OXFORD INDUSTRIES INC
Form 4
October 03, 2006

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Cole Chris B

(Last) (First) (Middle)

222 PIEDMONT AVE., NE

(Street)

ATLANTA, GA 30308

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
OXFORD INDUSTRIES INC [OXM]

3. Date of Earliest Transaction (Month/Day/Year)
09/29/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	09/29/2006		A		25 (1)	A	$ 36.4735 (2)	1,793	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Cole Chris B 222 PIEDMONT AVE., NE ATLANTA, GA 30308			Vice President	

Signatures

/Mary Margaret Heaton/Attorney-In-Fact for Christine B. Cole	10/03/2006
**Signature of Reporting Person	Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- **(1)** Purchase of shares under the Oxford Industries, Inc. - Employee Stock Purchase Plan, in an exempt transaction pursuant to Rule 16b-3(c).
- **(2)** Shares acquired under this Plan are purchased at a 15% discount on the closing market price on the last day of the purchase period.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ht" style="margin:0in 0in .0001pt;text-align:right;">172,500

Unamortized debt discount

(21,803

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Net carrying amount of convertible debt

$

150,697

The following table provides interest rate and interest expense amounts related to the convertible senior notes:

(Dollars in thousands)			Convertible Senior Notes Due 2014 Nine Months Ended March 31, 2010
Interest cost related to contractual interest coupon	5.0%	$	6,109
Interest cost related to amortization of the discount			2,893
Total interest cost		$	9,002

In connection with the convertible senior note offering, the Company issued 13,225,000 shares of common stock resulting in net proceeds of $163.5 million. The proceeds from the convertible senior notes and the common stock issuance were utilized to repay $267.0 million of private placement senior term notes of varying maturities and $30.0 million of additional senior term notes under a Private Shelf Agreement. As a result of the repayment of debt during the nine months ended March 31, 2010, the Company incurred $12.8 million in make-whole payments and other fees along with $5.2 million in interest rate swap settlements, as discussed in Note 7 of the Condensed Consolidated Financial Statements, totaling $18.0 million that was recorded as interest expense within the Condensed Consolidated Statement of Operations.

11. INCOME TAXES:

Income taxes have been allocated to continuing and discontinued operations based on the guidance for accounting for income taxes in interim periods. Discontinued operations are excluded in determining the estimated effective income tax rate from continuing operations and the corresponding income tax expense (benefit). The determination of the annual effective income tax rate is based upon a number of significant estimates and judgments, including the estimated annual pretax income of the Company in each tax jurisdiction in which it operates and the development of tax planning strategies during the year. In addition, as a global enterprise, the Company s interim tax expense (benefit) can be impacted by changes in tax rates or laws, the finalization of tax audits or reviews, as well as other factors that cannot be predicted with certainty. As such, there can be significant volatility in interim tax provisions.

During the three and nine months ended March 31, 2010, the Company s continuing operations recognized tax (benefit) expense of $(0.5) million and $10.0 million, respectively, with corresponding effective tax rates of 11.1 percent and 43.8 percent. Tax expense for the three and nine months ended March 31, 2009 was $9.7 million and $29.0 million with corresponding effective tax rates of 33.7 percent and 72.2 percent in the comparable periods of the prior year. The effective income tax rate for the three and nine months ended March 31, 2010 was negatively impacted by the $35.3 million impairment of goodwill in the North American segment which is only partially deductible for tax purposes. Offsetting the goodwill impairment was the release of approximately $2.9 million in reserves for uncertain tax positions related to the expiration of the statute of limitations on tax years previously open for audit. During the quarter ended March 31, 2010, the Company recorded a $0.9 million adjustment to correct its prior year income tax balances. The Company s income tax provision for the nine months ended March 31, 2010 was also impacted by a $0.4 million adjustment recorded in the three months ended September 30, 2009 to correct prior year deferred income tax balances. The Company does not believe the adjustments are material to the three and nine months ended March 31, 2010 results of operations or its financial position or results of operations of any prior periods.

The effective tax rate during the three months ended March 31, 2009 was impacted by the release of approximately $2.5 million in reserves for uncertain tax positions related to the expiration of the statute of limitations on tax years previously open for audit. The effective tax rate during the nine months ended March 31, 2009 was impacted by the majority of the $41.7 million goodwill impairment of the salon concepts in the United Kingdom recorded in the second quarter of fiscal year 2009 not being deductible for tax purposes, which increased the tax provision by approximately $11.4 million for the nine months ended March 31, 2009.

The Company accrues for the effects of open uncertain tax positions and the related potential penalties and interest. There were no material adjustments to our recorded liability for unrecognized tax benefits during the three and nine months ended March 31, 2010. It is reasonably possible that the amount of the unrecognized tax benefit with respect to certain of our unrecognized tax positions will increase or decrease during the next 12 months; however, we do not expect the change to

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have a significant effect on our consolidated results of operations or financial position.

The Company files tax returns and pays tax primarily in the United States, Canada, the United Kingdom, and the Netherlands as well as states, cities, and provinces within these jurisdictions. In the United States, fiscal years 2007 and after remain open for federal tax audit. For state tax audits, the statute of limitations generally spans three to four years, resulting in a number of states remaining open for tax audits dating back to fiscal year 2006. However, the company is under audit in a number of states in which the statute of limitations has been extended to fiscal years 2000 and forward. Internationally (including Canada), the statute of limitations for tax audits varies by jurisdiction, but generally ranges from three to five years.

12. SEGMENT INFORMATION:

As of March 31, 2010, the Company owned, franchised, or held ownership interests in approximately 12,700 worldwide locations. The Company s locations consisted of 9,555 North American salons (located in the United States, Canada and Puerto Rico), 416 international salons, 95 hair restoration centers and approximately 2,700 locations in which the Company maintains an ownership interest.

The Company operates its North American salon operations through five primary concepts: Regis Salons, MasterCuts, SmartStyle, Supercuts and Promenade salons. The concepts offer similar products and services, concentrate on the mass market consumer marketplace and have consistent distribution channels. All of the company-owned and franchise salons within the North American salon concepts are located in high traffic, retail shopping locations that attract mass market consumers, and the individual salons display similar economic characteristics. The salons share interdependencies and a common support base.

The Company operates its international salon operations, primarily in the United Kingdom, through three primary concepts: Regis, Supercuts, and Sassoon salons. Consistent with the North American concepts, the international concepts offer similar products and services, concentrate on the mass market consumer marketplace and have consistent distribution channels. All of the international salon concepts are company-owned and are located in malls, leading department stores, and high-street locations. Individual salons display similar long-term economic characteristics. The salons share interdependencies and a common support base.

The Company s company-owned and franchise hair restoration centers are located in the United States and Canada. The Company s hair restoration centers offer three hair restoration solutions; hair systems, hair transplants and hair therapy, which are targeted at the mass market consumer. Hair restoration centers are located primarily in office and professional buildings within larger metropolitan areas.

Based on the way the Company manages its business, it has reported its North American salons, international salons and hair restoration centers as three separate reportable segments.

