fees.

The following table is a rollforward of the broker fee balance for the periods indicated (in thousands):

Balance as of June 30, 2018	$ 14,002
Additions	5,976
Amortization	(1,625)
Write-offs	(534)
Balance as of June 30, 2019	$ 17,819

Deferred revenue includes the gift card liability and deferred franchise fees for unopened salons and open salons. Gift card revenue for the years ended June 30, 2019 and 2018 was $5.3 and $5.8 million, respectively. Deferred franchise fees related to open salons are generally recognized on a straight-line basis over the term of the franchise agreement. Franchise fee revenue for the twelve months ended June 30, 2019 and 2018 was $3.6 and $2.3 million, respectively. Estimated revenue expected to the recognized in the future related to deferred franchise fees for open salons as of June 30, 2019 is as follows (in thousands):

2020	$ 4,164
2021	3,898
2022	3,778
2023	3,602
2024	3,367
Thereafter	9,549
Total	$ 28,358

The amended revenue recognition guidance impacted the Company's previously reported financial statements as follows:

CONSOLIDATED BALANCE SHEET
June 30, 2018
(Dollars in thousands)

		Adjustments for new revenue recognition guidance				
	Previously Reported	Franchise Fees	Advertising Funds	Gift Card Breakage	Taxes	As Restated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 110,399	$ —	$ —	$ —	$ —	$ 110,399
Receivables, net	52,430	—	—	—	—	52,430
Inventories	79,363	—	—	—	—	79,363
Other current assets	47,867	—	—	—	—	47,867
Total current assets	290,059	—	—	—	—	290,059
Property and equipment, net	99,288	—	—	—	—	99,288
Goodwill	412,643	—	—	—	—	412,643
Other intangibles, net	10,557	—	—	—	—	10,557
Other assets	37,616	—	—	—	—	37,616
Non-current assets held for sale	6,572	—	—	—	—	6,572
Total assets	$ 856,735	$ —	$ —	$ —	$ —	$ 856,735
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ 57,738	$ —	$ —	$ —	$ —	$ 57,738
Accrued expenses	97,630	3,030	—	56	—	100,716
Total current liabilities	155,368	3,030	—	56	—	158,454
Long-term debt	90,000	—	—	—	—	90,000
Other noncurrent liabilities	107,875	18,346	—	—	(4,378)	121,843
Total liabilities	353,243	21,376	—	56	(4,378)	370,297
Commitments and contingencies						
Shareholders' equity:						
Common stock	2,263	—	—	—	—	2,263
Additional paid-in capital	194,436	—	—	—	—	194,436
Accumulated other comprehensive income	9,568	88	—	—	—	9,656
Retained earnings	297,225	(21,464)	—	(56)	4,378	280,083
Total shareholders' equity	503,492	(21,376)	—	(56)	4,378	486,438
Total liabilities and shareholders' equity	$ 856,735	$ —	$ —	$ —	$ —	$ 856,735

CONSOLIDATED STATEMENT OF OPERATIONS
For The Twelve Months Ended June 30, 2018
(Dollars and shares in thousands, except per share data amounts)

		Adjustments for new revenue recognition guidance				
	Previously Reported	Franchise Fees	Advertising Funds	Gift Card Breakage	Taxes	Adjusted
Revenues:						
Service	$ 899,051	$ —	$ —	$ 294	$ —	$ 899,345
Product	258,666	—	—	74	—	258,740
Royalties and fees	56,357	(5,781)	26,818	—	—	77,394
	1,214,074	(5,781)	26,818	368	—	1,235,479
Operating expenses:						
Cost of service	530,582	—	—	—	—	530,582
Cost of product	140,623	—	—	—	—	140,623
Site operating expenses	127,249	—	26,818	—	—	154,067
General and administrative	174,045	—	—	—	—	174,045
Rent	183,096	—	—	—	—	183,096
Depreciation and amortization	58,205	—	—	—	—	58,205
Total operating expenses	1,213,800	—	26,818	—	—	1,240,618
Operating income (loss)	274	(5,781)	—	368	—	(5,139)
Other (expense) income:						
Interest expense	(10,492)	—	—	—	—	(10,492)
Gain from sale of salon assets to franchisees, net	241	—	—	—	—	241
Interest income and other, net	6,429	—	—	(1,230)	—	5,199
Loss from continuing operations before income taxes	(3,548)	(5,781)	—	(862)	—	(10,191)
Income tax benefit	65,434	—	—	—	4,378	69,812
Income from continuing operations	61,886	(5,781)	—	(862)	4,378	59,621
Loss from TBG discontinued operations, net of taxes	(53,185)	—	—	—	—	(53,185)
Net income (loss)	$ 8,701	$ (5,781)	$ —	$ (862)	$ 4,378	$ 6,436
Net loss per share:						
Basic:						
Income from continuing operations (1)	$ 1.33	$ (0.12)	$ 0.00	$ (0.02)	$ 0.09	$ 1.28
Loss from TBG discontinued operations	(1.14)	0.00	0.00	0.00	0.00	(1.14)
Net loss per share, basic (1)	$ 0.19	$ (0.12)	$ 0.00	$ (0.02)	$ 0.09	$ 0.14
Diluted:						
Income from continuing operations (1)	$ 1.32	$ (0.12)	$ 0.00	$ (0.02)	$ 0.09	$ 1.27
Loss from TBG discontinued operations	(1.13)	0.00	0.00	0.00	0.00	(1.13)
Net loss per share, diluted (1)	$ 0.18	$ (0.12)	$ 0.00	$ (0.02)	$ 0.09	$ 0.14
Weighted average common and common equivalent shares outstanding:						
Basic	46,517	46,517	46,517	46,517	46,517	46,517
Diluted	47,035	47,035	47,035	47,035	47,035	47,035

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

3. TBG DISCONTINUED OPERATIONS AND RESTRUCTURING

The Beautiful Group (TBG):

In October 2017, the Company sold substantially all of its mall-based salon business in North America, representing 858 salons to The Beautiful Group (TBG), an affiliate of Regent, a private equity firm based in Los Angeles, California, who operated these locations as franchise locations until June 2019. In addition, the Company entered into a share purchase agreement for substantially all of its International segment, representing approximately 250 salons in the UK, with TBG who operates these locations as franchise locations.

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 fiscal 2018, the Company fully reserved for an $11.7 million promissory note due from TBG which related to amounts due as part of the original transaction (working capital and prepaid rent) as this promissory note included forgiveness clauses if certain conditions were met, that the Company believed would be met.

In fiscal 2019, the Company fully reserved for amounts due from TBG, primarily related to notes and accounts receivable for inventory TBG purchased from the Company and outstanding royalties due.

In June 2019, the Company entered into a settlement agreement with TBG regarding the US and Canadian salons, which, among other things, substitutes the master franchise agreement for a license agreement. Pursuant to the settlement agreement, the Company released and forgave TBG from amounts due related to inventory shipments, fees, services and accounts and notes receivables, plus accrued interest. The Company had previously reserved for such amounts due from TBG in fiscal 2018 and fiscal 2019.

The following summarizes the results of TBG related charges and TBG discontinued operations for the periods presented:

	Fiscal Years		
	2019	2018	2017
	(Dollars in thousands)		
Revenue	$ —	$ 101,140	$ 423,427
TBG Mall Restructuring:			
Accounts and notes receivable reserves	$ 20,711	$ —	$ —
Other charges	1,105	—	—
Total TBG mall restructuring	$ 21,816	$ —	$ —
TBG Discontinued Operations:			
Working capital and prepaid rent receivable reserve	$ —	$ 11,697	$ —
Other charges (1) (2) (3)	1,221	47,848	15,244
Loss from TBG discontinued operations, before taxes	1,221	59,545	15,244
Income tax expense (benefit) on TBG discontinued operations (4)	(7,117)	(6,360)	—
Loss (income) from TBG discontinued operations, net of tax	$ (5,896)	$ 53,185	$ 15,244

(1) In fiscal year 2019, the Company recorded professional fees related to the transaction as well as insurance adjustments associated with the discontinued operations.

(2) In fiscal year 2018, the Company recorded $43.0 million of asset impairment charges, $6.2 million of cumulative foreign currency translation adjustment, $3.6 million of loss from operations and $6.8 million of professional fees.

(3) In fiscal year 2017, the Company recorded a loss from operations.

(4) 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. As of June 30, 2019, prior to any mitigation efforts which may be available, the Company remains liable for up to $41 million associated with remaining TBG salon lease commitments, should TBG not perform. The Company is also potentially liable for up to $2.2 million of payments to assist with operating expenses over the next six months.

Smartstyle restructuring:

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. 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.

4. OTHER FINANCIAL STATEMENT DATA

The following provides additional information concerning selected balance sheet accounts:

	June 30, 2019	June 30, 2018
	(Dollars in thousands)	
Other current assets:		
Prepaids	$ 9,527	$ 8,619
Restricted cash	22,238	38,375
Other	1,451	873
	$ 33,216	$ 47,867
Property and equipment:		
Land	$ —	$ 2,217
Buildings and improvements	29,165	48,265
Equipment, furniture and leasehold improvements	309,561	390,852
Internal use software	67,465	66,046
	406,191	507,380
Less accumulated depreciation and amortization	(328,101)	(408,092)
	$ 78,090	$ 99,288
Accrued expenses:		
Payroll and payroll related costs	$ 34,909	$ 53,949
Insurance	12,935	12,891
Rent and related real estate costs	6,332	5,273
Other	26,575	28,603
	$ 80,751	$ 100,716
Other noncurrent liabilities:		
Deferred income taxes	$ 17,924	$ 27,851
Deferred rent	14,006	20,613
Insurance	23,565	25,804
Deferred benefits	12,457	13,377
Deferred franchise fees	39,367	29,507
Other	4,080	4,691
	$ 111,399	$ 121,843

The following provides additional information concerning other intangibles, net:

	June 30,							
	2019				2018			
	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	33	$ 6,909	$ (3,659)	$ 3,250	31	$ 8,128	$ (4,260)	$ 3,868
Franchise agreements	19	9,783	(8,057)	1,726	19	9,763	(7,712)	2,051
Lease intangibles	20	13,490	(10,065)	3,425	20	13,997	(9,770)	4,227
Other	20	883	(523)	360	21	1,983	(1,572)	411
Total	22	$ 31,065	$ (22,304)	$ 8,761	22	$ 33,871	$ (23,314)	$ 10,557

(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 2019, 2018 and 2017 was approximately $1.3 million in each year. As of June 30, 2019, future estimated amortization expense related to intangible assets is estimated to be:

Fiscal Year	(Dollars in thousands)
2020	$ 1,265
2021	1,142
2022	1,096
2023	934
2024	777
Thereafter	3,547
Total	$ 8,761

The following provides supplemental disclosures of cash flow activity:

	Fiscal Years		
	2019	2018	2017
	(Dollars in thousands)		
Cash paid (received) for:			
Interest	$ 4,408	$ 7,022	$ 7,293
Taxes and penalties, net	2,096	2,397	2,314
Noncash investing activities:			
Unpaid capital expenditures	3,873	9,209	2,774

5. GOODWILL

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

	June 30,					
	2019			2018		
	Gross Carrying Value (2)	Accumulated Impairment (1)	Net	Gross Carrying Value (2)	Accumulated Impairment (1)	Net
	(Dollars in thousands)					
Goodwill	$ 419,818	$ (74,100)	$ 345,718	$ 486,743	$ (74,100)	$ 412,643

(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 goodwill derecognized for salons sold to franchisees and 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, 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
Translation rate adjustments	57	73	130
Derecognition related to sale of salon assets to franchisees (1)	(67,055)	—	(67,055)
Goodwill, net at June 30, 2019	$ 117,790	$ 227,928	$ 345,718

(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.

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, 2019 and June 30, 2018, 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, 2019 and 2018, the estimated fair value of the Company's debt was $90.0 million which approximated its carrying value. As of June 30, 2019 the estimated fair value of the long-term financial liability was $28.9 million which approximated its carrying value. The estimated fair value of the Company's debt and long-term financial liability are 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.

6. FAIR VALUE MEASUREMENTS (Continued)

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

	Fiscal Year		
	2019	2018	2017
	(Dollars in thousands)		
Long-lived assets (1)	(4,587)	$ (11,092)	$ (7,943)

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

7. FINANCING ARRANGEMENTS

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

	Maturity Date (fiscal year)	Interest rate % Fiscal Years 2019	Interest rate % Fiscal Years 2018	June 30, 2019 (Dollars in thousands)	June 30, 2018 (Dollars in thousands)
Revolving credit facility	2023	3.65%	3.34%	$ 90,000	$ 90,000

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, 2019.

Revolving Credit Facility

As of June 30, 2019 and 2018, the Company had $90.0 million of outstanding borrowings under a $295.0 million revolving credit facility. The unsecured five-year revolving credit facility 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 connection with entering into the revolving credit facility, 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.

At June 30, 2019, the Company has outstanding standby letters of credit under the Revolving Credit Facility of $21.5 million primarily related to the Company's self-insurance program, therefore, unused available credit under the facility was $183.5 million.

Senior Term Notes

In fiscal year 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.

Sale and Leaseback Transactions

In fiscal year 2019, the Company sold its Salt Lake City and Chattanooga Distribution Centers to an unrelated party. The Company is leasing the properties back for 15 years with the option to renew. As the Company plans to lease the property for more than 75% of its economic life, the sales proceeds received from the buyer-lessor are recognized as a financial liability. This financial liability is reduced based on the rental payments made under the lease that are allocated between principal and interest. As of June 30, 2019, the current portion of the Company’s lease liabilities was $0.9 million.

The Company’s long-term lease liability consists of the following:

	Maturity Date (Fiscal Year)	Interest Rate	June 30, 2019 (Dollars in thousands)	June 30, 2018 (Dollars in thousands)
Financial liability - Salt Lake City Distribution Center	2034	3.30%	$ 17,354	$ —
Financial liability - Chattanooga Distribution Center	2034	3.70%	11,556	—
Long-term lease liability			$ 28,910	$ —

As of June 30, 2019, future lease payments due are as follows:

	Salt Lake City	Chattanooga
2020	$ 1,120	$ 805
2021	1,157	817
2022	1,171	829
2023	1,186	842
2024	1,200	854
Thereafter	11,952	9,282
Total	$ 17,786	$ 13,429

The lease liability does not include interest. Future lease payments above are due per the lease agreement and include embedded interest. Therefore, the total payments do not equal the liability.

The Company was in compliance with all covenants and requirements of its financing arrangements as of and during the year ended June 30, 2019.