Financial information for the Company s reporting segments is shown in the following tables:

Total Assets by Segment	March 31, 2010	June 30, 2009
	(Dollars in thousands)	
North American salons	$ 915,241	$ 966,596
International salons	74,020	49,779
Hair restoration centers	300,554	293,017
Unallocated corporate	662,119	583,094
Consolidated	$ 1,951,934	$ 1,892,486

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	For the Three Months Ended March 31, 2010				
	Salons		Hair		
	North America	International	Restoration Centers	Unallocated Corporate	Consolidated
	(Dollars in thousands)				
Revenues:					
Service	$ 406,244	$ 24,794	$ 16,841	$	$ 447,879
Product	101,619	10,664	17,666		129,949
Royalties and fees	9,115		628		9,743
	516,978	35,458	35,135		587,571
Operating expenses:					
Cost of service	233,460	12,683	9,425		255,568
Cost of product	51,477	5,526	5,058		62,061
Site operating expenses	45,085	1,945	1,250		48,280
General and administrative	27,818	2,994	10,305	31,624	72,741
Rent	74,233	8,873	2,227	575	85,908
Depreciation and amortization	17,398	1,349	3,039	4,766	26,552
Goodwill impairment	35,277				35,277
Lease termination costs					
Total operating expenses	484,748	33,370	31,304	36,965	586,387
Operating income (loss)	32,230	2,088	3,831	(36,965)	1,184
Other income (expense):					
Interest expense				(9,039)	(9,039)
Interest income and other, net				3,125	3,125
Income (loss) from continuing operations before income taxes and equity in income (loss) of affiliated companies	$ 32,230	$ 2,088	$ 3,831	$ (42,879)	$ (4,730)

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	For the Three Months Ended March 31, 2009				
	Salons		Hair Restoration	Unallocated	
	North America	International	Centers	Corporate	Consolidated
	(Dollars in thousands)				
Revenues:					
Service	$ 412,226	$ 24,858	$ 16,217	$	$ 453,301
Product	112,339	11,020	17,810		141,169
Royalties and fees	8,990		626		9,616
	533,555	35,878	34,653		604,086
Operating expenses:					
Cost of service	238,093	12,482	8,890		259,465
Cost of product	62,642	6,252	5,323		74,217
Site operating expenses	46,211	2,364	1,289		49,864
General and administrative	28,289	2,942	9,225	29,136	69,592
Rent	73,426	9,438	2,268	522	85,654
Depreciation and amortization	18,678	1,512	2,893	4,301	27,384
Goodwill impairment					
Lease termination costs	838				838
Total operating expenses	468,177	34,990	29,888	33,959	567,014
Operating income (loss)	65,378	888	4,765	(33,959)	37,072
Other income (expense):					
Interest expense				(9,684)	(9,684)
Interest income and other, net				1,316	1,316
Income (loss) from continuing operations before income taxes and equity in income (loss) of affiliated companies	$ 65,378	$ 888	$ 4,765	$ (42,327)	$ 28,704

	For the Nine Months Ended March 31, 2010				
	Salons		Hair		
	North America	International	Restoration Centers	Unallocated Corporate	Consolidated
	(Dollars in thousands)				
Revenues:					
Service	$ 1,201,703	$ 81,353	$ 49,226	$	$ 1,332,282
Product	319,383	33,250	54,140		406,773
Royalties and fees	27,571		1,860		29,431
	1,548,657	114,603	105,226		1,768,486
Operating expenses:					
Cost of service	690,864	42,094	27,391		760,349
Cost of product	170,937	17,044	15,995		203,976
Site operating expenses	136,133	7,360	3,872		147,365
General and administrative	85,381	9,289	27,520	95,722	217,912
Rent	220,960	28,007	6,744	1,587	257,298
Depreciation and amortization	53,449	4,387	9,114	14,303	81,253
Goodwill impairment	35,277				35,277
Lease termination costs		3,552			3,552
Total operating expenses	1,393,001	111,733	90,636	111,612	1,706,982
Operating income (loss)	155,656	2,870	14,590	(111,612)	61,504
Other income (expense):					
Interest expense				(45,424)	(45,424)
Interest income and other, net				6,768	6,768
Income (loss) from continuing operations before income taxes and equity in income (loss) of affiliated companies	$ 155,656	$ 2,870	$ 14,590	$ (150,268)	$ 22,848

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	For the Nine Months Ended March 31, 2009(1)				
	Salons		Hair Restoration	Unallocated	
	North America	International	Centers	Corporate	Consolidated
	(Dollars in thousands)				
Revenues:					
Service	$ 1,229,736	$ 89,080	$ 48,598	$	$ 1,367,414
Product	317,543	36,514	54,069		408,126
Royalties and fees	27,623		1,878		29,501
	1,574,902	125,594	104,545		1,805,041
Operating expenses:					
Cost of service	709,874	46,902	26,604		783,380
Cost of product	168,319	20,329	16,266		204,914
Site operating expenses	133,351	8,544	3,991		145,886
General and administrative	89,945	11,496	25,679	92,767	219,887
Rent	219,788	31,873	6,592	1,593	259,846
Depreciation and amortization	55,407	4,794	8,377	13,593	82,171
Goodwill impairment		41,661			41,661
Lease termination costs	2,836				2,836
Total operating expenses	1,379,520	165,599	87,509	107,953	1,740,581
Operating income (loss)	195,382	(40,005)	17,036	(107,953)	64,460
Other income (expense):					
Interest expense				(30,782)	(30,782)
Interest income and other, net				6,513	6,513
Income (loss) from continuing operations before income taxes and equity in income (loss) of affiliated companies	$ 195,382	$ (40,005)	$ 17,036	$ (132,222)	$ 40,191

(1) Beginning with the period ended December 31, 2008 the operations of the Trade Secret concept within the North American reportable segment were accounted for as a discontinued operation. All periods presented reflect Trade Secret as a discontinued operation.

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REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of Regis Corporation:

We have reviewed the accompanying condensed consolidated balance sheet of Regis Corporation as of March 31, 2010 and the related condensed consolidated statements of operations for the three and nine month periods ended March 31, 2010 and 2009 and of cash flows for the nine month periods ended March 31, 2010 and 2009. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the Condensed Consolidated Financial Statements, Regis Corporation changed the manner it which it measures fair value for certain financial assets and liabilities effective July 1, 2008 and certain nonfinancial assets and liabilities effective July 1, 2009.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of June 30, 2009, and the related consolidated statements of operations, of changes in shareholders equity and comprehensive income and of cash flows for the year then ended (not presented herein), and in our report dated August 28, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the accompanying consolidated balance sheet information as of June 30, 2009, is fairly stated, in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP

Minneapolis, Minnesota
May 10, 2010

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Item 2. 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. Our MD&A is presented in five sections:

- Management s Overview
- Critical Accounting Policies
- Overview of Results
- Results of Operations
- Liquidity and Capital Resources

MANAGEMENT S OVERVIEW

Regis Corporation (RGS, we, our, or us) owns, franchises or holds ownership interests in beauty salons, hair restoration centers and educational institutions. As of March 31, 2010, we owned, franchised or held ownership interests in approximately 12,700 worldwide locations. Our locations consisted of 9,971 system wide North American and international salons, 95 hair restoration centers and approximately 2,700 locations in which we maintain an ownership interest. Our salon concepts offer generally similar products and services and serve mass market consumers. Our salon operations are organized to be managed based on geographical location. Our North American salon operations include 9,555 salons, including 2,023 franchise salons, operating in the United States, Canada and Puerto Rico primarily under the trade names of Regis Salons, MasterCuts, SmartStyle, Supercuts and Cost Cutters. Our international salon operations include 416 company-owned salons, located in the United Kingdom. Our hair restoration centers, operating under the trade name Hair Club for Men and Women, include 95 North American locations, including 33 franchise locations. As of March 31, 2010, we had approximately 56,000 corporate employees worldwide.

On February 16, 2009, we sold our Trade Secret salon concept (Trade Secret). We concluded, after a comprehensive review of strategic and financial options, to divest Trade Secret. The sale of Trade Secret included 655 company-owned salons and 57 franchise salons, all of which had historically been reported within the Company s North America reportable segment. The sale of Trade Secret included sale of Cameron Capital

I, Inc. (CCI). CCI owned and operated PureBeauty and BeautyFirst salons which were acquired by us on February 20, 2008.

On January 31, 2008, we merged our continental European franchise salon operations with the Franck Provost Salon Group in exchange for a 30.0 percent equity interest in the newly formed entity, Provalliance. The merger with the operations of the Franck Provost Salon Group, which are also located in continental Europe, created Europe s largest salon operator with approximately 2,500 company-owned and franchise salons as of March 31, 2010.

On August 1, 2007, we contributed our 51 accredited cosmetology schools to Empire Education Group, Inc., creating the largest beauty school operator in North America. As of March 31, 2010, we own a 55.1 percent equity interest in Empire Education Group, Inc. (EEG). Our investment in EEG is accounted for under the equity method. The combined Empire Education Group, Inc. includes 95 accredited cosmetology schools with annual revenues of approximately $130 million.

Our growth strategy consists of two primary, but flexible, components. Through a combination of organic and acquisition growth, we seek to achieve our long-term objective of six to ten percent annual revenue growth. We anticipate that going forward, the mix of organic and acquisition growth will be roughly equal. However, depending on several factors, including the ability of our salon development program to keep pace with the availability of real estate for new construction, hair restoration lead generation, the availability of attractive acquisition candidates and same-store sales trends, this mix will vary from year to year. Due to the current economic conditions we have recently reduced the pace of our new salon development and salon acquisitions. We expect to continue with our historical trend of building and/or acquiring 700 to 1,000 salons each year once the economy normalizes.

Maintaining financial flexibility is a key element in continuing our successful growth. With strong operating cash flow and balance sheet, we are confident that we will be able to financially support our long-term growth objectives.

We are in compliance with all covenants and other requirements of our financing arrangements as of March 31, 2010.

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Salon Business

The strength of our salon business is the fundamental similarity and broad appeal of our salon concepts that allow flexibility and multiple salon concept placements in shopping centers and neighborhoods. Each concept generally targets the middle market customer, however, each attracts a different demographic. We believe there are growth opportunities in all of our salon concepts. When commercial opportunities arise, we anticipate testing and developing new salon concepts to complement our existing concepts.

We execute our salon growth strategy by focusing on real estate. Our salon real estate strategy is to add new units in convenient locations with good visibility and customer traffic, as well as appropriate trade demographics. Our various salon and product concepts operate in a wide range of retailing environments, including regional shopping malls, strip centers and Wal-Mart Supercenters. We believe that the availability of real estate will augment our ability to achieve the aforementioned long-term growth objectives. In fiscal 2011, our outlook for constructed salons is approximately 160 units. Capital expenditures and acquisitions are expected to be approximately $120.0 million in fiscal year 2011.

Organic salon revenue growth is achieved through the combination of new salon construction and salon same-store sales increases. Once the economy normalizes, we expect we will continue with our historical trend of building several hundred company-owned salons. We anticipate our franchisees will open approximately 80 salons in fiscal year 2011. Older, unprofitable salons will be closed or relocated. Our long-term outlook for our salon business is for annual consolidated low single digit same-store sales increases. Based on current economic cycles (i.e., lengthening of customer visitation patterns), we project our annual fiscal year 2011 consolidated same-store sales to be in the range of negative 1.0 to positive 2.0 percent.

Historically, our salon acquisitions have varied in size from as small as one salon to over one thousand salons. The median acquisition size is approximately ten salons. From fiscal year 1994 to March 31, 2010, we acquired 8,023 salons, net of franchise buybacks. Once the economy normalizes, we anticipate adding several hundred company-owned salons each year from acquisitions. Some of these acquisitions may include buying salons from our franchisees.

Hair Restoration Business

In December 2004, we acquired Hair Club for Men and Women. Hair Club for Men and Women is a provider of hair loss solutions with an estimated five percent share of the $4 billion domestic market. This industry is comprised of numerous locations domestically and is highly fragmented. As a result, we believe there is an opportunity to consolidate this industry through acquisition. Expanding the hair loss business organically and through acquisition would allow us to add incremental revenue which is neither dependent upon, nor dilutive to, our existing salon business.

Our organic growth plans for hair restoration include the construction of a modest number of new locations in untapped markets domestically and internationally. However, the success of our hair restoration business is not dependent on the same real estate criteria used for salon expansion. In an effort to provide confidentiality for our customers, hair restoration centers operate primarily in professional or medical office buildings. Further, the hair restoration business is more marketing intensive. As a result, organic growth at our hair restoration centers will be dependent on successfully generating new leads and converting them into hair restoration customers. Our growth expectations for our hair restoration business are not dependent on referral business from, or cross marketing with, our hair salon business, but these concepts are

continually evaluated closely for additional growth opportunities.

CRITICAL ACCOUNTING POLICIES

The Condensed Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the Condensed 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 Condensed 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 Condensed Consolidated Financial Statements.

Our significant accounting policies can be found in Note 1 to the Consolidated Financial Statements contained in Part II, Item 8 of the June 30, 2009 Annual Report on Form 10-K, as well as Note 1 to the Condensed Consolidated Financial Statements contained within this Quarterly Report on Form 10-Q. We believe the accounting policies related to the valuation of goodwill, the valuation and estimated useful lives of long-lived assets, investment in and loans to affiliates, purchase price allocations, revenue recognition, self-insurance accruals, stock-based compensation expense, legal contingencies and estimates used in relation to tax liabilities and deferred taxes are most critical to aid in fully understanding and evaluating our reported financial condition and results of operations. Discussion of each of these policies is contained under Critical Accounting Policies in Part II, Item 7 of our June 30, 2009 Annual Report on Form 10-K. There were no significant changes in or application of our critical accounting policies during the three and nine months ended March 31, 2010.

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Goodwill:

As disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2009, we perform our impairment analysis of goodwill during the third quarter of each fiscal year. Fair values are estimated based on our best estimate of the expected present value of future cash flows and compared with the corresponding carrying value of the reporting unit, including goodwill. Where available and as appropriate comparative market multiples are used to corroborate the results of the present value method. We consider our various concepts to be reporting units when we test for goodwill impairment because that is where we believe goodwill resides.

For the three months ended December 31, 2009, the Regis salon concept reported same-store sales of negative 10.0 percent, which was unfavorable compared to the Company s budgeted same-store sales. As a result of the lower than expected same-store sales, the Company performed the first step of a goodwill impairment test by comparing the carrying value of the Regis salon concept, including goodwill to its estimated fair value as of December 31, 2009. The estimated fair value as of December 31, 2009 was approximately $26.0 million or 14.0 percent above the carrying value.

The Regis salon concept reported same-store sales results of negative 5.8 percent for the three months ended March 31, 2010, which was unfavorable compared to the Company s budgeted same-store sales. Such results indicated customer visitation patterns were not rebounding as quickly as the Company had originally projected. Accordingly, the Company reduced the budgeted financial projections for the remainder of fiscal 2010 and all of fiscal year 2011. The lowered projections assume the higher price point Regis salon concept remains a strong viable that will require a longer, slower recovery. As a result of the lowered projections for the remainder of fiscal year 2010 and all of fiscal year 2011, the estimated fair value of the Regis salon concept decreased to a level below the Regis salon concept s carrying value.

As a result of the Company s annual impairment analysis of goodwill during the three months ended March 31, 2010 a $35.3 million impairment charge was recorded within continuing operations for the excess of the carrying value of goodwill over the implied fair value of goodwill for the Regis salon concept.

As it is reasonably likely that there could be additional impairment of the Regis salon concept s goodwill in future periods along with the sensitivity of the Company s critical assumptions in estimating fair value of this reporting unit, the Company has provided additional information related to this reporting unit.

A summary of the critical assumptions utilized during the annual impairment test of the Regis salon concept as of March 31, 2010 are outlined below:

Annual revenue growth. Annual revenue growth is primarily driven by assumed same-store sales rates of negative 3.2 percent to positive 3.0 percent. Other considerations include anticipated economic conditions and moderate acquisition growth.

Gross margin. Adjusted for anticipated salon closures, new salon construction and acquisitions estimated future gross margins were held constant.

Fixed expense rates. Fixed expense rate increases of approximately 1.5 percent to 2.0 percent based on anticipated inflation. Fixed expenses consisted of rent, site operating, and allocated general and administrative corporate overhead.

Allocated corporate overhead. Corporate overhead incurred by the home office based on the number of Regis company-owned salons as a percent of total company-owned salons.

Long-term growth. A long-term growth rate of 2.5 percent was applied to terminal cash flow based on anticipated economic conditions.

Discount rate. A discount rate of 12.0 percent based of the weighted average cost of capital that equals the rate of return on debt capital and equity capital weighted in proportion to the capital structure common to the industry.

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The following table summarizes the approximate impact that a change in certain critical assumptions would have on the estimated fair value of our Regis salon concept goodwill balance (the approximate impact of the change in the critical assumptions assumes all other assumptions and factors remain constant, in thousands, except percentages):

Critical Assumptions	**Increase (Decrease)**	**Approximate Impact on Fair Value (in thousands)**
Discount Rate	1.0%	$ 13,000
Same-Store Sales	(1.0)%	12,000

As of March 31, 2010, the estimated fair value of the Promenade salon concept exceeded its respective carrying value by approximately 10 percent. As it is reasonably likely that there could be impairment of the Promenade salon concept s goodwill in future periods along with the sensitivity of the Company s critical assumptions in estimating fair value of this reporting unit, the Company has provided additional information related to this reporting unit.