8. COMMITMENTS AND CONTINGENCIES

Operating Leases:

The Company leases most of its company-owned salons and some of its corporate facilities under operating leases. The original terms of the salon leases range from 1 to 20 years, with many leases renewable for additional 5 to 10 years terms at the option of the Company. For most leases, the Company is required to pay real estate taxes and other occupancy expenses.

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 $37.3, $34.0 and $31.5 million in fiscal years 2019, 2018 and 2017, respectively. Rent expense on premises subleased was $37.0, $33.6 and $31.1 million in fiscal years 2019, 2018 and 2017, respectively. 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 $0.3, $0.4, and $0.4 million for fiscal years 2019, 2018 and 2017, 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 $2.3 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		
	2019	2018	2017
	(Dollars in thousands)		
Minimum rent (1)	$ 108,892	$ 157,828	$ 154,417
Percentage rent based on sales	4,754	4,324	4,058
Real estate taxes and other expenses	18,170	20,944	22,003
	$ 131,816	$ 183,096	$ 180,478

(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, 2019, 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)	
2020	$ 94,108	$ 108,051
2021	71,362	85,265
2022	47,793	62,700
2023	29,665	41,973
2024	14,673	23,367
Thereafter	14,695	24,162
Total minimum lease payments	$ 272,296	$ 345,518

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		
	2019	2018	2017
	(Dollars in thousands)		
(Loss) income before income taxes:			
U.S.	$ (17,513)	$ (16,604)	$ 2,467
International	(4,754)	6,413	3,462
	$ (22,267)	$ (10,191)	$ 5,929

The (benefit) provision for income taxes consists of:

	Fiscal Years		
	2019	2018	2017
	(Dollars in thousands)		
Current:			
U.S.	$ (519)	$ 2,151	$ 994
International	1,069	1,894	268
Deferred:			
U.S.	(2,303)	(73,728)	7,901
International	(392)	(129)	61
	$ (2,145)	$ (69,812)	$ 9,224

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		
	2019	2018	2017
U.S. statutory rate	21.0%	28.0%	35.0%
State income taxes, net of federal income tax benefit	0.5	14.8	8.7
Valuation allowance (1)	(14.5)	560.8	117.0
Foreign income taxes at other than U.S. rates	0.9	(0.5)	(4.9)
Work opportunity tax credits	7.2	15.2	(26.8)
Deferred tax rate remeasurement	—	99.0	—
Uncertain tax positions	1.0	(15.9)	—
Stock-based compensation	2.2	(15.8)	25.2
Other, net (2)	(8.7)	(0.6)	1.4
	9.6%	685.0%	155.6%

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

(2) The (8.7)% of Other, net in fiscal year 2019 includes the rate impact of goodwill derecognition and miscellaneous items of (5.9)% and (2.8)%, respectively. Miscellaneous items do not include any items in excess of 5% of computed tax. The (0.6)% of Other, net in fiscal year 2018 does not include the rate impact of any items in excess of 5% of computed tax. The other 1.4% of Other, net in fiscal year 2017 includes the rate impact of meals and entertainment expense disallowance, adjustments resulting from charitable contributions, officer life insurance and miscellaneous items of 6.3%, 10.0%, (7.8)% and (7.1)%, respectively. Miscellaneous items do not include any items in excess of 5% of computed tax.

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

	June 30,	
	2019	2018
	(Dollars in thousands)	
Deferred tax assets:		
Deferred rent	$ 3,816	$ 5,251
Payroll and payroll related costs	11,696	14,083
Net operating loss carryforwards	48,208	41,570
Tax credit carryforwards	36,966	35,102
Deferred franchise fees	7,508	6,818
Financial lease liability	7,387	—
Other	8,709	17,416
Subtotal	$ 124,290	$ 120,240
Valuation allowance	(70,707)	(68,610)
Total deferred tax assets	$ 53,583	$ 51,630
Deferred tax liabilities:		
Goodwill and intangibles	$ (62,378)	$ (72,670)
Other	(9,129)	(6,811)
Total deferred tax liabilities	$ (71,507)	$ (79,481)
Net deferred tax liability	$ (17,924)	$ (27,851)

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. During the six months ended December 31, 2018, the Company made no adjustments to this provisional tax benefit and finalized its accounting related to the Tax Act. 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. 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, 2019, the Company has tax effected federal, state, Canada and U.K. net operating loss carryforwards of approximately $31.4, $13.4, $2.8 and $0.6 million, respectively. The Company's federal loss carryforward consists of $13.1 million that will expire from fiscal years 2034 to 2037 and $18.3 million that has no expiration. The state loss carryforwards will expire from fiscal years 2020 to 2039. The Canada loss carryforward will expire from fiscal years 2036 to 2039. The U.K. loss carryforward has no expiration.

The Company's tax credit carryforward of $36.9 million consists of $35.7 million that will expire from fiscal years 2030 to 2039, $0.5 million that will expire from fiscal years 2020 to 2029 and $0.7 million of carryforward that has no expiration date.

As of June 30, 2019, the Company has not provided deferred taxes on approximately $4.4 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 Company is no longer subject to IRS examinations for years before 2014. 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		
	2019	2018	2017
	(Dollars in thousands)		
Balance at beginning of period	$ 3,027	$ 1,388	$ 1,357
Additions based on tax positions related to the current year	287	553	259
Additions/(reductions) based on tax positions of prior years	(154)	1,608	80
Reductions on tax positions related to the expiration of the statute of limitations	(397)	(177)	(179)
Settlements	—	(345)	(129)
Balance at end of period	$ 2,763	$ 3,027	$ 1,388

If the Company were to prevail on all unrecognized tax benefits recorded, a net benefit of approximately $2.2 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 2019, 2018 and 2017, 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, 2019, 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, 2019, the Company's cumulative contributions to the ESPP totaled $10.9 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 zero, $0.2, and $0.2 million for fiscal years 2019, 2018 and 2017, respectively.

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

	June 30,	
	2019	2018
	(Dollars in thousands)	
Current portion (included in accrued liabilities)	$ 1,183	$ 1,960
Long-term portion (included in other noncurrent liabilities)	4,416	4,342
	$ 5,599	$ 6,302

The accumulated other comprehensive income (loss) for the deferred compensation contracts, consisting of primarily unrecognized actuarial income, was $0.5 and $1.0 million at June 30, 2019 and 2018, respectively.

The Company had previously agreed to pay the former Vice Chairman and his spouse an annual benefit for life. Costs associated with this benefit included in general and administrative expenses on the Consolidated Statement of Operations totaled $0.4, $0.3 and $0.3 million for fiscal years 2019, 2018 and 2017, respectively. Related obligations totaled $2.6 million at June 30, 2019 and 2018, with $0.5 million within accrued expenses at June 30, 2019 and 2018, and the remainder included in other noncurrent liabilities in the Consolidated Balance Sheet.

In connection with the passing of former employees in fiscal years 2019, 2018 and 2017, the Company received 24.6, $18.1 and $0.9 million, respectively, in life insurance proceeds. The Company recorded gains of zero, $8.0 and $0.1 million in fiscal years 2019, 2018 and 2017, respectively, in general and administrative in the Consolidated Statement of Operations associated with the proceeds.

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 (RSAs), restricted stock units (RSUs) and stock-settled performance units (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 years 2019 and 2017, 1,341,421 and 728,223 of common stock equivalents of dilutive common stock, respectively were not included in the diluted earnings per share calculation due to net loss from continuing operations. For fiscal year 2018, 518,236 common stock equivalents of dilutive common stock were included in the diluted earnings per share calculation due to net income 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		
	2019	2018	2017
Equity-based compensation awards	118,246	634,292	2,407,158

12. STOCK-BASED COMPENSATION

The Company grants long-term equity-based awards under the 2018 Long Term Incentive Plan (the 2018 Plan). The 2018 Plan, which was approved by the Company's shareholders at its 2018 Annual Meeting, provides for the granting of nonqualified stock options, equity-based stock appreciation rights (SARs), RSAs, RSUs and PSUs, as well as cash-based performance grants, to employees and non-employee directors of the Company. Under the 2018 Plan, a maximum of 3,818,895 shares are approved for issuance. The 2018 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 2.0 times higher than appreciation awards (such as SARs and stock options). As of June 30, 2019, a maximum of 3,747,822 shares were available for grant under the 2018 Plan. All unvested awards are subject to forfeiture in event of termination of employment, unless accelerated. SAR and RSU awards granted under the 2018 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 15 years of continuous service.

The Company also has outstanding awards under the 2016 Long Term Incentive Plan (the 2016 Plan), although the 2016 Plan terminated in October 2018 and no additional awards have since been or will be made under the 2016 Plan. The 2016 Plan provided for the granting of SARs, RSAs, RSUs and PSUs, as well as cash-based performance grants, to employees and non-employee directors of the Company.

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, SARs, RSAs, RSUs and PSUs, as well as cash-based performance grants, to employees and non-employee directors of the Company.

Under the 2018 Plan, 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 2019, 2018 and 2017 were as follows:

	2019	2018	2017
SARs (1)	$ —	$ —	$ 3.68
RSAs & RSUs (2)	21.12	13.43	11.73
PSUs (2)	14.05	15.74	12.28

(1) 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 year 2017 were as follows: Risk-free interest rate of 1.99%, expected term of 6.5 years, expected volatility of 31.5% and no dividend yield.

(2) 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 2019, 2018 and 2017 were as follows:

	2019	2018	2017
Risk-free interest rate	2.31 - 2.68%	1.66 - 2.59%	1.21%
Expected volatility	34.2 - 34.6%	33.4 - 37.1%	36.5%
Expected dividend yield	0%	0%	0%

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:

	2019	2018	2017
SARs	$ 1,497	$ 2,252	$ 3,533
RSAs, RSUs, & PSUs	7,506	6,017	9,609
Total stock-based compensation expense (recorded in G&A)	9,003	8,269	13,142
Less: Income tax benefit (1)	(1,891)	(1,736)	—
Total stock-based compensation expense, net of tax	$ 7,112	$ 6,533	$ 13,142

(1) Federal statutory income tax rate of 21% utilized in fiscal years 2019 and 2018. No income tax benefit associated with fiscal year 2017 due to the full valuation allowance.

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 2018 Plan, 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)				
	SARs	Stock Options	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding balance at June 30, 2018	1,518	15	$ 12.44		
Granted	—	—	—		
Forfeited/Expired	(50)	(3)	19.13		
Exercised	(147)	(2)	14.29		
Outstanding balance at June 30, 2019	1,321	10	$ 11.97	6.54	$ 6,163
Exercisable at June 30, 2019	1,321	10	$ 11.97	6.54	$ 6,163
Unvested awards, net of estimated forfeitures	—	—	$ —	—	$ —

Restricted Stock Units:

RSUs granted to employees under the 2018 Plan, 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. RSUs granted to non-employee directors under the 2018 Plan, 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)		
	RSUs	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Outstanding balance at June 30, 2018	705	$ 12.82	
Granted	405	21.12	
Forfeited	(60)	16.72	
Vested	(200)	19.98	
Outstanding balance at June 30, 2019	850	$ 16.42	$ 14,110
Vested at June 30, 2019	317	$ 13.13	$ 5,262
Unvested awards, net of estimated forfeitures	509	$ 18.39	$ 8,449

As of June 30, 2019, there was $5.0 million of unrecognized expense related to RSUs that is expected to be recognized over a weighted-average period of 1.5 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, 2018	338	$ 13.72	
Granted	784	14.05	
Forfeited	(62)	17.16	
Vested	(80)	21.39	
Outstanding balance at June 30, 2019	980	$ 14.10	$ 16,268
Vested at June 30, 2019	—	$ —	$ —
Unvested awards, net of estimated forfeitures	951	$ 14.10	$ 15,787

(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 2019 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 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 $1.1 million to be recognized over 1.2 years, if the maximum performance metrics are achieved.

PSUs granted in fiscal year 2017 had a performance period of three years. They have been earned and will vest three years from the initial grant date. As of June 30, 2019, there was less than $0.1 million of expense related to the fiscal 2017 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 100.0 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, to $450.0 million in January 2016, and to $650.0 million in August 2018. 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, 2019, 28.5 million shares have been cumulatively repurchased for $569.1 million, and $80.9 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,		
	2019	2018	2017
	(Dollars in thousands)		
Foreign currency translation	$ 8,853	$ 8,668	$ 2,684
Unrealized gain on deferred compensation contracts	489	988	652
Accumulated other comprehensive income	$ 9,342	$ 9,656	$ 3,336

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 evaluates the business as a result of the sale 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: Franchise salons and Company-owned 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 Franchise salons reportable operating segment is comprised of 3,951 franchised salons located mainly in strip center locations and Walmart Supercenters. Franchise salons offer high quality, convenient and value priced hair care and beauty services and retail products. This segment operates primarily in the United States and Canada and primarily includes the Supercuts, SmartStyle, Cost Cutters, First Choice Haircutters, Roosters and Magicuts concepts.

The Company-owned salons reportable operating segment is comprised of 3,108 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.

Financial information concerning the Company's reportable operating segments is shown in the following table:

	For the Year Ended June 30, 2019			
	Company-owned	Franchise	Corporate[1]	Consolidated
	(Dollars in thousands)			
Revenues:				
Service	$ 749,660	$ —	$ —	$ 749,660
Product	165,713	59,905	—	225,618
Royalties and fees	—	93,761	—	93,761
	915,373	153,666	—	1,069,039
Operating expenses:				
Cost of service	452,827	—	—	452,827
Cost of product	81,597	47,219	—	128,816
Site operating expenses	106,932	34,099	—	141,031
General and administrative	57,219	32,888	86,897	177,004
Rent	130,214	740	862	131,816
Depreciation and amortization	28,263	762	8,823	37,848
TBG restructuring	—	21,816	—	21,816
Total operating expenses	857,052	137,524	96,582	1,091,158
Operating income (loss)	58,321	16,142	(96,582)	(22,119)
Other (expense) income:				
Interest expense	—	—	(4,795)	(4,795)
Gain from sale of salon assets to franchisees, net	—	—	2,918	2,918
Interest income and other, net	—	—	1,729	1,729
Income (loss) from continuing operations before income taxes and equity in loss of affiliated companies	$ 58,321	$ 16,142	$ (96,730)	$ (22,267)

	For the Year Ended June 30, 2018			
	Company-owned	Franchise	Corporate[1]	Consolidated
	(Dollars in thousands)			
Revenues:				
Service	$ 899,345	$ —	$ —	$ 899,345
Product	205,037	53,703	—	258,740
Royalties and fees	—	77,394	—	77,394
	1,104,382	131,097	—	1,235,479
Operating expenses:				
Cost of service	530,582	—	—	530,582
Cost of product	98,495	42,128	—	140,623
Site operating expenses	127,249	26,818	—	154,067
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	95,460	91,292	1,240,618
Operating income (loss)	50,516	35,637	(91,292)	(5,139)
Other (expense) income:				
Interest expense	—	—	(10,492)	(10,492)
Gain from sale of salon assets to franchisees, net	—	—	241	241
Interest income and other, net	—	—	5,199	5,199
Income (loss) from continuing operations before income taxes and equity in loss of affiliated companies	$ 50,516	$ 35,637	$ (96,344)	$ (10,191)

	For the Year Ended June 30, 2017			
	Company-owned	Franchise	Corporate[1]	Consolidated
	(Dollars in thousands)			
Revenues:				
Service	$ 960,781	$ —	$ —	$ 960,781
Product	229,308	30,623	—	259,931
Royalties and fees	—	72,088	—	72,088
	1,190,089	102,711	—	1,292,800
Operating expenses:				
Cost of service	610,384	—	—	610,384
Cost of product	103,611	22,686	—	126,297
Site operating expenses	127,797	25,871	—	153,668
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	70,307	98,742	1,280,250
Operating income (loss)	78,888	32,404	(98,742)	12,550
Other (expense) income:				
Interest expense	—	—	(8,584)	(8,584)
Gain from sale of salon assets to franchisees, net	—	—	492	492
Interest income and other, net	—	—	1,471	1,471
Income (loss) from continuing operations before income taxes and equity in loss of affiliated companies	$ 78,888	$ 32,404	$(105,363)	$ 5,929

(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,					
	2019		2018		2017	
	Total Revenues	Property and Equipment, Net	Total Revenues	Property and Equipment, Net	Total Revenues	Property and Equipment, Net
	(Dollars in thousands)					
U.S.	$ 972,994	$ 75,789	$ 1,132,041	$ 95,956	$ 1,197,085	$ 119,649
Other countries	96,045	2,301	103,438	3,332	95,715	3,632
Total	$ 1,069,039	$ 78,090	$ 1,235,479	$ 99,288	$ 1,292,800	$ 123,281

15. 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 2019 and 2018 revenues, operating and net income (loss).

Summarized quarterly data for fiscal years 2019 and 2018 follows:

	Quarter Ended				
	September 30	December 31	March 31 (a)	June 30	Year Ended
	(Dollars in thousands, except per share amounts)				
2019					
Revenues	$ 287,835	$ 274,671	$ 258,343	$ 248,190	$ 1,069,039
Cost of service and product revenues, excluding depreciation and amortization	153,678	151,281	142,799	133,885	581,643
Operating income (loss)	3,429	(1,551)	(22,162)	(1,835)	(22,119)
Income (loss) from continuing operations	(463)	417	(14,811)	(5,265)	(20,122)
Income (loss) from discontinued operations	(264)	6,113	178	(131)	5,896
Net income (loss)	(727)	6,530	(14,633)	(5,396)	(14,226)
Income (loss) from continuing operations per share, basic (e)	(0.01)	0.01	(0.37)	(0.14)	(0.48)
Income (loss) from discontinued operations per share, basic (e)	(0.01)	0.14	—	—	0.14
Net income (loss) per share, basic (e)	(0.02)	0.15	(0.36)	(0.14)	(0.34)
Income (loss) from continuing operations per share, diluted (e)	(0.01)	0.01	(0.37)	(0.14)	(0.48)
Income (loss) from discontinued operations per share, diluted (e)	(0.01)	0.14	—	—	0.14
Net income (loss) per share, diluted (e)	(0.02)	0.15	(0.36)	(0.14)	(0.34)

	Quarter Ended				
	September 30 (b)	December 31 (c)	March 31	June 30(d)	Year Ended
	(Dollars in thousands, except per share amounts)				
2018					
Revenues	$ 315,464	$ 313,849	$ 305,783	$ 300,383	$ 1,235,479
Cost of service and product revenues, excluding depreciation and amortization	169,998	174,714	169,220	157,273	671,205
Operating income (loss)	15,600	(38,479)	4,339	13,401	(5,139)
Income from continuing operations	8,445	42,092	3,585	5,499	59,621
Loss from discontinued operations(b)	(33,767)	(6,601)	(10,605)	(2,212)	(53,185)
Net income (loss)	(25,322)	35,491	(7,020)	3,287	6,436
Income from continuing operations per share, basic	0.18	0.90	0.08	0.12	1.28
Loss from discontinued operations per share, basic	(0.72)	(0.14)	(0.23)	(0.05)	(1.14)
Net income (loss) per share, basic (e)	(0.54)	0.76	(0.15)	0.07	0.14
Income (loss) from continuing operations per share, diluted (e)	0.18	0.89	0.08	0.12	1.27
Income (loss) from discontinued operations per share, diluted	(0.72)	(0.14)	(0.22)	(0.05)	(1.13)
Net income (loss) per share, diluted (e)	(0.54)	0.75	(0.15)	0.07	0.14

(a) During the third quarter of fiscal year 2019, the Company recorded a $20.7 million restructuring charge related to TBG mall locations. The reserve was a non-cash charge to reserve for notes and receivables due from TBG.

(b) 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.

(c) 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.

(d) 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.

(e) 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, 2019.

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, 2019 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, 2019 based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of June 30, 2019 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

On August 23, 2019, the Company entered into an amendment to the employment agreement with Jim Lain, the Company's Chief Operating Officer, to designate his primary office as the Atlanta, Georgia area. In addition, the Agreement provides that Mr. Lain will be entitled to reimbursement of reasonable travel expenses between his primary office and the Company's principal executive offices in Minneapolis, Minnesota beginning January 1, 2019.

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 2019 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 2019 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 Relations" 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 2019 Director Compensation Table," and "CEO Pay Ratio" of the Company's 2019 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 2019 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 2019 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 2019 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 2019 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 LLC. (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)	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)	Description of the Company's Securities
10(a)*	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(b)*	Form of Amendment 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(c)*	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(d)*	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(e)*	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(f)*	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(g)*	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(h)*	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(i)*	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(j)*	Form of Restricted Stock Unit Award (Annual Fiscal 2018 Executive Grants). Incorporated by reference to Exhibit 10(v) of the Company's Annual Report on Form 10-K filed on August 23, 2018.)
10(k)*	Form of Stock Appreciation Right Award (Annual Executive Grants). (Incorporated by reference to Exhibit 10(w) of the Company's Annual Report on Form 10-K filed on August 23, 2018.)
10(l)*	Form of Performance Stock Unit Award (Fiscal 2018 Executive Grants). (Incorporated by reference to Exhibit 10(x) of the Company's Annual Report on Form 10-K filed on August 23, 2018.)
10(m)*	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(n)*	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(o)*	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(p)*	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(q)*	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(r)	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(s)	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(t)	Secured Promissory Note (US Working Capital) of The Beautiful Group Management, LLC in favor of Regis Corp., dated as of August 2, 2018. (Incorporated by reference to Exhibit 10(ii) of the Company's Annual Report on Form 10-K filed on August 23, 2018.)
10(u)	Secured Promissory Note (UK Working Capital) of International Beauty Limited in favor of Regis Corp., dated as of August 2, 2018. (Incorporated by reference to Exhibit 10(jj) of the Company's Annual Report on Form 10-K filed on August 23, 2018.)
10(v)	Secured Promissory Note (Canada Working Capital) of The Beautiful Group Salons (Canada), Ltd. in favor of Regis Corp., dated as of August 2, 2018. (Incorporated by reference to Exhibit 10(kk) of the Company's Annual Report on Form 10-K filed on August 23, 2018.)
10(w)	Secured Promissory Note (US Receivables) of The Beautiful Group Management, LLC in favor of Regis Corp., dated as of August 2, 2018. (Incorporated by reference to Exhibit 10(ll) of the Company's Annual Report on Form 10-K filed on August 23, 2018.)
10(x)	Secured Promissory Note (Canada Receivables) of The Beautiful Group Salons (Canada), Ltd. in favor of Regis Corp., dated as of August 2, 2018. (Incorporated by reference to Exhibit 10(mm) of the Company's Annual Report on Form 10-K filed on August 23, 2018.)
10(y)*	Form of Letter Agreement with Executive Officers (August 31, 2018). (Incorporated by reference to Exhibit 10.2 of the Company’s Quarterly Report on Form 10-Q filed on October 30, 2018.)
10(z)*	Form of Restricted Stock Unit Award (Annual Fiscal 2019 Executive Grants, Excluding Hugh E. Sawyer). (Incorporated by reference to Exhibit 10.3 of the Company’s Quarterly Report on Form 10-Q filed on October 30, 2018.)
10(aa)*	Form of Restricted Stock Unit Award (Annual Fiscal 2019 Grant, Hugh E. Sawyer). (Incorporated by reference to Exhibit 10.4 of the Company’s Quarterly Report on Form 10-Q filed on October 30, 2018.)

10(bb)*	Form of Performance Stock Unit Award (Annual Fiscal 2019 Executive Grants, Excluding Hugh E. Sawyer). (Incorporated by reference to Exhibit 10.5 of the Company’s Quarterly Report on Form 10-Q filed on October 30, 2018.)
10(cc)*	Form of Performance Stock Unit Award (Annual Fiscal 2019, Hugh E. Sawyer). (Incorporated by reference to Exhibit 10.6 of the Company’s Quarterly Report on Form 10-Q filed on October 30, 2018.)
10(dd)*	Form of Restricted Stock Unit Agreement (Non-Employee Director Grants). (Incorporated by reference to Exhibit 10.7 of the Company’s Quarterly Report on Form 10-Q filed on October 30, 2018.)
10(ee)*	Regis Corporation Amended and Restated Short Term Incentive Compensation Plan, effective February 27, 2019. (Incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q filed on April 30, 2019.)
10(ff)*	Regis Corporation Stock Purchase and Matching RSU Program as amended and restated effective March 20, 2019, including form of SPMP and forms of Matching RSU Award Agreements. (Incorporated by reference to Exhibit 10.2 of the Company’s Quarterly Report on Form 10-Q filed on April 30, 2019.)
10(gg)*	Regis Corporation 2018 Long Term Incentive Plan, effective October 23, 2018. (Incorporated by reference to Appendix A of the Company’s Proxy Statement on Definitive Form 14A filed on September 6, 2018.)
10(hh)*	Separation Agreement, dated March 21, 2019 between the Company and Rachel Endrizzi
10(ii)	Second US and Canada Omnibus Settlement Agreement dated as of June 27, 2019, among Regis Corp., Regis, Inc., Regis Holdings (Canada), Ltd., and The Barbers, Hairstyling for Men & Women, Inc. (“Regis Entities”), on the one hand, and The Beautiful Group Management, LLC, The Beautiful Group Salons (Canada) Ltd., The Beautiful Group Holdings, LLC, Archetype Capital Group, LLC, The Beautiful Group Ventures, LLC, TBG IP Holder, LLC, and Regent Companies, LLC (“TBG Entities”), on the other hand. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on July 3, 2019.)
10(jj)	Amendment to Employment Agreement, dated August 23, 2019, between the Company and Jim B. Lain.
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 and Chief Accounting Officer*
(Principal Accounting Officer)

DATE: August 27, 2019

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 27, 2019
/s/ HUGH E. SAWYER Hugh E. Sawyer, *Director*	Date: August 27, 2019
/s/ DANIEL G. BELTZMAN Daniel G. Beltzman, *Director*	Date: August 27, 2019
/s/ M. ANN RHOADES M. Ann Rhoades, *Director*	Date: August 27, 2019
/s/ MICHAEL J. MERRIMAN Michael J. Merriman, *Director*	Date: August 27, 2019
/s/ VIRGINIA GAMBALE Virginia Gambale, *Director*	Date: August 27, 2019
/s/ DAVID J. GRISSEN David J. Grissen, *Director*	Date: August 27, 2019
/s/ MARK LIGHT Mark Light, *Director*	Date: August 27, 2019

REGIS CORPORATION

2019

PROXY STATEMENT

AND NOTICE OF ANNUAL MEETING

REGIS CORPORATION

LETTER FROM THE BOARD CHAIR

Dear Regis shareholders, employees, franchisors, and customers,

In last year's proxy statement, we described our innovative compensation plan that, among other things, encouraged our senior leaders to become real owners by purchasing shares with their own money (earned from their annual incentive proceeds).

What has happened in the year since we unveiled this plan? Our executives—including substantially all of our CEO's direct reports—have purchased shares, totaling almost a million shares of real ownership.

Just as importantly, the ownership culture we are creating at the top—that already exists amongst our franchisors and board members—is spreading throughout the organization:

- We are moving rapidly from being a company that owned the vast majority of our salons to one of largely franchisor-owned salons—which consistently generate better returns. We demonstrated our commitment to this ownership culture by venditioning 767 non-franchised salons, generating ~$95M of proceeds.
- We sold an additional ~$54M in non-core, under-producing assets and restructured insurance to generate an additional ~$16M of capacity to enable repurchasing of over 20% of our outstanding shares, a highly efficient use of capital, reflecting our owner mentality. These capital efficiency actions more than paid for the dilution from our LTIP.

We also invested substantially in our future. Technology is key to our long-term vision and we invested millions in systems that enable easier scheduling and better tracking, analysis and reporting of data as well as modernizing our internal tech operations. Our staff in our new Silicon Valley office has launched our Opensalon platform that enables customers to book appointments directly through Google Maps, Facebook Messenger etc. Click here to book. These modernizations were self-funded via replacing expensive legacy systems with home-built modern cloud applications.

Is it working? We are already seeing substantial increases in new bookings and the return of prior customers. All in the first few months of these new programs.

We continue to be creative and owner-focused on the pay front. We set tough annual incentive goals—so tough that none paid out at 100%--though we included a multiplier for our team's massive out-performance on our most important metric—the selling of our non-franchised salons. We also included cutting edge underpins for non-financial goals such as succession planning and budgeting on which payments of any amount were contingent.

And we aren't done yet. So we ask for your voting support on the items contained in this proxy, for your continued support as an investor or franchisor or customer—we hope you are at least two of these—and invite you to attend our annual meeting or give us feedback any time of year.

Sincerely,

Dave Williams
Chairman of the Board

LETTER FROM THE CEO

Dear shareholders, colleagues, franchisees and customers,

When I joined Regis in April 2017, my aspiration was to develop a transformational, enduring strategy to reinvigorate the Company. Our directors wanted me to focus on making the right choices for the long-term value of the business and our core constituents; our shareholders, franchise owners, customers and employees. The Board demonstrated their commitment to a longer-term view by granting me options with a 10-year term.

During my first year, we transferred the mall-based business and closed several hundred under-performing salons. These were short-term tactical decisions meant to stabilize the business, so we could focus on developing a long-term strategy. I also collaborated with the board to create an incentive plan for the rest of the management team that aligned their personal financial interests with me and other shareholders.