A summary of the critical assumptions utilized during the annual impairment test of the Promenade salon concept as of March 31, 2010 are outlined below:

Annual revenue growth. Annual revenue growth is primarily driven by assumed same-store sales rates of negative 1.1 percent to positive 3.0 percent. Other considerations include anticipated economic conditions and moderate acquisition growth.

Gross margin. Adjusted for anticipated salon closures, new salon construction and acquisitions estimated future gross margins were held constant.

Fixed expense rates. Fixed expense rate increases of approximately 1.5 percent to 2.0 percent based on anticipated inflation. Fixed expenses consisted of rent, site operating, and allocated general and administrative corporate overhead.

Allocated corporate overhead. Corporate overhead incurred by the home office based on the number of Promenade company-owned salons as a percent of total company-owned salons.

Long-term growth. A long-term growth rate of 2.5 percent was applied to terminal cash flow based on anticipated economic conditions.

Discount rate. A discount rate of 12.0 percent based of the weighted average cost of capital that equals the rate of return on debt capital and equity capital weighted in proportion to the capital structure common to the industry.

The following table summarizes the approximate impact that a change in certain critical assumptions would have on the estimated fair value of our Promenade salon concept goodwill balance (the approximate impact of the change in the critical assumptions assumes all other assumptions and factors remain constant, in thousands, except percentages):

Critical Assumptions	**Increase (Decrease)**	**Approximate Impact on Fair Value (in thousands)**
Discount Rate	1.0%	$ 29,000
Same-Store Sales	(1.0)%	15,000

A summary of the Company s goodwill balance as of March 31, 2010 by reporting unit is as follows:

Reporting Unit	**(Dollars in thousands)**
Regis	$ 101,337
MasterCuts	4,652
SmartStyle	49,488
Supercuts	121,106
Promenade	311,768
Total North America Salons	588,351
Hair Restoration Centers	149,375
Total	$ 737,726

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OVERVIEW OF RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2010

- Revenues decreased 2.7 percent to $587.6 million and consolidated same-store sales decreased 1.8 percent. The Company continued to experience a decline in customer visitation as a result of the current global economic environment and reduced mall traffic, partially offset by an increase in average ticket price.

- We acquired 14 corporate salon locations, 13 of which were franchise location buybacks. We built 25 corporate locations and closed, converted or relocated 56 locations. Our franchisees constructed 16 locations and closed, sold back to us, converted or relocated 25 locations. As of March 31, 2010, we had 7,948 company-owned locations, 2,023 franchise locations and 95 hair restoration centers (62 company-owned and 33 franchise locations).

- The Company recorded a $35.3 million non-cash goodwill impairment charge associated with the Company s Regis salon concept.

- The effective income tax rate for the three months ended March 31, 2010 was negatively impacted by the $35.3 million impairment of goodwill associated with the Regis salon concept which is only partially deductible for tax purposes. Offsetting the impact of the goodwill impairment charge was the release of approximately $2.9 million in reserves for uncertain tax positions related to the expiration of the statute of limitations on tax years previously open for audit.

RESULTS OF OPERATIONS

Beginning with the period ended December 31, 2008 the operations of the Trade Secret concept within the North American reportable segment were accounted for as a discontinued operation. All periods presented will reflect Trade Secret as a discontinued operation. The following discussion of results of operations will reflect results from continuing operations. Discontinued operations will be discussed at the end of this section.

Consolidated Results of Continuing Operations

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

	For the Periods Ended March 31,			
	Three Months		Nine Months	
Results of Operations as a Percent of Revenues	**2010**	**2009**	**2010**	**2009**
Service revenues	76.2%	75.0%	75.3%	75.8%

Product revenues	22.1	23.4	23.0	22.6
Franchise royalties and fees	1.7	1.6	1.7	1.6
Operating expenses:				
Cost of service (1)	57.1	57.2	57.1	57.3
Cost of product (2)	47.8	52.6	50.1	50.2
Site operating expenses	8.2	8.3	8.3	8.1
General and administrative	12.4	11.5	12.3	12.2
Rent	14.6	14.2	14.5	14.4
Depreciation and amortization	4.5	4.5	4.6	4.6
Goodwill impairment	6.0		2.0	2.3
Lease termination costs		0.1	0.2	0.2
Operating income	0.2	6.1	3.5	3.6
(Loss) income from continuing operations before income taxes and equity in income of affiliated companies	(0.8)	4.8	1.3	2.2
(Loss) income from continuing operations	(0.3)	3.5	1.2	0.6
Income (loss) from discontinued operations		(2.0)	0.2	(7.3)
Net (loss) income	(0.3)	1.5	1.4	(6.6)

(1) Computed as a percent of service revenues and excludes depreciation expense.

(2) Computed as a percent of product revenues and excludes depreciation expense.

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Consolidated Revenues

Consolidated revenues primarily include revenues of company-owned salons, product and equipment sales to franchisees, hair restoration center revenues, and franchise royalties and fees. As compared to the respective prior fiscal year, consolidated revenues decreased 2.7 percent to $587.6 million during the three months ended March 31, 2010 and decreased 2.0 percent to $1,768.5 million during the nine months ended March 31, 2010. The following table details our consolidated revenues by concept. All service revenues, product revenues (which include product and equipment sales to franchisees), and franchise royalties and fees are included within their respective concept within the table.

	For the Periods Ended March 31,			
	Three Months		Nine Months	
	2010	2009	2010	2009
	(Dollars in thousands)			
North American salons:				
Regis	$ 110,893	$ 117,424	$ 329,966	$ 360,767
MasterCuts	43,287	43,237	125,561	128,750
SmartStyle	139,042	136,012	398,820	395,053
Supercuts	77,859	77,151	233,907	230,377
Promenade (3)	145,897	159,731	460,403	459,955
Total North American salons (2)	516,978	533,555	1,548,657	1,574,902
International salons	35,458	35,878	114,603	125,594
Hair restoration centers	35,135	34,653	105,226	104,545
Consolidated revenues	$ 587,571	$ 604,086	$ 1,768,486	$ 1,805,041
Percent change from prior year	(2.7)%	(2.4)%	(2.0)%	(1.9)%
Salon same-store sales decrease (1)	(1.8)%	(4.5)%	(3.3)%	(2.8)%

The percent changes in consolidated revenues during the three and nine months ended March 31, 2010 and 2009, respectively, were driven by the following:

	For the Periods Ended March 31,			
	Three Months		Nine Months	
Percentage Increase (Decrease) in Revenues	2010	2009	2010	2009
Acquisitions (previous twelve months)	0.5	3.2%	0.9%	4.0%
Organic	(3.5)	(1.0)	(2.1)	(1.4)
Foreign currency	1.2	(3.0)	0.1	(2.0)
Franchise revenues (2)	(0.0)	(0.7)	0.0	(1.4)
Closed salons (2)	(0.9)	(0.9)	(0.9)	(1.1)
	(2.7)%	(2.4)%	(2.0)%	(1.9)%

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(1) Salon same-store sales increases or decreases are calculated on a daily basis as the total change in sales for company-owned salons which were open on a specific day of the week during the current period and the corresponding prior period. Quarterly and year-to-date salon same-store sales are the sum of the same-store sales computed on a daily basis. Relocated salons are included in same-store sales as they are considered to have been open in the prior period. International same-store sales are calculated in local currencies so that foreign currency fluctuations do not impact the calculation. Management believes that same-store sales, a component of organic growth, are useful in determining the increase in salon revenues attributable to its organic growth (new salon construction and same-store sales growth) versus growth from acquisitions.

(2)

Beginning with the period ended December 31, 2008, the operations of Trade Secret concept within the North American reportable segment were accounted for as a discontinued operation. All periods presented reflect Trade Secret as a discontinued operation. Accordingly, Trade Secret revenues are excluded from this presentation.

(3) Trade Secret, Inc. was sold by Regis Corporation on February 16, 2009. The agreement included a provision that we would supply product to the purchaser of Trade Secret at cost for a transition period. For the three and nine months ended March 31, 2010, we generated revenue of $0.0 and $20.0 million in product revenues recorded in the Promenade salon concept, which represented 0.0 and 1.1 percent of consolidated revenues. The agreement was substantially complete as of September 30, 2009.

We acquired 22 salons (including 19 franchise salon buybacks) during the twelve months ended March 31, 2010. The organic decrease was primarily due to the salon same-store sales decrease of 3.3 percent and the completion of an agreement to supply the purchaser of Trade Secret product at cost. During the three and nine months ended March 31, 2009 the company generated revenue of $12.6 million for product sold to the purchaser of Trade Secret. Partially offsetting the organic decrease was the construction of 156 company-owned salons during the twelve months ended March 31, 2010. We closed 259 salons (including 59 franchise salons) during the twelve months ended March 31, 2010.

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During the three months ended March 31, 2010, the foreign currency impact was driven by the weakening of the United States dollar against the Canadian dollar and British pound as compared to the exchange rates for the comparable prior periods. During the nine months ended March 31, 2010, the foreign currency impact was driven by the weakening of the United States dollar against the Canadian dollar, partially offset by the strengthening of the United States dollar against the British pound, as compared to the exchange rates for the comparable prior periods. The impact of foreign currency was calculated by multiplying current year revenues in local currencies by the change in the foreign currency exchange rate between the current and prior fiscal year.

We acquired 231 salons (including 135 franchise salon buybacks and two hair restoration centers) during the twelve months ended March 31, 2009. The organic decrease was due to the salon same-store sales decrease of 2.8 percent, partially offset by the construction of 199 company-owned salons and nine hair restoration centers during the twelve months ended March 31, 2009. We closed 280 salons (including 60 franchise salons) during the twelve months ended March 31, 2009.

During the three and nine months ended March 31, 2009, the foreign currency impact was driven by the strengthening of the United States dollar against the Canadian dollar, British pound, and Euro, as compared to the exchange rates for the comparable prior periods. The impact of foreign currency was calculated by multiplying current year revenues in local currencies by the change in the foreign currency exchange rate between the current and prior fiscal year.

Consolidated revenues are primarily comprised of service and product revenues, as well as franchise royalties and fees. Fluctuations in these three major revenue categories were as follows:

Service Revenues. Service revenues include revenues generated from company-owned salons and service revenues generated by hair restoration centers. Total service revenues for the three and nine months ended March 31, 2010 and 2009 were as follows:

		Decrease Over Prior Fiscal Year	
Periods Ended March 31,	**Revenues**	**Dollar**	**Percentage**
		(Dollars in thousands)	
Three Months			
2010	$ 447,879	$ (5,422)	(1.2)%
2009	453,301	(13,844)	(3.0)
Nine Months			
2010	$ 1,332,282	$ (35,132)	(2.6)%
2009	1,367,414	(3,345)	(0.2)

The decrease in service revenues during the three months ended March 31, 2010 was due to same-store service sales decreasing 2.2 percent, as many consumers have continued to lengthen their visitation pattern due to the economy. Partially offsetting the decrease was growth due to acquisitions during the previous twelve months and the weakening of the United States dollar against the Canadian dollar and British pound during the three months ended March 31, 2010.

The decrease in service revenues during the nine months ended March 31, 2010 was due to same-store service sales decreasing 3.4 percent, as many consumers have continued to lengthen their visitation pattern due to the economy and the strengthening of the United States dollar against the British pound during the nine months ended March 31, 2010. Partially offsetting the decrease was growth due to acquisitions during the previous twelve months and the weakening of the United States dollar against the Canadian dollar during the nine months ended March 31, 2010.

The decrease in service revenues during the three months ended March 31, 2009 was due to same-store service sales decreasing 3.9 percent as compared to increasing 3.4 percent during the comparable prior period. Same-store service sales decreased 3.9 percent due to a significant decline in customer visits, primarily in the month of March. Service revenues were also negatively impacted due to the shift in the Easter holiday season. Also, service revenues decreased due to the strengthening of the United States dollar against the Canadian dollar, Euro and British Pound and deconsolidation of the European franchise salon operations on January 31, 2008. Partially offsetting the decrease was growth due to acquisitions during the previous twelve months and an increase in average ticket.

The decrease in service revenues during the nine months ended March 31, 2009 was due to same-store service sales decreasing 2.1 percent compared to increasing 2.0 percent during the nine months ended March 31, 2008. Service revenues were also negatively impacted due to the shift in the Easter holiday season. Consistent with the three months ended March 31, 2009, service revenues decreased due to the strengthening of the United States dollar against the Canadian dollar, Euro and British Pound and the deconsolidation of the European franchise salon operations. In addition, service revenues decreased due to the deconsolidation of our 51 accredited cosmetology schools to Empire Education Group, Inc. on August 1, 2007. Offsetting the factors that negatively impacted services revenues was growth due to acquisitions during the previous twelve months and an increase in average ticket.

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Product Revenues. Product revenues are primarily sales at company-owned salons, hair restoration centers and sales of product and equipment to franchisees. Total product revenues for the three and nine months ended March 31, 2010 and 2009 were as follows:

Periods Ended March 31,	Revenues	Increase (Decrease) Over Prior Fiscal Year Dollar	Percentage
		(Dollars in thousands)	
Three Months			
2010	$ 129,949	$ (11,220)	(7.9)%
2009	141,169	3,502	2.5
Nine Months			
2010	$ 406,773	$ (1,353)	(0.3)%
2009	408,126	(5,457)	(1.3)

The decrease in product revenues during the three months ended March 31, 2010 was due to the completion of the agreement as of September 30, 2009 in which we supplied product to the purchaser of Trade Secret. The three months ended March 31, 2009 included $12.6 million of product sales while the three months ended March 31, 2010 had no sales to the purchaser of Trade Secret.

The decrease in product revenues during the nine months ended March 31, 2010 was due to same-store product sales decreasing 2.9 percent, partially offset by an increase of $7.4 million in product sales to the purchaser of Trade Secret over the comparable prior period.

The increase in product revenues during the three months ended March 31, 2009 was due to product sales of $12.6 million to the purchaser of Trade Secret, offset by same-store product sales decreasing 6.5 percent. Same-store product sales decreased during the current periods due to a decline in customer visits and a mix play, as a larger percentage of product sales came from promotional items.

The decrease in product revenues during the nine months ended March 31, 2009 was due to same-store product sales decreasing 5.1 percent. Same-store product sales decreased during the current periods due to a decline in customer visits and a mix play, as a larger percentage of product sales came from promotional items. Partially offsetting the decrease was the product sales of $12.6 million during the nine months ended March 31, 2009 to the purchaser of Trade Secret.

Royalties and Fees. Total franchise revenues, which include royalties and fees, for the three and nine months ended March 31, 2010 and 2009 were as follows:

Periods Ended March 31,	Revenues	Increase (Decrease) Over Prior Fiscal Year Dollar	Percentage
		(Dollars in thousands)	
Three Months			
2010	$ 9,743	$ 127	1.3%
2009	9,616	(4,429)	(31.5)
Nine Months			

2010	$	29,431	$	(70)	(0.2)%
2009		29,501		(27,010)	(47.8)

Total franchise locations open at March 31, 2010 were 2,056, including 33 franchise hair restoration centers, as compared to 2,071 franchise locations, including 33 franchise hair restoration centers, at March 31, 2009. We purchased 19 of our franchise salons and zero franchise hair restoration centers during the twelve months ended March 31, 2010. The increase in royalties and fees revenue during the three months ended March 31, 2010 was primarily due to the weakening of the United States dollar against the Canadian dollar as compared to the comparable prior period.

Total franchise locations open at March 31, 2009 were 2,071, including 33 franchise hair restoration centers, as compared to 2,177, including 35 franchise hair restoration centers, at March 31, 2008. We purchased 135 of our franchise salons and two franchise hair restoration centers during the twelve months ended March 31, 2009. The decrease in consolidated franchise revenues during the three and nine month periods ended March 31, 2009 was primarily due to the merger of the 1,587 European franchise salon operations with Franck Provost Salon Group on January 31, 2008.