I am pleased to report that our Regis team and franchise partners have been successfully executing a bold vision we all share. The key elements include converting our business to a capital light franchise platform and investing in the future state through disruptive technology like Opensalon, differentiated marketing and advertising, industry leading stylist recruiting and training, optimizing our supply chain capabilities, introducing trend-driven merchandise and establishing the core competencies needed to support the growth of our franchise portfolio.

When developing our multi-year transformational strategy for the business, our analysis confirmed that we had a capital-intensive company-owned salon business that didn't earn its cost of capital on the one hand and a capital-light franchise business that generated all the cash economics for the company on the other, as well as providing a viable platform for future growth.

Given the results of our stabilization efforts in 2017 & 2018 and the successful execution of an evolving franchise strategy in 2019 we have now reached a decision to embrace a fully franchised model. We believe this is the optimal path forward to maximize value for our constituents.

When I arrived in 2017, approximately 28% of the Company's salons were franchised. At the close of 2019, 56% of our salon portfolio is franchised. Moreover, at this time, approximately 48% of the remaining company owned salons, over 1300, are in various stages of negotiation to be purchased by new or existing franchisees. We expect these transactions to close but they remain subject to various risks, challenges and external factors which could impact our strategy.

Additionally, as part of our strategy, we examined our non-core, non-strategic assets and restructured them to free up ~$70M. This and the ~$95M generated from venditions enabled us to return a significant amount of capital to our owners via share purchases that reduced our share count by nearly 20% in 2019—an amount that is approximately ten times the investment we made in the Company's new LTIP plan, a program we believe aligns management's financial interests with the long term health and viability of the Company.

In closing, after more than two years of carefully planned evolution we have identified and confirmed a compelling vision for Regis as a capital light, high growth, technology enabled franchise company. Although the transition to a capital light franchise model will initially have a dilutive impact on the Company's Adjusted EBITDA, we are convinced that a fully franchised business that generates a higher return on its capital will prove to be in the best long-term interests of our shareholders.

We have more work to do before we finish the transformational phase of our strategy, but we have growing confidence in our plan, the ability of the Regis team and our franchise partners to successfully execute the transformation and that in time our shared vision for the Company will be fully realized.

Sincerely,

Hugh E. Sawyer
President and CEO

REGIS, THE (LITERAL) HUMAN TOUCH

I am Jim Lain, Regis's EVP and Chief Operating Officer. Do you like my haircut?

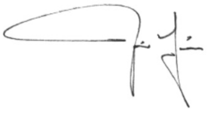
I ask, not because I am vain (I hope), but because, during my time at Regis, I have personally visited over 1320 of our salons, having my hair cut in many of them. You can't be a good COO of a company built on a literal human touch (which is what an "in the chair relationship" is) without being physically present and genuinely part of our relationship networks.

It is no secret that this past year has been challenging for a company that is, to its core, a human capital company. We have sold and transferred many of our company-owned salons to our franchise partners and eliminated dozens of jobs during this transition.

It is at times like these, however, that Regis shows its true colors. We have not only thrown ourselves into finding new homes for our company salons—in many cases by enabling our existing franchise owners to buy them—we have similarly thrown ourselves into finding new—and often better—jobs for those affected by our reductions in force, particularly our stylists and salon managers. We have also found jobs for over half of our affected regional directors and helped dozens of our district managers move forward—in some cases by providing the training to help them become franchise owners themselves.

We have not lost sight of the fact that our stylists and franchisees are the lifeblood of our Company: it is one reason I am in the field so much, seeking input from salon managers, stylists and franchisees and trying to understand how we can best support them. We have learned, for example, that continuing education is something our stylists and franchisees value, so we provide it through various programs including our new digital training system "Education Playground™."

We do not believe that companies can sustain a focus on the bottom line if they do so at the expense of the welfare of their people. Our stylists are our bottom line. That is one reason I take great pleasure in personally visiting so many of our salons and appreciate all those who have welcomed me into their salons and reminded me why I have one of the best jobs—and the best haircuts—in the world.



Jim Lain
EVP and Chief Operating Officer

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders of Regis Corporation:

OCT
22

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 22, 2019 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 ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2020; 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 26, 2019 are entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof. We are providing our proxy materials, which include our Notice and Proxy Statement and Annual Report, to such holders of record of our common stock beginning on or about September 5, 2019.

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 5, 2019

TABLE OF CONTENTS

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
- Who we are
- How we govern the Company
- How we, the directors, are governed
- How our directors 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. During fiscal 2019 and since that time we have taken the following actions and overseen the following operational actions that are key to our strategy:

- ✓ Announced that we plan to over time convert to a fully franchised platform by moving our company-owned salons to franchisees
- ✓ Opened over 800 new franchise locations and recruited 120 new franchisees during fiscal year 2019
- ✓ Generated $94.8 million in net cash proceeds from the sale of company owned salons to franchisees
- ✓ Successfully executed on the monetization of non-core assets generating gains of approximately $54 million
- ✓ Announced that Supercuts® reinvented its marketing approach with new humorous brand campaign featuring a bald spokesman
- ✓ Announced the profitable sale and transfer of 96 Supercuts® salons to Spanos Barber Jesse & Co. backed by Moxie Management Group
- ✓ Announced partnership with Google to streamline interaction with customers
- ✓ Launched Opensalon on Facebook Messenger, Google and our mobile application to enhance our effort to create a frictionless relationship with customers
- ✓ Proactively eliminated non-core, non-strategic costs as we continued our transition to a franchise platform
- ✓ Announced an agreement for the sale and conversion of an additional 190 company-owned salons to our asset-light franchise portfolio in the State of Ohio and surrounding areas to the Super C Group
- ✓ Continued to invest in our multi-year sponsorship with Major League Baseball, through which our Supercuts brand remains the official hair salon, official hair stylists and partner of MLB
- ✓ Appointed James Townsend as Chief Marketing Officer
- ✓ Opened a new marketing office in New York City
- ✓ Announced the move to new Minneapolis headquarters in 2020
- ✓ Announced the opening of a new technology development center in Fremont, California
- ✓ Implemented the new and innovative compensation plan that we announced last year
- ✓ Raised the profile of women in leadership roles and was selected by “Twin Cities Business” and St. Catherine University for achieving 20 percent or more women in director and executive roles

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 of shareholders to be held on October 22, 2019 (the "Annual Meeting"), each to hold office for one year until the 2020 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, 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 Securities and Exchange Commission ("SEC") rules.

Who We Are

Daniel G. Beltzman

General Partner, Birch Run Capital Advisors, LP

Independent

Director since 2012

Age: 44

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

2018: 97.5% | 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: 60

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)

VOTING SUPPORT

2018: 99.1%

David J. Grissen

Group President, Marriott International, Inc.

Independent

Director since 2013

Age: 62

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

2018: 98.3% | 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: 57

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

2018: 98.4% | 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: 63

Board committees

- Audit, ACFE, *Chair*
- Compensation

CAREER HIGHLIGHTS

- Operating Advisor at Resilience Capital Partners, LLC, 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 Chair

Former

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

VOTING SUPPORT

2018: 98.9% | 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: 74

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

2018: 99.0% | 2017: 98.9% | 2016: 98.8% | 2015: 99.2%

Hugh E. Sawyer

President & Chief Executive Officer, Regis Corporation

Director since 2017

Age: 65

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 as a director on fifteen boards of directors over his career.

OTHER PUBLIC BOARDS

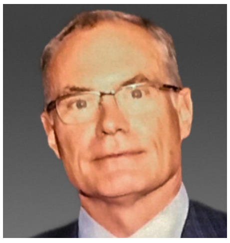
- Huron Consulting Group Inc. (since February 2018)

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

2018: 99.0% | 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: 58

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

VOTING SUPPORT

2018: 98.4% | 2017: 99.1% | 2016: 89.1% | 2015: 89.8% | 2014: 99.4% | 2013: 97.1%
2012: 96.7% | 2011: 81.8%

How We Govern the Company

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 five meetings of our Board and the meetings of the board committees on which each director served during the fiscal year ending June 30, 2019.

Annual meeting attendance. Our Board does not have a formal policy relating to Board members' attendance at annual shareholders meetings. Directors are, however, encouraged to attend these meetings and all but one of our then-serving directors attended our 2018 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 Nominating and Corporate Governance Committee 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 statement. 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 risks 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 New York Stock Exchange ("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.

How We, the Directors, Are Governed

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 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 2019.

Complaint/hotline procedures. The Company's Audit Committee Complaint Procedures, which are posted on our website at www.regiscorp.com, 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 composition of these committees at fiscal year-end is set forth below.

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 2019	**4**	**6**	**4**	**4**

1 Denotes Audit Committee Financial Expert

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

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

Audit Committee

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

In carrying out these duties, the Audit Committee maintains free and open communication between the Board, the independent auditor and our management. The Audit Committee meets with management and the independent auditor at least quarterly, generally prior to our earnings releases to discuss the results of the independent auditor's quarterly reviews and fiscal year-end audit.

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

Compensation Committee

The primary responsibilities of the Compensation Committee are to determine and approve, or make recommendations to the Board with respect to, the compensation and benefits packages of the executive officers and to consider and recommend incentive compensation and equity-based plans. The Compensation Committee also reviews director compensation, oversees the evaluation of the CEO, and evaluates its own performance on an annual basis. Additional information about the responsibilities of the Compensation Committee is provided below in our 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 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. In August 2018, the Board reviewed our director compensation against market practices and determined to increase the value of certain director compensation elements commencing at the 2018 Annual Meeting, which reflects our current non-employee director compensation as follows:

- An annual cash retainer of $70,000;
- Annual cash retainers of $20,000, $15,000, $12,500 and $20,000 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 $110,000, 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 $90,000 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 22, 2019, he is receiving an additional $110,000 in cash and no equity grant.

The following table shows, for each of the non-employee directors who served during the fiscal year ended June 30, 2019, information concerning their annual and long-term compensation earned during such fiscal year.

Fiscal 2019 Director Compensation Table

Director Name	Fees Earned or Paid in Cash ($)	Stock Awards[1] ($)	Total($)
Daniel G. Beltzman	188,750	—	188,750
Virginia Gambale	85,000	109,995	194,995
David J. Grissen	81,250	109,995	191,245
Mark S. Light	70,000	109,995	179,995
Michael J. Merriman	88,750	109,995	198,745
M. Ann Rhoades	70,000	109,995	179,995
David P. Williams	85,000	199,985	284,985

1 Values expressed represent the aggregate grant date fair value of restricted stock units granted during fiscal 2019, 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, 2019 for a description of the assumptions used in calculating these amounts.

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, 2019:

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	9,377	—
David J. Grissen	37,399	—
Mark S. Light	37,399	—
Michael J. Merriman	47,793	—
M. Ann Rhoades	25,903	—
David P. Williams	65,028	—

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 FOR 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 our Compensation Discussion and Analysis ("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 CD&A section of this proxy statement.

As described in the CD&A, we believe that our fiscal 2019 results continue to yield the pay-for-performance alignment that the Compensation Committee is seeking for our shareholders. Specifically, we made significant progress in our transformational strategy to convert to an asset-light franchise platform. At the same time, we continue to generate the cash needed to support thoughtful investments in our future state through customer-facing technology, differentiated marketing and advertising, industry-leading stylist recruiting and education and ongoing efforts to eliminate non-essential costs that are required to support our franchise conversion.

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 2019, 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 Named Executive Officers 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

Featured Highlight

In our prior year's proxy, we highlighted what we believe is an unusual compensation best practice that encourages eligible executives to invest their own money[1] in shares of Regis Corporation.

We have continued our compensation leadership this year, including via the unusual design and application of our short-term incentive plan (STIP or bonus).[2]

First, we set what we believed to be genuinely tough stretch goals. We understand that some shareholders and proxy advisers believe that many bonus targets are set at easy-to-achieve levels. We did not do that: we are in the midst of a transformation and believe it is important to set goals that reflect the intensity of our commitment to getting Regis where we want it to be. So the first thing that sets us apart is that we are willing to set tough goals –bonus pay is genuinely at risk at Regis.

Two of our three tough corporate goals were not achieved, so no payouts were made on these.

But our team significantly exceeded the third and most important goal, and it is how we reacted to this success that is the second thing that sets us apart.

Some governance experts say that they have a visceral negative reaction to any exercise of board discretion in applying pay plans to outcomes, unless the discretion is used to reduce what executives would otherwise have earned.

We do not believe that denying to executives pay they expect under the terms of an agreed-upon plan is a good way to motivate and reward. We believe that companies that find they need to use negative discretion because the set goals were too easy to achieve might better apply their discretion toward setting tougher goals.

We think from a performance, governance, and human-nature perspective, it is wiser to set tough goals and then, if executives strongly outperform these tough goals, reward what is truly exceptional achievement. Hard-won rewards are much more apt to be motivating than unexpected pay reductions for achieving non-stretch goals.

We acted on these beliefs this year. As you will read in the pages that follow, while our eligible executives earned no payout on two of the three corporate STIP goals, we used discretion to increase the reward on their over-achievement of the key company goal and their individual MBOs. We hope you will agree that this reflects our willingness to re-think every aspect of compensation and our willingness to be leaders.

1 That they earned qualifying proceeds from their annual short term incentive plan
2 All of the information in this proxy statement, including in this CD&A needs to be read in full to get a complete and accurate description of Regis's approach to compensation. This is just a summary of a key feature of Regis's compensation plan and actions described in full in the pages that follow.

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.

Our Compensation Discussion & Analysis (CD&A) will provide you with information concerning the basic objectives, principles, decisions, material elements, processes, amounts and rationale underlying the compensation of our Named Executive Officers ("NEOs"). For fiscal 2019 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
Chad Kapadia	Executive Vice President and Chief Technology Officer	June 2018 - present
Jim B. Lain	Executive Vice President and Chief Operating Officer	November 2013 - present

Summary of the Fiscal 2019 Pay Plan

Our New and Innovative 2019 Pay Plan was Designed to Support an Ownership and a Pay For Performance Culture

What We Wanted

The members of Regis Corporation's Compensation Committee began the process of creating a new compensation plan for fiscal 2019 recognizing that the Company's situation had evolved substantially during fiscal 2018.

The Compensation Committee set forth 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.
- **Shareholder engagement had to, and did, occur <u>before</u> we adopted our fiscal 2019 pay plan** in order to benefit from and incorporate their wisdom into the plan design.

The Journey was as Unusual as the Plan

During fiscal 2018, members the compensation committee had individual conversations with senior stewardship/ proxy voters at the Company's 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. Our directors continued to engage with our large shareholders in fiscal 2019 and intend to extend offers to meet with these shareholders again in fiscal 2020.