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Gross Margin (Excluding Depreciation)

Our cost of revenues primarily includes labor costs related to salon and hair restoration center employees, the cost of product used in providing services and the cost of products sold to customers and franchisees. The resulting gross margin for the three and nine months ended March 31, 2010 and 2009 was as follows:

Periods Ended March 31,	Gross Margin	Margin as % of Service and Product Revenues	(Decrease) Increase Over Prior Fiscal Year Dollar	Percentage	Basis Point(1)
			(Dollars in thousands)		
Three Months					
2010	$ 260,199	45.0%	$ (589)	(0.2)%	110
2009	260,788	43.9	(10,259)	(3.8)	(90)
Nine Months					
2010	$ 774,730	44.5%	$ (12,516)	(1.6)%	20
2009	787,246	44.3	(14,628)	(1.8)	(60)

(1) Represents the basis point change in gross margin as a percent of service and product revenues as compared to the corresponding periods of the prior fiscal year.

Service Margin (Excluding Depreciation). Service margin for the three and nine months ended March 31, 2010 and 2009 was as follows:

Periods Ended March 31,	Service Margin	Margin as % of Service Revenues	(Decrease) Increase Over Prior Fiscal Year Dollar	Percentage	Basis Point(1)
			(Dollars in thousands)		
Three Months					
2010	$ 192,311	42.9%	$ (1,525)	(0.8)%	10
2009	193,836	42.8	(5,604)	(2.8)	10
Nine Months					
2010	$ 571,933	42.9%	$ (12,101)	(2.1)%	20
2009	584,034	42.7	(2,965)	(0.5)	(10)

(1) Represents the basis point change in service margin as a percent of service revenues as compared to the corresponding periods of the prior fiscal year.

The basis point improvement in service margin as a percent of service revenues during the three and nine months ended March 31, 2010 was primarily due to the benefit of the new leveraged salon pay plans implemented in the 2009 calendar year, partially offset by salon payroll taxes. Increases in salon health insurance costs also offset the basis point improvement for the nine months ended March 31, 2010.

The basis point improvement in service margin as a percent of service revenues during the three months ended March 31, 2009 was primarily due to an improvement in labor expenses, offset slightly by higher costs of goods used in service as a result of price increases implemented by suppliers.

The basis point decrease in service margin as a percent of service revenues during the nine months ended March 31, 2009 was primarily due to slightly higher cost of goods used in service as a result of price increases implemented by suppliers along with higher bank charges due to increased credit card usage by customers.

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Product Margin (Excluding Depreciation). Product margin for the three and nine months ended March 31, 2010 and 2009 was as follows:

Periods Ended March 31,	Product Margin	Margin as % of Product Revenues	Increase (Decrease) Over Prior Fiscal Year Dollar	Percentage	Basis Point(1)
			(Dollars in thousands)		
Three Months					
2010	$ 67,888	52.2%	$ 936	1.4%	480
2009	66,952	47.4	(4,655)	(6.5)	(460)
Nine Months					
2010	$ 202,797	49.9%	$ (415)	(0.2)	10
2009	203,212	49.8	(11,663)	(5.4)	(220)

(1) Represents the basis point change in product margin as a percent of product revenues as compared to the corresponding periods of the prior fiscal year.

We sold Trade Secret, Inc. on February 16, 2009. The agreement included a provision that we would supply product to the purchaser at cost for a transition period. The agreement was substantially complete as of September 30, 2009.

	For the Periods Ended March 31,			
	Three Months		Nine Months	
Breakout of Product Revenue	**2010**	**2009**	**2010**	**2009**
	(Dollars in thousands)		(Dollars in thousands)	
Product	$ 129,949	$ 128,573	$ 386,811	$ 395,530
Product sold to purchaser of Trade Secret		12,596	19,962	12,596
Total product revenues	$ 129,949	$ 141,169	$ 406,773	$ 408,126

	For the Periods Ended March 31,			
	Three Months		Nine Months	
Breakout of Cost of Product	**2010**	**2009**	**2010**	**2009**
	(Dollars in thousands)		(Dollars in thousands)	
Cost of product	$ 62,061	$ 61,621	$ 184,014	$ 192,318
Cost of product sold to purchaser of Trade Secret		12,596	19,962	12,596
Total cost of product	$ 62,061	$ 74,217	$ 203,976	$ 204,914

	For the Periods Ended March 31,			
	Three Months		Nine Months	
Product Margin as % of Product Revenues	**2010**	**2009**	**2010**	**2009**
Margin on product other than sold to purchaser of Trade Secret	52.2%	52.1%	52.4%	51.4%
Margin on product sold to purchaser of Trade Secret				
Total product margin	52.2%	47.4%	49.9%	49.8%

The basis point improvement in product margin other than sold to purchaser of Trade Secret as a percent of product revenues during the three months ended March 31, 2010 was primarily due to a planned reduction in commissions paid to new employees on retail product sales. The basis point improvement for the three months ended March 31, 2010 was partially offset by increased donations of slow-moving inventory, clearance sales of discontinued and holiday products, and increased product sales of lower-margin promotional items. The basis point improvement in product margin other than sold to the purchaser of Trade Secret as a percent of product revenues during the nine months ended March 31, 2010 was primarily due to a planned reduction in retail commissions paid to new employees on retail product sales.

The basis point improvement in product margin other than sold to purchaser of Trade Secret as a percent of product revenues during the three months ended March 31, 2009, is due to lower cost inventories as acquisitions in the prior year had higher cost inventories. Partially offsetting the decrease was mix play, as a larger than expected percentage of our product sales came from lower-margin promotional items. We are not promoting or discounting at a higher rate, but we are continuing to see consumers to be more value-focused through buying promotional items at a higher rate than prior periods.

The basis point decrease in product margin as a percent of product revenues during the nine months ended March 31, 2009 was primarily due to mix play. Partially offsetting the decrease was lower cost inventories as acquisitions in the prior year had higher cost inventories.

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Site Operating Expenses

This expense category includes direct costs incurred by our salons and hair restoration centers such as on-site advertising, workers compensation, insurance, utilities and janitorial costs. Site operating expenses for the three and nine months ended March 31, 2010 and 2009 were as follows:

Periods Ended March 31,	Site Operating	Expense as % of Consolidated Revenues	(Decrease) Increase Over Prior Fiscal Year Dollar	Percentage	Basis Point(1)
			(Dollars in thousands)		
Three Months					
2010	$ 48,280	8.2%	$ (1,584)	(3.2)%	(10)
2009	49,864	8.3	2,358	5.0	60
Nine Months					
2010	$ 147,365	8.3%	$ 1,479	1.0%	20
2009	145,886	8.1	4,970	3.5	40

(1) Represents the basis point change in site operating expenses as a percent of consolidated revenues as compared to the corresponding periods of the prior fiscal year.

Site operating expense as a percent of consolidated revenues during the three months ended March 31, 2010 improved slightly compared to prior year site operating expense as a percent of consolidated revenues. The basis point improvement in site operating expenses as a percent of consolidated revenues was primarily due to a decrease in worker s compensation costs, which mitigated negative leverage due to negative same-store sales.

The basis point increase in site operating expenses as a percent of consolidated revenues during the nine months ended March 31, 2010 was primarily due to higher self insurance expense. The Company recorded a reduction in self insurance accruals of $1.9 million in the nine months ended March 31, 2010 compared to a $6.7 million reduction in the nine months ended March 31, 2009. In addition, the Company settled two legal claims related to customer and employee matters resulting in a $3.6 million charge during the nine months ended March 31, 2010. Partially offsetting the decrease was cost savings initiatives realized in freight and salon repairs areas.

The basis point increase in site operating expenses as a percent of consolidated revenues during the three and nine months ended March 31, 2009 was primarily due to the reclassification from rent for rubbish removal and utilities that we pay our landlords as part of our operating lease agreements. For the nine months ended March 31, 2009 the basis point increase was partially offset by a $6.7 million reduction in self insurance accruals primarily related to prior years workers compensation reserves as a result of successful safety and return-to-work programs implemented over the past few years.