At our 2018 annual shareholders meeting, over 99% of our shares voted were cast in favor of our executive compensation program. We believe that this was in part due to our continuing shareholder engagement which has been important to the evolution of our compensation program in response to the transformation of our business over the past several years.

What Changed

- Under our fiscal 2019 pay plan:
  - **Executives no longer receive automatic annual equity grants.** Instead in fiscal 2019, each eligible executive received a single, larger initial equity grant at the outset of a five-year period and is not expected to receive additional automatic annual grants for the remainder of the period. 75% of the fiscal 2019 equity grant was in the form of performance shares (PSUs), which require our 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 remaining 25% of the fiscal 2019 equity grant was in the form of restricted stock units (RSUs) that will cliff-vest after three years. **Executives and other eligible employee participants may elect to contribute up to half of their earned annual incentive, net of normalized tax withholding ("bonus") to purchase shares of our common stock under our newly adopted Stock Purchase and Matching RSU Program ("SPMP" or "matching share program").** Under the matching share program adopted in fiscal 2019, beginning with executives' earned bonuses for fiscal 2019, the Company will provide a matching grant of RSUs with a value equal to up 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 matching share program, we implemented an "early participation program" in fiscal 2019 where eligible executives were able to elect to use up to half of their target fiscal 2018 bonuses, net of normalized tax withholding, in fiscal 2019 to purchase shares and receive a matching RSU grant valued at up to 100% of their contribution, subject to the same five-year cliff vesting requirement.

The value of the initial equity grant in fiscal 2019 was approximately three and one-half times the value of the executives' fiscal 2018 grant. The annualized value of the initial equity grant in fiscal 2019 over the five-year period equates to approximately 70% of the fiscal 2018 grant.

Therefore, if executives do not participate in the matching share program on an annual basis, their five-year pay for the period running from fiscal 2019 to fiscal 2023 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 rewards 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. Beginning with their fiscal 2019 earned bonus, 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-bonus 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 pay plan, our CEO must hold all his shares that are granted to him pursuant to the new 2019 pay 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 in the case of the PSUs, only if applicable performance goals are satisfied, awards may be prorated over the vesting period as detailed in our "Summary of Terms of Equity Awards" located after our "Grants of Plan Based Awards in 2019" table. Termination provisions for awards to our CEO align with these principles, but have been modified slightly to conform with the terms of his employment agreement.

In addition to our annual incentive compensation 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 pay plan focuses our leaders on sustainable, long-term performance in ways including these:

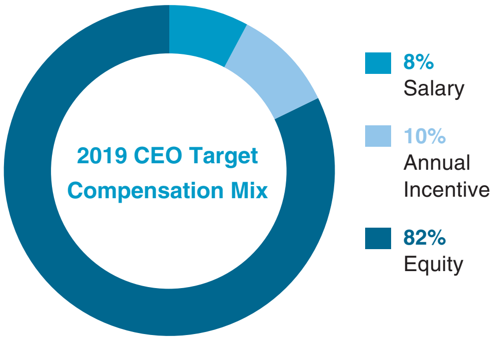
- A five-year time frame is long enough for managers to experience the effects of their decision making.
- The extended duration of the plan means management will almost always have significant amounts of unvested equity, discouraging poaching, encouraging retention, and minimizing the impact on shareholders 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.

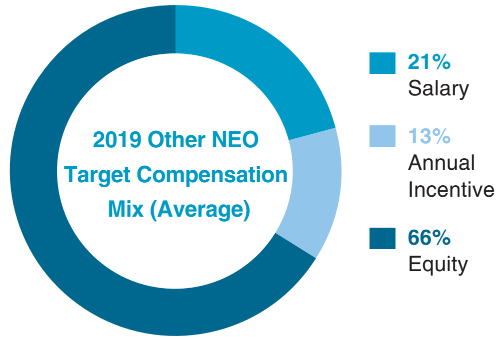
The following table summarizes each major element of our fiscal 2019 pay plan.

Element	Form	Metric	Performance Period	Objective
Base Salary	Cash	Fixed	N/A	Provide a base level of compensation for executive talent
Annual Incentive ("AIC" or "Bonus")	Cash	Opco EBITDA Margin[1] (20%)	1 year	Motivate executives to meet and exceed objectives aligned with our annual strategic plan; executives able to elect to contribute up to half of their earned fiscal 2019 Bonus to purchase shares of the Company's common stock and have such purchase matched at a rate of up to 200%, dependent on the employee's underlying contribution under our newly adopted matching share program
		Franchise openings[1] (20%)		
		Adjusted EBITDA[1] (20%)		
		Individual NEO Performance Goals[1] (40%)		
Long-Term Incentive Compensation	Performance Stock Units (PSUs)[1] 75%	End-of-Period Share Price	3 years (then subject to 2 additional years of service-based vesting)	Provide market-competitive equity-based compensation opportunities that enhance executive retention while aligning interests of executives and shareholders
	Restricted Stock Units (RSUs)[1] 25%	Time-Based Vesting (value driven by stock price)	Cliff vest at end of year 3	Our NEOs received a single, larger initial equity grant under our existing long-term incentive plan at the outset of the five-year period running from fiscal 2019 to fiscal 2023 and are not expected to receive additional automatic annual grants for the remainder of the period.

1 Change for fiscal 2019.

In fiscal 2019, the majority of our executive pay opportunities were, once again, delivered primarily through performance-based elements of pay, including over 70% of our CEO's target compensation and nearly 63% of our other NEO's target compensation, on average.





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 2019, the members of the Committee focused on tying PSUs to share-price enhancements. We set performance goals based on achieving an End-of-Period Share Price target, defined as the volume-weighted average closing price of our common stock across the 50 trading days that end on July 1, 2021. This goal aligns with our focus on creating shareholder value.
- For fiscal 2019, the Committee set challenging annual incentive performance expectations related to increasing OpCo EBITDA Margin, driving franchise openings and growing Adjusted EBITDA as well as individual NEO performance goal achievement.

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.

In connection with the implementation of our new compensation program, we elected not to increase base salaries or annual cash incentive opportunities for our NEOs. Accordingly, we did not bench mark our fiscal 2019 executive compensation against our peer group or the broader market. We view peer benchmarking as a valuable tool and plan to reassess its use once our strategic transformation is substantially complete and our peer group is similarly revised to reflect our revised business model.

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 cash 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

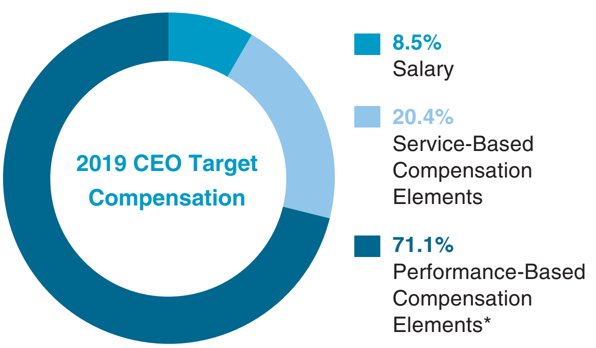
Throughout fiscal 2018 and 2019, the Committee used Pay Governance as an independent consulting firm to provide executive compensation consulting services to the Committee. The Committee assessed Pay Governance's independence pursuant to applicable SEC rules and concluded that no conflict of interest exists that would prevent Pay Governance from independently representing the Committee.

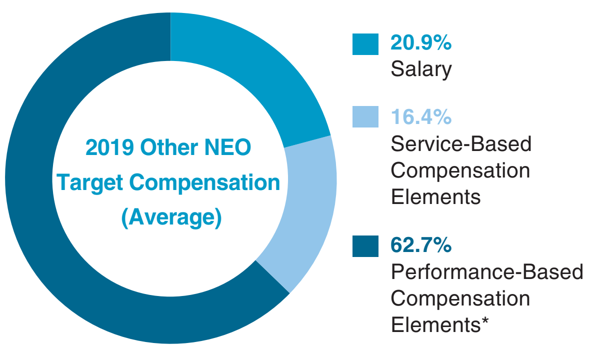
Throughout fiscal 2018 and fiscal 2019, Pay Governance worked with the Committee and management to establish incentive plan designs, supported the Committee with shareholder engagement efforts, and assisted the Committee on other activities in support of its responsibilities as set forth in its charter. During fiscal 2018, CamberView Partners, LLC, a consulting firm, also assisted the Committee with shareholder outreach by, among other things, creating presentation materials, which was important to the design of our fiscal 2019 pay plan. 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 2019

Target Compensation Mix for Fiscal 2019

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 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 fiscal 2018 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 a long-term incentive award in fiscal 2019. Compared to fiscal 2018, target total compensation for the other NEOs increased considerably due to our grant under our fiscal 2019 pay plan of a single, larger initial long-term incentive award at the outset of a five-year period, as discussed below. Due to this large, single grant, our executives are not expected to receive additional automatic annual grants for the remainder of the period.





*Performance-based compensation elements include target levels of annual incentive compensation as well as performance stock units.

Base Salary Decisions for Fiscal 2019

The Committee, assisted by its independent compensation consultant, did not increase our NEOs' base salaries for fiscal 2019, which were consistent with fiscal 2018 base salaries.

Base salaries for our NEOs for fiscal 2019 were as follows:

Name	Base Salary at June 30, 2018 (Annualized) ($)	Base Salary at June 30, 2019 (or Date of Termination, if earlier) (Annualized) ($)	Increase (%)
Hugh E. Sawyer	950,000	950,000	—
Andrew H. Lacko	495,000	495,000	—
Eric A. Bakken	495,000	495,000	—
Chad Kapadia	495,000	495,000	—
Jim B. Lain	400,000	400,000	—

Annual Incentive Decisions for Fiscal 2019

We, the Committee, determine the annual incentive compensation ("AIC" or "bonus") payouts each year in accordance with our Short Term Incentive Plan ("Short Term Plan").

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
Chad Kapadia	60	297,000
Jim B. Lain	60	240,000

We the Committee annually select bonus metrics for the Short Term Plan that align executives' incentives with our strategic objectives. For fiscal 2019, the Committee established the following metrics, the target AIC amount for which was the same as in our prior fiscal year:

We updated our fiscal 2019 goals by moving away from restructuring objectives that were complete in prior fiscal years and used goals focused on growing our franchise business and maintaining stability through our transformation into a fully franchised model.

Performance Measure	Weighting	Performance Goal		Award Multiplier
Opco EBITDA Margin	20%	Maximum	OpCo EBITDA Margin of 15%	200%
		Target	OpCo EBITDA Margin of 11.5%	100%
		Threshold	OpCo EBITDA Margin of 9.75%	0%
Franchise Openings	20%	Maximum	Openings of 1400	200%
		Target	Openings of 800	100%
		Threshold	Openings of 500	0%
Adjusted EBITDA	20%	Maximum	Adjusted EBITDA of $80 M	200%
		Target	Adjusted EBITDA of $70 M	100%
		Threshold	Adjusted EBITDA of $60 M	0%
Individual NEO Performance Goals	40%			

* If the measured amount achieved is between two performance goals, the award multiplier will be determined through linear interpolation.

We therefore increased the emphasis on OpCo margin and EBITDA, as described above, as well as individual executive performance goals tied to the CEO's evolving strategy.

In setting the metrics for fiscal 2019, the Committee:

- Defined OpCo EBITDA Margin as Adjusted EBITDA for our company-owned salons operating segment (OpCo), as reported, which is net income (loss) excluding interest expense, income taxes and depreciation and amortization expense, adjusted to exclude employee litigation reserves, divided by OpCo revenue.
- Defined Franchise Openings as the gross number of franchise openings during fiscal 2019.
- Defined Adjusted EBITDA as the Company's Adjusted EBITDA, as reported, which is net income (loss) excluding interest expense, income taxes and depreciation and amortization, adjusted to exclude product engineering investments, gains from venditions, employee litigation reserve, professional fees, severance expense, legal fees, goodwill derecognition, TBG restructuring and TBG discontinued operations.
- Set objective and measurable individual goals (MBOs) for each of the CEO's direct reports in accordance with his/her responsibilities. In each case we focused on the CEO's evolving strategy and business transformation goals. Our Chief Human Resources Officer and our CFO analyzed each NEO's performance against the individual goals on a quarterly basis and at the end of the performance period, and discussed the analyses with the CEO and the Committee to determine whether the goals were on target for achievement. Every quarter, for any goal not on target, the Committee discussed with management the actions required to correct the direction toward achievement of the goal. Following completion of the performance period, our CEO evaluated the final analyses to propose a rating with respect to each executive's achievement of the individualized goals and provided his recommendations to the Committee for consideration and approval.

Individual goals for our NEOs during fiscal 2019 included the following:

- Mr. Sawyer—detailed succession planning, 2020 budget deadlines and financial analysis of strategic initiatives;
- Mr. Lacko—model and support vendition activity, review and monetize non-core assets, and implement pricing actions to increase year over year revenue;
- Mr. Bakken—secure high quality real estate for franchise locations, and maximize vendition proceeds by recruiting high quality franchise owners;
- Mr. Kapadia—complete technology projects to support franchise business, and complete and launch Opensalon application; and
- Mr. Lain—oversee vendition execution, reduce number of critical open jobs, and manage certain key performance indicators, including service sales and certain pilot programs. For Mr. Sawyer, his individual goals were thresholds to receive payout of his individual goal component, with his actual individual performance level to be determined by averaging the performance levels of his direct reports.

In August 2019, the Committee evaluated performance against the metrics and determined that the OpCo EBITDA Margin and Adjusted EBITDA thresholds were not achieved, resulting in no payout for those metrics. The Committee determined that, based on openings of 828 new franchise salons, the franchise opening metric was achieved at 105% of target. The Committee reviewed the MBO analysis provided by the CHRO and CFO as well as the CEO's evaluation of each executive officer's performance and determined that the NEOs earned their individual performance goal opportunity at the following levels:

- Mr. Lacko – 150%,
- Mr. Bakken – 150%,
- Mr. Kapadia – 120% and
- Mr. Lain – 66%.

The Committee determined that the CEO satisfied his threshold goals, such that his percentage achievement was calculated as the average of the percentage achievement levels by each of his direct reports. Mr. Sawyer's direct reports had achievement levels of 150%, 150%, 135%, 120%, 120%, 66% and 38%, resulting in an average of 111% for Mr. Sawyer's individual performance goal achievement level.

Finally, we the Committee considered executives' significant over-achieving on the goal of generating cash proceeds from venditions (sales). We considered both that these cash proceeds were excluded from the Adjusted EBITDA metric for the AIC goal and that operating metrics are often more challenging than transaction metrics.