General and Administrative

General and administrative (G&A) includes costs associated with our field supervision, salon training and promotions, product distribution centers and corporate offices (such as salaries and professional fees), including costs incurred to support franchise and hair restoration center operations. G&A expenses for the three and nine months ended March 31, 2010 and 2009 were as follows:

		Expense as % of Consolidated	Increase (Decrease) Over Prior Fiscal Year		
Periods Ended March 31,	**G&A**	**Revenues**	**Dollar**	**Percentage**	**Basis Point(1)**
			(Dollars in thousands)		
Three Months					
2010	$ 72,741	12.4%	$ 3,149	4.5%	90
2009	69,592	11.5	(8,233)	(10.6)	(110)
Nine Months					
2010	$ 217,912	12.3%	$ (1,975)	(0.9)%	10
2009	219,887	12.2	(24,254)	(9.9)	(110)

(1) Represents the basis point change in G&A as a percent of consolidated revenues as compared to the corresponding periods of the prior fiscal year.

The basis point increase in G&A costs as a percent of consolidated revenues during the three months ended March 31, 2010 was primarily due to the completion of an agreement to supply the purchaser of Trade Secret product at cost. Under the agreement the Company generated $12.6 million of revenue during the three months ended March 31, 2009. Also contributing to the basis point

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increase was a decrease in same-store sales and a Hair Club vendor dispute settlement. Partially offsetting the increase was the continuation of cost savings initiatives implemented by the Company.

The basis point increase in G&A costs as a percent of consolidated revenues during the nine months ended March 31, 2010 was primarily due to negative leverage from the decrease in same-store sales, partially offset by the continuation of cost savings initiatives implemented by the Company.

The basis point improvement in G&A costs as a percent of consolidated revenues during the three and nine months ended March 31, 2009 was primarily due to cost savings initiatives implemented by the Company, the deconsolidation of the European franchise salon operations and the absence of professional fees that were incurred in the comparable periods related to investment transactions.

Rent

Rent expense, which includes base and percentage rent, common area maintenance, and real estate taxes, for the three and nine months ended March 31, 2010 and 2009, was as follows:

Periods Ended March 31,	Rent	Expense as % of Consolidated Revenues	Increase (Decrease) Over Prior Fiscal Year Dollar	Percentage	Basis Point(1)
			(Dollars in thousands)		
Three Months					
2010	$ 85,908	14.6%	$ 254	0.3%	40
2009	85,654	14.2	(4,008)	(4.5)	(30)
Nine Months					
2010	$ 257,298	14.5%	$ (2,548)	(1.0)%	10
2009	259,846	14.4	(6,256)	(2.4)	(10)

(1) Represents the basis point change in rent as a percent of consolidated revenues as compared to the corresponding periods of the prior fiscal year.

The basis point increase in rent expense as a percent of consolidated revenues during the three and nine months ended March 31, 2010 was primarily due to negative leverage in this fixed cost category, partially offset by a reduction in our percentage rent payments, both due to negative same-store sales.

The basis point improvements in rent expense as a percent of consolidated revenues during the three and nine months ended March 31, 2009 was primarily due to the reclassification to site operating expense for rubbish removal and utilities that we pay our landlords as part of our operating lease agreements. Partially offsetting the basis point improvement was negative leverage in this fixed cost category due to negative same-store sales.

Depreciation and Amortization

Depreciation and amortization expense (D&A) for the three and nine months ended March 31, 2010 and 2009 was as follows:

Periods Ended March 31,	D&A	Expense as % of Consolidated Revenues	(Decrease) Increase Over Prior Fiscal Year		
			Dollar	Percentage	Basis Point(1)
			(Dollars in thousands)		
Three Months					
2010	$ 26,552	4.5%	$ (832)	(3.0)%	
2009	27,384	4.5	426	1.6	10
Nine Months					
2010	$ 81,253	4.6%	$ (918)	(1.1)%	
2009	82,171	4.6	(1,324)	(1.6)	10

(1) Represents the basis point change in D&A as a percent of consolidated revenues as compared to the corresponding periods of the prior fiscal year.

D&A as a percent of consolidated revenues during the three and nine months ended March 31, 2010 was consistent with prior year depreciation and amortization expense as a percent of consolidated revenues.

The basis point increase in D&A as a percent of consolidated revenues during the three and nine months ended March 31, 2009 was primarily due to the decrease in same-store-sales.

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Goodwill impairment

Goodwill impairment charges for the three and nine months ended March 31, 2010 and 2009 were as follows:

Periods Ended March 31,	Goodwill Impairment	Expense as % of Consolidated Revenues	Increase (Decrease) Over Prior Fiscal Year		
			Dollar	Percentage	Basis Point(1)
			(Dollars in thousands)		
Three Months					
2010	$ 35,277	6.0%	$ 35,277	100.0%	600
2009					
Nine Months					
2010	$ 35,277	2.0%	$ (6,384)	(15.3)%	(30)
2009	41,661	2.3	41,661	100.0	230

(1) Represents the basis point change in goodwill impairment as a percent of consolidated revenues as compared to the corresponding periods of the prior fiscal year.

During the three and nine months ended March 31, 2010, the Company recorded $35.3 million of goodwill impairment expense related to the Regis salon concept. Due to the current economic conditions, the estimated fair value of the Regis salon operations was less than the carrying value of this concept s net assets, including goodwill. The $35.3 million impairment charge was the excess of the carrying value of goodwill over the implied fair value of goodwill for the Regis salon operations.

The Company recorded a $41.7 million goodwill impairment charge related to the salon concepts in the United Kingdom during the nine months ended March 31, 2009. The recent performance challenges of the international salon operations indicated that the estimated fair value of the international salon operations was less than the current carrying value of this reporting unit s net assets, including goodwill. There is no remaining goodwill recorded within the salon concepts in the United Kingdom.

Subsequent to our earnings release on April 28, 2010, we recorded an additional $2.3 million of goodwill impairment expense. As a result of this additional expense, diluted net (loss) income per share was $(0.03) rather than $0.00 (as reported in our earnings release) for the quarter ended March 31, 2010 and $0.44 rather than $0.46 for the nine months ended March 31, 2010. Net loss was $1.5 million rather than $0.1 million for the three months ended March 31, 2010 and net income was $24.4 million rather than $25.9 million for the nine months ended March 31, 2010.

Lease Termination Costs

Lease termination costs for the three and nine months ended March 31, 2010 and 2009 were as follows:

Periods Ended March 31,	Lease Termination Costs	Expense as % of Consolidated Revenues	(Decrease) Increase Over Prior Fiscal Year Dollar	Percentage	Basis Point(1)
			(Dollars in thousands)		
Three Months					
2010	$	%	$ (838)	(100.0)%	(10)
2009	838	0.1	838	100.0	10
Nine Months					
2010	$ 3,552	0.2%	$ 716	25.2%	
2009	2,836	0.2	2,836	100.0%	20

(1) Represents the basis point change in lease termination costs as a percent of consolidated revenues as compared to the corresponding periods of the prior fiscal year.

The fiscal year 2010 lease termination costs are associated with the Company s June 2009 plan to close underperforming United Kingdom company-owned salons in fiscal year 2010. During the three and nine months ended March 31, 2010 we closed zero and 22 salons, respectively. The fiscal year 2009 lease termination costs are associated with the Company s July 2008 plan to close underperforming company-owned salons in fiscal year 2009. The planned closures in fiscal year 2009 included salons in North America and the United Kingdom. During the three and nine months ended March 31, 2009 we closed 12 and 47 salons, respectively. See further discussion within Note 8 of the Condensed Consolidated Financial Statements.

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Interest

Interest expense for the three and nine months ended March 31, 2010 and 2009 was as follows:

Periods Ended March 31,	Interest	Expense as % of Consolidated Revenues	(Decrease) Increase Over Prior Fiscal Year		
			Dollar	Percentage	Basis Point(1)
			(Dollars in thousands)		
Three Months					
2010	$ 9,039	1.5%	$ (645)	(6.7)%	(10)
2009	9,684	1.6	(1,582)	(14.0)	(20)
Nine Months					
2010	$ 45,424	2.6	$ 14,642	47.6%	90
2009	30,782	1.7%	(2,713)	(8.1)	(10)

(1) Represents the basis point change in interest expense as a percent of consolidated revenues as compared to the corresponding periods of the prior fiscal year.

The basis point improvement in interest expense as a percent of consolidated revenues during the three months ended March 31, 2010 was primarily due to decreased debt levels as compared to the three months ended March 31, 2009.