We took motivational factors into account as well. We the Committee believe it is better to set tough goals and reward exceeding them via the application of discretion than it is to set more common, more easily-achievable goals and be forced to use negative discretion when payouts will appear unwarranted. And that is what we did when we applied the Short Term Plan's cash proceeds metric to our executives' outperformance.

We the Committee therefore decided to increase the portion of the AIC payment related to each NEO's individual performance by an amount equal to 1.3 multiplied by each NEO's percentage achievement of his individual performance goal multiplied by 40% (which was the weighting of the individual performance goal factor). This process resulted in additional payments tied to each NEO's own level of achievement and not to across-the-board increases.

The resulting fiscal 2019 AIC percentage achievements and payouts are listed to the right. Below, the calculated portion of the AIC payout related to achievement of the metrics set at the beginning of the fiscal year is reported in the Summary Compensation Table under the "Non-Equity Incentive Plan Compensation" column, and the MBO Premium is reported under the "Bonus" column.

	AIC Weightings - % of Total Target									
NEO	20% Incentive EBITDA	20% Franchise Openings	20% OpCo Margin	40% Individual Goals	Calculated AIC %	30% MBO Premium*	Final % of Target	Calculated AIC Amount($)	MBO Premium($)	Total AIC($)
					A	B	C=A+B	X	Y	Z=X+Y
Hugh E. Sawyer	0%	105%	0%	111%	65.5%	13.3%	78.8%	715,431	145,802	861,233
Andrew H. Lacko	0%	105%	0%	150%	81.0%	18.0%	99.0%	240,570	53,460	294,030
Eric A. Bakken	0%	105%	0%	150%	81.0%	18.0%	99.0%	300,713	66,825	367,538
Chad Kapadia	0%	105%	0%	120%	69.0%	14.4%	83.4%	204,930	42,768	247,698
Jim B. Lain	0%	105%	0%	66%	47.4%	7.9%	55.3%	113,760	19,008	132,768

Long-Term Incentive Decisions for Fiscal 2019

Payout of PSUs for 2017-2019 Performance Period

Our fiscal 2017 PSUs had a three-year performance period which ran from July 1, 2017 to June 30, 2019. The fiscal 2017 PSUs performance measure was Adjusted Earnings Per Share (EPS), defined as the Company's cumulative pre-tax earnings per share, adjusted to exclude any income (loss) attributable to its investment in its affiliate Empire Education Group, and identified discrete items impacting comparability for each respective period (i.e., expenses, charges, or favorable or unfavorable impacts of extraordinary, unusual, infrequent or non-recurring items and other similar items). Adjusted EPS was computed on a cumulative basis for the three year performance period, and in calculating each year's result, used the fully diluted outstanding shares at the end of the applicable fiscal year.

The Committee established the target for the fiscal 2017 PSUs with reference to the forecasts for fiscal 2017, 2018 and 2019 performance developed in management's 2016 three-year operating plan, which represented an expectation of improved performance relative to the Company's prior financial results. The Committee set challenging metrics for executive compensation by setting the target 15% above management's forecasted growth in earnings for fiscal 2017, for example. The 2017 PSUs set threshold, target and maximum levels of cumulative Adjusted EPS at $1.33, $1.82 and $2.61, respectively, corresponding to payouts of 50%, 100% and 200% of target.

Based on the actual fiscal 2017-2019 results for cumulative Adjusted EPS of $3.42, the Company exceeded the cumulative Adjusted EPS maximum goal established by the Committee, evidencing the successful ongoing transformation of our business, as discussed above. Therefore, the NEOs who were employed by the Company when the fiscal 2017 PSUs were granted, Mr. Bakken and Mr. Lain, earned the performance units at a multiplier of 200% of target, resulting in the issuance of 38,186 shares to each of Mr. Bakken and Mr. Lain.

Grant of LTI for 2019-2021 Performance Period

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 approximately 69% of the NEOs' compensation, on average. The Committee set the value of LTI awards to our then-current NEOs at the beginning of fiscal 2019 at the total target values set forth below. The value of these initial equity grants in fiscal 2019 was approximately three and one-half times the value of the executives' fiscal 2018 LTI grant, with the understanding that it is the only automatic annual LTI grant they should expect to receive through 2023.

In accordance with the Company's new 2019 pay plan, the Committee changed the targeted long-term incentive mix for the NEOs, increasing the performance-based element of the program (PSUs) to 75% (up from 60% in fiscal 2018), while reducing the time-based RSU element to 25% (decreased from 40% in fiscal 2018).

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 2017 and fiscal 2018 have a three-year performance period, at which time any earned units settle in shares of stock. Beginning with PSUs granted in fiscal 2019, the PSUs have a three-year performance period followed by a two-year additional service-based vesting requirement, meaning that the PSUs will only vest at the end of year five if the performance goal is achieved and additional service requirements are satisfied. The RSUs granted in fiscal 2019 cliff vest after three years.

The grant date of each of our equity 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 2019 table.

Upon grant, LTI awards to our NEOs for fiscal 2019 were as follows:

	75% PSUs (# Granted)[1]	25% RSUs (#)[1]	Total Value (at Target)[2] ($)
Hugh E. Sawyer	319,074	106,358	9,100,000
Andrew H. Lacko	49,088	16,362	1,400,000
Eric A. Bakken	61,360	20,453	1,750,000
Chad Kapadia	49,088	16,362	1,400,000
Jim B. Lain	49,088	16,362	1,400,000

1 Number of units for RSUs and PSUs was determined based on the market value of our common stock on August 31, 2018. However, for accounting purposes and as reflected in the Summary Compensation Table and certain other tables, the fair market value of the PSUs is determined using a Monte Carlo valuation model, whereby the value of the PSUs is less than the market value of the underlying shares on the grant date of August 31, 2018.

2 In fiscal 2019, our NEOs received a single, larger initial equity grant at the outset of a five-year period and are not expected to receive additional automatic annual grants for the remainder of the period.

Similar to fiscal year 2018, in fiscal year 2019, the Committee used an End-of-Period Share Price performance metric, meaning the volume-weighted average closing price of the Company's common stock across the 50 trading days that end on July 1, 2021 must equal or exceed $22.40 in order for the award to be earned. The Committee believes this PSU metric directly aligns with creating shareholder value and, when measured over a three-year performance period and when coupled with an additional two-year service-based vesting condition required by the fiscal 2019 PSU award, encourages sustained value creation and pay for performance.

SPMP and Matching RSU Grants in Fiscal 2019 (Early Participation Program)

In fiscal 2019, we adopted our SPMP, or Stock Purchase and Matching RSU Program, whereby our executives and other eligible employee participants may elect to contribute up to half of their earned annual bonus under the Short Term Plan, net of normalized tax withholding, to purchase shares of our common stock and the Company will provide a matching grant of RSUs with a value equal to up 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 matching share program, we implemented an "early participation program" in fiscal 2019 where eligible executives were able to elect to use up to half of their target fiscal 2018 bonuses, net of normalized tax withholding, in fiscal 2019 to purchase shares and receive a matching RSU grant valued at up to 100% of their contribution, subject to the same five-year cliff vesting requirement. In this instance only, eligible executives who elected to contribute 25% of their target fiscal 2018 bonus, net of normalized tax withholding, to purchase shares received a 50% match on their contribution; similarly executives who elected to contribute 50% of their target fiscal 2018 bonus, net of normalized tax withholding, to share purchases received a 100% match on their contribution. Each of our NEOs participated in the SPMP during fiscal 2019 other than Mr. Sawyer.

Name	% of Target Fiscal 2018 Bonus Contributed
Andrew H. Lacko	50
Eric A. Bakken	25
Chad Kapadia	50
Jim B. Lain	25

Beginning with their fiscal 2019 earned bonus, matching rates will increase, meaning 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).

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. The maximum matching grant opportunity will be lower in years of below-target payout of the earned bonus, and higher in years of strong performance.

Other Compensatory Decisions Applicable to Fiscal 2019

RSU Grant in Connection with Successful Technology Initiative

The Committee granted to Mr. Kapadia an award of 5,361 restricted stock units, valued at $100,000, on June 5, 2019 in recognition of the successful completion of a key technology initiative related to a mobile application and a new partnership. The award will cliff vest on the third anniversary of the grant date.

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 made a significant number of new hires to our executive team and granted these individuals sign-on equity awards as an inducement. The awards described below remained outstanding as of June 30, 2019 and are also reflected in the Outstanding Equity Awards table and Option Exercises and Stock Vested table below, as applicable.

- Sign-on Equity Awards to Mr. Kapadia in June 2018, as detailed below under "Compensatory Arrangements with Mr. Kapadia."
- 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, which vested in April 2019 but remain outstanding and, in the case of the SARs, unexercisable until the third anniversary of the grant date in April 2020, 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 2019 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).

Fiscal 2020 Pay

In fiscal 2020 we expect to continue the precedent we set in fiscal 2019 with respect to our revised pay plan, which has been overwhelmingly supported by our shareholders as evidenced by continued conversations our Committee has had with our shareholders in fiscal 2019, as well as the high level of support we received from shareholders during our 2018 "say on pay" vote. Since we granted each executive a single, large equity incentive award in fiscal 2019 in the form of PSUs and RSUs at the outset of a five-year period, our executives will not receive annual grants in fiscal 2020 and are not expected to receive additional automatic annual grants for the remainder of the period, subject to possible inducement, retention or performance grants in particular situations. For fiscal 2020, the Committee approved one grant for Mr. Kapadia in the form of a restricted stock unit award that cliff vests in three years, having a grant date fair value of $600,000.

In fiscal 2020, we will continue to reward pay for performance by permitting our executives to participate in our matching share program by contributing up to half of their earned, fiscal 2019 annual cash incentive, net of normalized tax withholding ("bonus") to purchase shares of our common stock and the Company will provide them a matching grant of RSUs with a value equal to up 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. Eligible executives who elect to contribute 25% of their earned fiscal 2019 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 fiscal 2019 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).

Awards made under our 2018 Long Term Incentive Plan, including any awards made in fiscal 2020 and beyond, are also subject to double trigger acceleration upon a change in control as the default treatment.

In fiscal 2020, we will stay the course as we believe that the pay for performance-centered pay plan we effectuated in fiscal 2019 has focused our leaders on sustainable, long-term performance. The compensation levels for our NEOs remain relatively flat for fiscal 2020, other than an increase in Mr. Kapadia's base salary to $600,000.

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	Our "clawback" policy 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 directors, officers, other employees and designees of the foregoing from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars and exchange funds, or otherwise engaging in transactions, that hedge or offset, or are designed to hedge or offset, any decrease in the market value of our common stock, including shares held directly or indirectly (however, our policy does not prohibit general portfolio diversification transactions).
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 has advised our independent Compensation Committee since 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, only Mr. Kapadia, who joined us in June 2018, did not hold stock greater than our stock ownership policy minimum as of June 30, 2019.

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

	Stock Ownership Guideline	Current Ownership Level
Hugh E. Sawyer	3x	4.0x
Andrew H. Lacko	2x	2.6x
Eric A. Bakken	2x	3.9x
Chad Kapadia	2x	1.5x
Jim B. Lain	2x	2.7x

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 exceptions of Mr. Lacko and Mr. Kapadia. 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."

Changes to Severance Program

During the past few 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 in January 2017, the Committee provided that any future severance payments made to our executives 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.

In August 2018, we entered into letter agreements with our executive officers which provided for a one-time lump sum payment in the event the executive experienced a "Qualifying Termination" prior to August 31, 2019. "Qualifying Termination" for our executives other than Mr. Sawyer means (a) a termination of employment without Cause (as defined in our 2016 Long Term Incentive Plan) under circumstances in which the Board does not intend to fill the position that the employee held immediately prior to the Qualifying Termination, or (b) a termination of employment without Cause or for Good Reason following the appointment of a successor or interim successor to the current Chief Executive Officer, Mr. Sawyer. "Good Reason" has the meaning set forth in the employee's employment agreement, as amended by the letter agreement, or if the employee does not have an employment agreement, as defined in the letter agreement. A "Qualifying Termination" with respect to Mr. Sawyer means his termination without Cause. None of our executives experienced a "Qualifying Termination" prior to August 31, 2019. The August 2018 letter agreements also contained a waiver of each executive providing that none of: the implementation of the fiscal 2019 pay plan, the terms and conditions of the fiscal 2019 equity awards or the fact that the Company is not obligated to grant the executive additional equity awards through August 30, 2023 could constitute "Good Reason" under the terms of such executive's employment agreement or otherwise.

Deductibility of Executive Compensation

Code Section 162(m) precludes the Company from taking a federal income tax deduction for compensation paid in excess of $1 million to our "covered employees" (which as of fiscal 2019 includes the CEO, CFO, our three other most highly compensated executive officers and certain former employees identified as a covered employee in fiscal 2018 or any subsequent year).

The Committee continues to believe that a significant portion of our executives' compensation should be tied to the Company's performance and] 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 accounting treatment of various types of equity-based compensation under Accounting Standards Codification (ASC) Topic 718 and (ii) 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 2019, the three other most highly compensated executive officers in fiscal 2019 who were still serving as such on June 30, 2019 (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, 2019, 2018, and 2017.

Name and Principal Position	Fiscal Year	Salary[1] ($)	Bonus[2] ($)	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	2019	950,000	145,802	6,588,878	—	715,431	—	26,946	8,427,057
	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]	2019	527,000	53,460	1,162,142	—	240,570	—	12,934	1,996,106
	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	2019	527,000	66,825	1,313,472	—	300,713	151,934	33,812	2,393,756
	2018	527,000	—	546,076	—	1,113,750	—	33,260	2,220,086
	2017	519,500	—	399,990	—	—	—	31,625	951,115
Chad Kapadia Executive Vice President and Chief Technology Officer[8]	2019	495,000	42,768	1,262,125	—	204,930	—	13,040	2,017,863
Jim B. Lain Executive Vice President and Chief Operating Officer	2019	432,000	19,008	1,043,642	—	113,760	—	9,442	1,617,852
	2018	432,000	—	436,860	—	792,000	—	6,774	1,667,634
	2017	432,000	—	399,990	—	—	—	10,465	842,455

1 Includes amounts provided to the NEOs (with the exception of Messrs. Sawyer and Kapadia) 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.

2 The amounts for fiscal 2019 represent an additional payment paid pursuant to the AIC awards under the Short Term Plan described under "Annual Incentive Decisions for Fiscal 2019" in the CD&A. 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, 2019 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, 2019 include:

- PSUs that were granted in August 2018: Mr. Sawyer—$4,313,880; Mr. Lacko—$663,670; Mr. Bakken—$829,587; Mr. Kapadia—$663,670; and Mr. Lain—$663,670.
- RSUs that were granted in August 2018: Mr. Sawyer—$2,274,998; Mr. Lacko—$349,983; Mr. Bakken—$437,490; Mr. Kapadia—$349,983; and Mr. Lain—$349,983.
- Matching RSUs that were granted in August 2018: Mr. Lacko—$148,489; Mr. Bakken—$46,395; Mr. Kapadia—$148,489; and Mr. Lain—$29,989.
- RSUs to acquire 5,361 shares that were granted to Mr. Kapadia in June 2019 in connection with the successful completion of a key technology initiative related to a mobile application and a new partnership —$99,983.

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; and Mr. Lain—$276,863. 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; and Mr. Lain—$553,726.

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; and Mr. Lain—$239,999. 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; and Mr. Lain—$479,998.
- 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, which was satisfied in April 2019. 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.

4 Amounts for fiscal 2019 represent amounts earned pursuant to AIC awards under the Short Term Plan.

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] ($)	Moving / Travel Expenses[b] ($)	Total All Other Compensation[c] ($)
Hugh E. Sawyer	—	22,058	26,946
Andrew H. Lacko	—	—	12,934
Eric A. Bakken	24,506	—	33,812
Chad Kapadia	5,469	—	13,040
Jim B. Lain	2,000	—	9,442

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.

c Total All Other Compensation for Mr. Sawyer, Mr. Lacko, Mr. Bakken, Mr. Kapadia and Mr. Lain; also includes $4,888, $12,934, $9,306, $7,571 and $7,442 of perquisites, respectively, which primarily relate to medical benefits, including the reimbursement of co-pay and other out-of-pocket expenses.

7 Mr. Lacko's employment commenced July 1, 2017.

8 Mr. Kapadia's employment commenced June 18, 2018.

Grants of Plan-Based Awards in 2019

The following table sets forth certain information concerning plan-based awards granted to the Named Executive Officers during the fiscal year ended June 30, 2019. No options were granted, repriced or materially modified during the fiscal year.

Name	Grant Date	Approval Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[1] Threshold ($)	Target ($)	Maximum ($)	Estimated Possible Payouts Under Equity Incentive Plan Awards[2] Threshold (#)	Target[3] (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units[2] (#)	Grant Date Fair Value of Stock & Option Awards[4] ($)
Hugh E. Sawyer			546,250	1,092,500	2,185,000					
	8/31/2018	8/14/2018				—	319,074	—		4,313,880
	8/31/2018	8/14/2018							106,358	2,274,998
Andrew H. Lacko			148,500	297,000	594,000					
	8/31/2018	8/14/2018				—	49,088	—		663,670
	8/31/2018	8/14/2018							23,304	498,473
Eric A. Bakken			185,625	371,250	742,500					
	8/31/2018	8/14/2018				—	61,360	—		829,587
	8/31/2018	8/14/2018							22,622	483,885
Chad Kapadia			148,500	297,000	594,000					
	8/31/2018	8/14/2018				—	49,088	—		663,670
	8/31/2018	8/14/2018							23,304	498,473
	6/05/2019	5/30/2019							5,361[5]	99,983
Jim B. Lain			120,000	240,000	480,000					
	8/31/2018	8/14/2018				—	49,088	—		663,670
	8/31/2018	8/14/2018							17,764	379,972

1 These amounts represent the threshold, target, and maximum non-equity incentive (bonus) amounts that could have been earned by our executives for fiscal 2019 under the Short Term Plan, as described under "Annual Incentive Decisions for Fiscal 2019" in the CD&A. Based on fiscal 2019 results, the non-equity incentive awards paid out at percentages ranging from 55.3% to 99.0% of target as described in "Annual Incentive Decision for Fiscal 2019" in the CD&A.

2 Annual grants for the fiscal year ended June 30, 2019 include:

- RSUs that were granted in August 2018: Mr. Sawyer—106,358; Mr. Lacko—16,362; Mr. Bakken—20,453; Mr. Kapadia—16,362; and Mr. Lain—16,362. These awards cliff vest on the third anniversary of the grant date.
- Matching RSUs that were granted in August 2018: Mr. Lacko—6,942; Mr. Bakken—2,169; Mr. Kapadia—6,942; and Mr. Lain—1,402. These awards cliff vest on the fifth anniversary of the grant date.

3 These amounts represent the number of PSUs that were available to our executives with respect to the fiscal 2019 PSU awards for the performance period ending June 30, 2021 as described under "Long-Term Incentive Decisions for Fiscal 2019" in the CD&A. These awards will vest on the fifth anniversary of the grant date if the participant is still employed by the Company and the performance goal has been achieved.

4 Amounts are computed in accordance with FASB ASC Topic 718.

5 Represents an award of RSUs to acquire 5,361 shares that was granted to Mr. Kapadia in June 2019 in connection with the successful completion of a key technology initiative related to a mobile application and a new partnership. This award will cliff vest on the third anniversary of the grant date.

Summary of Terms of Equity Awards

The terms of the equity awards granted as part of the long-term incentives for fiscal 2019 are summarized below:

- **Performance Stock Units—**PSUs are grants of restricted stock units that are earned based on the achievement of the performance goal(s) established by the Committee. The fiscal 2019 PSUs have a three-year performance period with performance assessed as of July 1, 2021, and will vest on the fifth anniversary of the grant date if the participant is still employed by the Company and the performance goal has been achieved, as described above in the CD&A under "Long-Term Incentive Decisions for Fiscal 2019." The PSUs earn dividend equivalents, but have no voting rights. The PSUs are also subject to the Company's clawback policy.

In the event of a termination of employment, unvested PSUs are generally forfeited; provided, however:

  - If a participant's employment is terminated (i) without Cause (as defined in the 2016 Long Term Plan) or for Good Reason (as defined in the award agreement), in each case within 12 months following a Change in Control (as defined in the award agreement), (ii) due to death or disability or (iii) without Cause by the Company after the one year anniversary of the Grant Date and the Board does not intend to fill the participant's position at the Company with another person, then if the termination occurs (a) prior to the end of the performance period a pro-rated amount of the fiscal 2019 PSUs will vest or (b) on or after the end of the performance period but prior to the fifth anniversary of the grant date and the performance goal is achieved, 100% of the fiscal 2019 PSUs will vest. Clause (iii) does not apply to Mr. Sawyer.
  - If the performance goal is achieved and a participant's employment is terminated on or after the third anniversary of the grant date due to (i) the 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 (ii) termination without Cause by the Company then, if the termination occurs (a) on or after the third anniversary of the grant date but before the fourth anniversary of the grant date, 60% of the fiscal 2019 PSUs will vest and (b) on or after the fourth anniversary of the grant date but before the fifth anniversary of the grant date, 80% of the fiscal 2019 PSUs will vest. This termination event trigger does not apply to Mr. Sawyer.
  - If a participant's employment is terminated without Cause by the Company or for Good Reason both (i) after the one year anniversary of the Grant Date and (ii) following the appointment of a successor or interim successor to Mr. Sawyer, then a greater than pro rata portion of the fiscal 2019 PSUs will vest in accordance with the formula set forth in the award agreement. This termination event trigger does not apply to Mr. Sawyer.

The terms of Mr. Sawyer's fiscal 2019 PSUs are substantially similar to those granted to our other NEOs, provided that in the event the performance condition is achieved and he is terminated by the Company without Cause (i) on or after April 17, 2020 but before the third anniversary of the grant date, a pro-rated amount of the fiscal 2019 PSUs will vest, (ii) on or after the third anniversary of the grant date but before the fourth anniversary of the grant date, 60% of the fiscal 2019 PSUs will vest and (b) on or after the fourth anniversary of the grant date but before the fifth anniversary of the grant date, 80% of the fiscal 2019 PSUs will vest. Mr. Sawyer's vesting under the applicable termination event triggers will not occur until the performance goal is achieved and the later of (A) the first to occur of (1) a Change in Control and (2) July 1, 2021 and (B) the date of his termination.

- **Restricted Stock Units—**The fiscal 2019 RSUs cliff vest on the third anniversary of the grant date if the participant is still employed by the Company. The RSUs earn dividend equivalents, but have no voting rights. The RSUs are also subject to the Company's clawback policy.

In the event of a termination of employment, unvested RSUs are generally forfeited; provided, however:

  - If a participant's employment is terminated (i) without Cause (as defined in the 2016 Long Term Plan) or for Good Reason (as defined in the award agreement), in each case within 12 months following a Change in Control (as defined in the award agreement), (ii) due to death or disability or (iii) without Cause by the Company after the one year anniversary of the grant date and the Board does not intend to fill the participant's position at the Company with another person, then a pro-rated amount of the fiscal 2019 RSUs will vest.
  - If a participant's employment is terminated without Cause by the Company or for Good Reason both (i) after the one year anniversary of the grant date and (ii) following the appointment of a successor or interim successor to Mr. Sawyer, then a greater than pro rata portion of the fiscal 2019 RSUs will vest in accordance with the formula set forth in the award agreement.

The terms of Mr. Sawyer's fiscal 2019 RSUs are substantially similar to those granted to our other NEOs provided that if his employment is terminated (i) without Cause (as defined in the 2016 Long Term Plan) or for Good Reason (as defined in the award agreement), in each case within 12 months following a Change in Control (as defined in the award agreement) (ii) due to death or disability or (iii) without Cause by the Company after the Initial Term (as defined in his employment agreement), then a pro-rated amount of the fiscal 2019 RSUs will vest.

Matching Share Program – Restricted Stock Units

Executives who elected to participate in our recently adopted matching share program by contributing 25% to 50% of their target fiscal 2018 bonus, net of normalized tax withholding, to purchase shares of our common stock, received a matching RSU grant valued at up to 100% of their contribution. These matching RSUs are subject to a five-year continued service and cliff vesting conditions and participants are also required to hold their underlying purchased shares for the same five-year period. The matching RSUs earn dividend equivalents, but have no voting rights. If an executive contributed 25% of his or her target fiscal 2018 bonus, net of normalized tax withholding, to purchase shares of our common stock, he or she received a matching RSU grant valued at 50% of his or her contribution, while a contribution of 50% of his or her target fiscal 2018 bonus resulted in a matching RSU grant valued at 100% of his or her contribution.

If a participant's employment is terminated (i) without Cause (as defined in the 2018 Long Term Incentive Plan) or for Good Reason (as defined in the award agreement), in each case within 12 months following a Change in Control (as defined in the 2018 Long Term Incentive Plan) or (ii) due to death or disability, if the termination occurs (a) prior to the third anniversary of the grant date, a pro-rated amount of the matching RSUs will vest or (b) on or after the third anniversary of the grant date, 100% of the matching RSUs will vest.

If a participant's employment is terminated on or after the second anniversary of the grant date due to (i) the 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 (ii) termination without Cause by the Company, then a pro-rated amount of the matching RSUs will vest.

Outstanding Equity Awards at 2019 Fiscal Year-End

The following table sets forth certain information concerning outstanding equity awards held by the Named Executive Officers at June 30, 2019.

	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				
					106,358[5]	1,765,543		
							319,074[6]	5,296,628
Andrew H. Lacko	—	—	—	—				
					22,718[7]	563,667		
					8,031[8]	199,274		
					16,362[5]	271,609		
					6,942[9]	115,237		
							18,072[10]	298,911
							49,088[6]	814,861
Eric A. Bakken	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				
	45,584	—	10.84	8/31/2025				
					4,242[11]	70,417		
					10,039[8]	166,647		
					20,453[5]	339,520		
					2,169[9]	36,005		
							22,590[10]	374,994
							61,360[6]	1,018,576
Chad Kapadia	—	—	—	—				
					3,241[12]	53,801		
					16,362[5]	271,609		
					6,942[9]	115,237		
					5,361[13]	88,993		
							12,772[14]	203,715
							49,088[6]	814,861
Jim B. Lain	4,346	—	15.50	11/11/2023				
	20,926	—	15.11	8/29/2024				
	39,886	—	10.84	8/31/2025				
					4,242[11]	70,417		
					8,031[8]	133,315		
					16,362[5]	271,609		
					1,402[9]	23,273		
							18,072[10]	299,995
							49,088[6]	814,861

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 $16.60, which was the last reported sale price for a share of our common stock on the NYSE on June 28, 2019.

4 Award vested in full on April 17, 2019 but will not become exercisable until April 17, 2020.

5 Award cliff vests on the third anniversary of the date of grant, which was August 31, 2018.

6 Amounts presented represent the number of shares that may be earned during the performance period ended June 30, 2021 with respect to the performance units granted on August 31, 2018. If the units are earned, they will be subject to an additional two-year service-based vesting requirement which will expire on August 31, 2023.

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 July 1, 2017.

8 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.

9 Award cliff vests on the fifth anniversary of the date of grant, which was August 31, 2018.

10 Amounts presented represent the target number of shares that may be earned during the performance period ending June 30, 2020 with respect to the performance units granted on October 17, 2017.

11 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.

12 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 June 18, 2018.

13 Award cliff vests on the third anniversary of the date of grant, which was June 5, 2019.

14 Amounts presented represent the target number of shares that may be earned during the performance period ending June 30, 2020 with respect to the performance units granted on June 18, 2018.

2019 Option Exercises and Stock Vested

The following table sets forth certain information concerning SARs exercised and stock vested during fiscal 2019 for the Named Executive Officers:

	Option Awards		Stock Awards[1]	
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	—	—	89,686[3]	1,773,989
Andrew H. Lacko	—	—	15,378	273,835
Eric A. Bakken	—	—	68,186	1,327,521
Chad Kapadia	—	—	1,621	29,648
Jim B. Lain	2,173	5,041	100,718	1,899,819

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	5,260
Eric A. Bakken	34,181
Chad Kapadia	561
Jim B. Lain	49,737

3 Award vested on April 17, 2019 upon achieving certain stock price conditions but does not settle until April 17, 2020.

Summary of Executive Agreements

Employment Agreements

We are party to an employment agreement with each of our NEOs, except for Messrs. Lacko and Kapadia. The key provisions of the employment agreements are summarized below.

NEOs Currently Employed

Name	Date of Employment Agreement	Base Salary as of June 30, 2019 ($)	FY19 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
Chad Kapadia	N/A	495,000	60
Jim B. Lain	11/11/2013	400,000	60

1 Messrs. Lacko and Kapadia are not parties to employment agreements with the Company.

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 for Messrs. Sawyer, Bakken and Lain. 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 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 is 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 the 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 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. When he joined the Company in June 2018, Mr. Kapadia received a sign-on bonus equal to $75,000 and initial equity awards with an aggregate value of $350,000, comprised of $262,500 of PSUs and $37,500 of RSUs. See below 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, 2019, we have made all of the payments that we had agreed to pay on Mr. Bakken's policies. As of June 30, 2019, 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. 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 and a target annual incentive opportunity of 115% of his annual base salary. He also received 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 ($)	Fiscal 2020 ($)
Base Salary[1]	950,000	950,000	950,000	950,000
Annual Incentive Target[1]	—	1,092,500	1,092,500	—[3]
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 Pay Plan."

3 Mr. Sawyer has indicated his intention to forego any cash annual incentive award for fiscal 2020 related to the Short Term 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 were 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, which goals were attained in April 2019, at which time the RSUs vested. However, 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 was 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.

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. He is entitled to an annual base salary of $495,000, a target annual incentive opportunity of 60% of his annual base salary, 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, which were paid in fiscal 2018.

Mr. Lacko's initial RSU 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 RSU awards the Company grants to employees as part of their annual long-term incentive awards. The RSUs were granted pursuant to the employment inducement exception of the NYSE rules.

Compensatory Arrangements with Mr. Kapadia

In June 2018, the Board appointed Mr. Kapadia as Executive Vice President and Chief Technology Officer, effective June 18, 2018. He is entitled to an annual base salary of $495,000 and a target annual incentive opportunity of 60% of his annual base salary. He received a sign-on bonus of $75,000 and a sign-on equity award valued at $350,000, comprised of $262,500 of PSUs and $37,500 of RSUs with terms consistent with the Company's form of PSU and RSU awards at the time of grant.

Definitions Under Executive Agreements

Certain of the terms used in the executive agreements as in effect at the end of fiscal 2019 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 annual incentive 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 annual incentive, 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 annual incentive, 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 2019

The following table sets forth certain information concerning pension benefits for the Named Executive Officers for fiscal 2019:

Name[1]	Age at June 30, 2019	Plan Name[2]	Number of Years of Credited Service[3] (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year ($)
Eric A. Bakken	52	Employment Agreement	25.5	1,098,790	—

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, 2019 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 3.02%.

Nonqualified Deferred Compensation for 2019

The following table sets forth certain information concerning nonqualified deferred compensation under our Executive Retirement Savings Plan for the NEOs for fiscal 2019:

Name	Executive Contributions in Last FY[1] ($)	Registrant Contributions in Last FY[1] ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE[2] ($)
Hugh E. Sawyer	1,773,989[3]	—	(285,201)[4]	—	1,488,788
Andrew H. Lacko	—	—	—	—	—
Eric A. Bakken	101,975	24,506	12,104	(124,553)	351,304
Chad Kapadia	21,875	5,469	2,036	—	—
Jim B. Lain	8,000	2,000	—	—	15,000

1 The Company matches deferred compensation contributions to our Executive Retirement Savings Plan at a rate of 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. Mr. Sawyer did not defer any compensation in fiscal 2019 under our Executive Retirement Savings Plan. For Mr. Sawyer, this value represents the value of his inducement award of restricted stock units that vested upon achieving certain stock price conditions on April 17, 2019. Delivery of the underlying shares is deferred until April 17, 2020. The number of underlying shares is also shown in the Options Exercised and Stock Vested Table. For Messrs. Bakken, Kapadia and Lain, executive contributions were made under the Executive Retirement Savings Plan.

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:

		Current Year Summary Compensation Table			
Name	Total Amount Reported in Current or Prior Summary Compensation Tables ($)	Salary ($)	Non-Equity Incentive Plan ($)	Above-Market Earnings ($)	Company Match and Profit-Sharing Contribution in All Other Compensation ($)
Hugh E. Sawyer	730,044	—	—	—	—
Andrew H. Lacko	—	—	—	—	—
Eric A. Bakken	365,336	101,975	—	—	24,506
Chad Kapadia	27,344	21,875	—	—	5,469
Jim B. Lain	25,000	8,000	—	—	2,000

3 Reflects value of restricted stock units that vested in fiscal 2019 that will not be settled until fiscal 2021.

4 Amount is calculated based on the closing price of the Company's common stock on June 28, 2019.

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, 2019 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, 2019. 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."

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	—	2,719,375	—	—	—	2,719,375
	Lump Sum Payment[4]	—	100,000	—	—	—	100,000
	Medical and Dental Insurance Benefits[5]	—	21,757	—	—	—	21,757
	Accelerated Vesting of Equity[6, 7]	—	6,938,788	7,429,216	7,429,216	6,938,788	7,429,216
	Total	**—**	**9,779,920**	**7,429,216**	**7,429,216**	**6,938,788**	**10,270,348**
Andrew H. Lacko[8]	Severance	—	—	—	—	—	—
	Lump Sum Payment[4]	—	200,000	—	—	—	200,000
	Medical and Dental Insurance Benefits[5]	—	—	—	—	—	—
	Accelerated Vesting of Equity[7]	—	—	817,834	817,834	710,376	817,834
	Total	**—**	**200,000**	**817,834**	**817,834**	**710,376**	**1,017,834**
Eric A. Bakken	Severance	—	773,438	—	—	—	1,732,500
	Lump Sum Payment[4]	—	250,000	—	—	—	250,000
	Medical and Dental Insurance Benefits[5]	—	18,321	—	—	—	27,482
	Retirement Benefits[9]	1,130,703	1,330,239	1,903,176	2,411,626	1,330,239	1,330,239
	Accelerated Vesting of Equity[7]	—	—	1,225,173	1,225,173	1,120,860	1,225,713
	Total	**1,130,703**	**2,371,998**	**3,128,349**	**3,636,799**	**2,451,099**	**4,565,394**
Chad Kapadia[8]	Severance	—	—	—	—	—	—
	Lump Sum Payment[4]	—	200,000	—	—	—	200,000
	Medical and Dental Insurance Benefits[5]	—	—	—	—	—	—
	Accelerated Vesting of Equity[7]	—	—	299,060	299,060	189,542	299,060
	Total	**—**	**200,000**	**299,060**	**299,060**	**189,542**	**499,060**
Jim B. Lain	Severance	—	580,000	—	—	—	1,280,000
	Lump Sum Payment[4]	—	200,000	—	—	—	200,000
	Medical and Dental Insurance Benefits[5]	—	18,321	—	—	—	27,482
	Accelerated Vesting of Equity[7]		—	1,119,463	1,119,463	1,037,551	1,119,463
	Total	**—**	**798,321**	**1,119,463**	**1,119,463**	**1,037,551**	**2,626,945**

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 and Mr. Kapadia.

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) 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 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, 2019, it has been estimated that Mr. Bakken would be better off receiving the full payment due.

4 In connection with the fiscal 2019 long-term incentive awards, in August 2018 we entered into letter agreements with our executive officers which provided for a one-time lump sum payment in the event the executive experienced a "Qualifying Termination" that occur prior to the first anniversary of the date of grant (August 31, 2019) as described under "Governance Policies and Additional Compensation-Related Items— Changes to Severance Program."

5 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.

6 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. Mr. Sawyer's initial equity awards were 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, which goals were attained in April 2019, at which time the RSUs vested. However, 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.

7 Amounts represent the intrinsic value of SARs, RSUs, and PSUs as of June 28, 2019 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 $16.60, the closing price of the Company's common stock on June 28, 2019 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 $16.60.

8 Neither Mr. Lacko nor Mr. Kapadia is party to a written employment agreement with the Company stipulating provisions for post-termination payments. They are 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.

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."

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 2019, our last completed fiscal year:

- The annual total compensation of our median employee was $20,626; and
- The annual total compensation of our President and CEO, as reported in the Summary Compensation Table presented elsewhere in this proxy statement, was $8,427,057.

Based on this information for fiscal 2019, 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 409:1. Our fiscal 2019 pay ratio is substantially greater than our fiscal 2018 pay ratio due to our newly revised fiscal 2019 pay plan under which our senior executives, including Mr. Sawyer, each received a single, large equity grant that will cover a five-year period from fiscal 2019 to fiscal 2023, and additional automatic annual equity grants are not anticipated for the remainder of the period.

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:

For our fiscal 2019 pay ratio analysis, we determined that we could not use the same median employee that we identified last year since due to our ongoing restructuring efforts we have experienced a significant decrease in our employee population that we believe would significantly impact our fiscal 2019 pay ratio disclosure.

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) during fiscal 2019 who were employed on June 30, 2019. 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, 2019, but did not work for us during all of fiscal 2019. 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 the 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, 2019.

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]	2,138,966	$15.12	4,791,112[2]
Equity compensation plans not approved by security holders[3]	1,022,718	$11.13	230,303[4]
Total	**3,161,684**	**$13.83**	**5,021,415**

1 Includes shares granted through stock options, SARs, restricted stock awards, RSUs and PSUs under the 2004 Long Term Plan, 2016 Long Term Plan and 2018 Long Term Plan. Information regarding the stock-based compensation plans is included in Notes 1 and 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended June 30, 2019.

2 The Company's 2018 Long Term Plan provides for the issuance of a maximum of 3,818,895 shares of the Company's common stock through stock options, SARs, restricted stock or RSUs. As of June 30, 2019, there are 3,747,822 shares available for future issuance under the 2018 Long Term Plan and 1,043,300 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.

4 The Company's SPMP provides for the issuance of a maximum of 250,000 shares of the Company's common stock upon purchase of shares at fair market value by eligible participants. As of June 30, 2019, there are 230,303 shares available for issuance under the SPMP. The SPMP is described above under "SPMP and Matching RSU Grants in Fiscal 2019 (Early Participation Program)" in the Compensation Discussion and Analysis.

ITEM 3

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 FOR 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, 2020. 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 $2,323,000 for the year ended June 30, 2019, and $2,290,000 for the year ended June 30, 2018. 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, 2019 and 2018, 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, 2019 or 2018.

Tax Fees

Aggregate non-audit related tax fees billed for professional services rendered by PricewaterhouseCoopers LLP for the year ended June 30, 2019 and June 30, 2018 were $517,000 and $802,000, respectively. The tax fees for the years ended June 30, 2019 and 2018 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, 2019 and 2018, 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, 2020. 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, 2019 and June 30, 2018 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 requirements of the Public Company Accounting Oversight Board (PCAOB) and the SEC.

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, 2019 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, 2020.

Michael J. Merriman, Chair
Virginia Gambale
David J. Grissen
M. Ann Rhoades
David P. Williams
Members of the Audit Committee

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During fiscal 2019, 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 26, 2019, 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 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 36,059,879 shares of common stock issued and outstanding as of August 26, 2019.

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	29.6
	BlackRock, Inc.[3]	5,016,320	13.9
	Dimensional Fund Advisors LP[4]	3,834,171	10.6
	The Vanguard Group[5]	3,363,675	9.3
	Cramer Rosenthal McGlynn, LLC[6]	2,520,391	7.0
Named Executive Officers	Hugh E. Sawyer[7]	1,100,186	3.0
	Andrew H. Lacko	17,798	*
	Eric A. Bakken[8]	191,974	*
	Chad Kapadia	135,712	*
	Jim B. Lain	5,877	*
Directors and Nominees (in addition to Mr. Sawyer, who is listed above):	Daniel G. Beltzman[2]	10,672,250	29.6
	Virginia Gambale	9,372	*
	David J. Grissen	37,399	*
	Mark S. Light	37,399	*
	Michael J. Merriman	57,793	*
	M. Ann Rhoades	25,903	*
	David P. Williams[9]	107,028	*
	All current executive officers and directors as a group (sixteen persons)[10]	**12,415,281**	**33.0**

* 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: 89,686 shares for Mr. Sawyer, 4,015 shares for Mr. Lacko, 9,261 shares for Mr. Bakken, 8,257 shares for Mr. Lain, 17,535 shares for Mr. Beltzman, 9,372 shares for Ms. Gambale, 37,399 shares for Messrs. Grissen and Light, 47,793 shares for Mr. Merriman, 25,903 shares for Ms. Rhoades, and shares for Mr. Williams. 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: 1,000,000 shares by Mr. Sawyer, 95,480 shares by Mr. Bakken, and 65,158 shares by Mr. Lain.

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 January 31, 2019, BlackRock, Inc. reported sole voting power over 4,904,659 shares, shared voting power over 0 shares, sole dispositive power over 5,016,320 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 8, 2019, Dimensional reported sole voting power over 3,690,600 shares, shared voting power over 0 shares, sole dispositive power over 3,834,171 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 11, 2019, Vanguard reported sole voting power over 35,591 shares, shared voting power over 8,600 shares, sole dispositive power over 3,324,384 shares and shared dispositive power over 39,291 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 13, 2019, Cramer Rosenthal reported sole voting power over 2,479,679 shares, shared voting power over 0 shares, sole dispositive power over 2,520,391 shares and shared dispositive power over 0 shares. The address for Cramer Rosenthal is 520 Madison Ave., New York, NY 10022.

7 Shares are held in a joint brokerage account with his spouse.

8 Includes 400 shares held indirectly through a profit-sharing account.

9 Includes 2,000 shares held in a joint brokerage account with his father.

10 See footnotes 1, 2, 7, 8 and 9 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 22, 2019

This Proxy Statement is furnished to shareholders of the Company in connection with the solicitation on behalf of our Board of proxies for use at 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 SEC, we are making our proxy materials, which include our Notice and Proxy Statement and Annual Report on Form 10-K, available to our shareholders over the Internet. We believe that this e-proxy process expedites our shareholders’ receipt of proxy materials and lowers the costs and reduces the environmental impact of the Annual Meeting. In accordance with such SEC rules, we will send shareholders of record as of the close of business on August 26, 2019 a Notice of Internet Availability of Proxy Materials (the “Notice”), which mailing will commence on or about September 5, 2019. 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 Corporate 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 and the Say-on-Pay proposal. Accordingly, we urge you to promptly give instructions to your custodian to vote on these matters by following the instructions provided to you by your custodian. Please note that if you intend to vote your street name shares in person at the Annual Meeting, you must provide a “legal proxy” from your custodian at the Annual Meeting.

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 26, 2019 will be entitled to sign proxies or to vote. On that date, there were 36,059,879 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 Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2020	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 Item 3, 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 2020 annual meeting of shareholders, and who wish to have such proposals included in our proxy statement for the 2020 annual meeting, must be certain that such proposals are received by us not later than May 8, 2020. 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 2020 annual meeting.

For shareholders who intend to present proposals or director nominees directly at the 2020 annual meeting and not for inclusion in our 2020 proxy statement, we must receive notice of such proposal not later than July 24, 2020 and not earlier than June 24, 2020, provided that in the event that the date of the 2020 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 2020 annual meeting and not later than the close of business on the later of the 90th day prior to the 2020 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 2020 annual meeting.

Proposals and notices of intention to present proposals at our 2020 annual meeting should be addressed to our Corporate Secretary, Regis Corporation, 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, 2019, 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 22, 2019.

The Notice and Proxy Statement and Annual Report on Form 10-K are available in the Investor 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 5, 2019

REGIS CORPORATION

www.regiscorp.com/investor