The basis point increase in interest expense as a percent of consolidated revenues during the nine months ended March 31, 2010 was due to $18.0 million of make-whole payments and other fees associated with the repayment of private placement debt.

The basis point improvement in interest expense as a percent of consolidated revenues during the three and nine months ended March 31, 2009 was due to lower average interest rates on variable rate debt and decreased debt levels as a result of the Company s commitment to reduce debt levels.

Interest Income and Other, net

Interest income and other, net for the three and nine months ended March 31, 2010 and 2009 was as follows:

Periods Ended March 31,	Interest	Income as % of Consolidated Revenues	(Decrease) Increase Over Prior Fiscal Year	
			Dollar	Percentage

					Basis Point(1)
	(Dollars in thousands)				
Three Months					
2010	$ 3,125	0.5%	$ 1,809	137.5%	30
2009	1,316	0.2	(513)	(28.0)	(10)
Nine Months					
2010	$ 6,768	0.4%	$ 255	3.9%	
2009	6,513	0.4	439	7.2	10

(1) Represents the basis point change in interest expense as a percent of consolidated revenues as compared to the corresponding periods of the prior fiscal year.

The basis point increase in interest income and other, net as a percent of consolidated revenues during the three months ended March 31, 2010 was primarily due to $1.2 million in interest income recorded on the outstanding note receivable due from the purchaser of Trade Secret.

Interest income and other, net as a percent of consolidated revenues during the nine months ended March 31, 2010 was consistent with the prior year interest income and other, net as a percent of consolidated revenues. A decline in interest income due to a decline in interest rates was offset by $4.0 million received for warehouse and administrative services from the purchaser of Trade Secret.

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Income Taxes

Our reported effective income tax rate for the three and nine months ended March 31, 2010 and 2009 was as follows:

Periods Ended March 31,	Effective Rate	Basis Point(1) (Decrease) Increase
Three Months		
2010	11.1%	(2,260)
2009	33.7	(1,140)
Nine Months		
2010	43.8%	(2,840)
2009	72.2	3,310

(1) Represents the basis point change in income tax expense as a percent of (loss) income from continuing operations as compared to the corresponding periods of the prior fiscal year.

The basis point improvement in our overall effective income tax rate for the three months ended March 31, 2010 was due primarily to the $35.3 million goodwill impairment in the North American segment which is only partially deductible for tax purposes. The basis point decrease in our overall effective income tax rate for the nine months ended March 31, 2010 was due primarily to the goodwill impairment recorded during the nine months ended March 31, 2009 having a greater adverse impact on the effective income tax rate due to the size and deductibility of the charge compared to the goodwill impairment recorded during the nine months ended March 31, 2010. The Company expects the $35.3 million goodwill impairment to have an adverse impact of approximately $4.0 million on income tax expense during the three months ended June 30, 2010 due to the nondeductible portion of the charge.

The basis point improvement in our overall effective income tax rate for the three months ended March 31, 2009 was due to the release of reserves related to the expiration of the statute of limitations on tax years previously open for audit. The basis point increase in our overall effective income tax rate for the nine months ended March 31, 2009 was due primarily to substantially all of the $41.7 million goodwill impairment of the salon concepts in the United Kingdom not being deductible for tax purposes, which increased the tax provision by approximately $11.4 million for nine months ended March 31, 2009.

Equity in Income (Loss) of Affiliated Companies, Net of Income Taxes

Equity in income (loss) of affiliates, represents the income or loss generated by our equity investment in EEG, Provalliance, and other equity method investments, for the three and nine months ended March 31, 2010 and 2009, was as follows:

Periods Ended March 31,	Equity in Income (Loss)	Increase (Decrease) Over Prior Fiscal Year	
		Dollar	Percentage
		(Dollars in thousands)	
Three Months			

2010	$	2,680	$	692	34.8%
2009		1,988		1,350	211.6
Nine Months					
2010	$	8,394	$	8,252	5,811.3%
2009		142		(548)	(79.4)

The increase in equity in income during the three and nine months ended March 31, 2010 was a result of the Company s share of EEG s and Hair Club for Men, Ltd. s increased net income over the comparable prior period, partially offset by a decline in the Company s share of Provalliance s net income over the comparable prior period. In addition, during the nine months ended March 31, 2009 there was an impairment loss of $4.8 million, net of tax, on our investment in and loans to Intelligent Nutrients, LLC.

The increase in equity in income of affiliated companies, net of income taxes, for the three months ended March 31, 2009 primarily due to the equity in income recorded for our investment in Provalliance. The Company held the investment in Provalliance for the entire three months ended March 31, 2009, as compared to two months during the three months ended March 31, 2008. See Note 6 to the Condensed Financial Statements for further discussion on each respective affiliated company.

The decrease in equity in income of affiliated companies, net of income taxes for the nine months ended March 31, 2009 was due to the impairment loss of $4.8 million, net of tax, on our investment in and loans to Intelligent Nutrients, LLC. The impairment charge was based on Intelligent Nutrients, LLC s inability to develop a professional organic brand of shampoo and conditioner with broad consumer appeal. The Company determined the loss in value was other-than-temporary. Partially offsetting the impairment loss was equity in income recorded for our investment in Provalliance, as the Company held the investment for the entire nine months

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ended March 31, 2009, as compared to two months during the nine months ended March 31, 2008. In addition, equity in income for our investment in Empire Education Group, Inc. and Hair Club for Men, Ltd. offset the impairment of Intelligent Nutrients, LLC.

Income (Loss) from Discontinued Operations

Income (loss) from discontinued operations for the three and nine months ended March 31, 2010 and 2009 was as follows:

Periods Ended March 31,	Income (loss) from discontinued operations	Increase (Decrease) Over Prior Fiscal Year Dollar	Increase (Decrease) Over Prior Fiscal Year Percentage
		(Dollars in thousands)	
Three Months			
2010	$	$ 12,171	(100.0)%
2009	(12,171)	(11,993)	(6,737.6)
Nine Months			
2010	$ 3,161	$ 134,398	102.4%
2009	(131,237)	(134,041)	(4,780.3)

During the quarter ended December 31, 2008, we concluded that Trade Secret was held for sale and presented as a discontinued operation for all comparable prior periods.

During the first quarter of fiscal year 2010, the Company recorded a $3.0 million tax benefit in discontinued operations to correct the prior year calculation of the income tax benefit related to the disposition of the Trade Secret salon concept.

The loss for the three and nine months ended March 31, 2009 is the result of the operating losses, net of tax, and the impairment loss on the sale of Trade Secret, net of tax. See Note 2 to the Condensed Consolidated Financial Statements for further discussion.

Recent Accounting Pronouncements

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

Effects of Inflation

We compensate some of our salon employees with percentage commissions based on sales they generate, thereby enabling salon payroll expense as a percent of company-owned salon revenues to remain relatively constant. Accordingly, this provides us certain protection against inflationary increases, as payroll expense and related benefits (our major expense components) are variable costs of sales. In addition, we may increase pricing in our salons to offset any significant increases in wages. Therefore, we do not believe inflation has had a significant impact on the results of our operations.

Constant Currency Presentation

The presentation below demonstrates the effect of foreign currency exchange rate fluctuations from year to year. To present this information, current period results for entities reporting in currencies other than United States dollars are converted into United States dollars at the average exchange rates in effect during the corresponding period of the prior fiscal year, rather than the actual average exchange rates in effect during the current fiscal year. Therefore, the foreign currency impact is equal to current year results in local currencies multiplied by the change in the average foreign currency exchange rate between the current fiscal period and the corresponding period of the prior fiscal year.

During the three and nine months ended March 31, 2010, foreign currency translation had a favorable impact on consolidated revenues due to the strengthening of the Canadian dollar and Euro as compared to the comparable prior periods. The British pound strengthened for the three months ended March 31, 2010 which favorably impacted revenues and weakened for the nine months ended March 31, 2010, which had an unfavorable impact on revenues. During the three and nine months ended March 31, 2009, foreign currency translation had an unfavorable impact on consolidated revenues due to the weakening of the Canadian dollar, British pound, and Euro as compared to the comparable prior periods.

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Favorable (Unfavorable) Impact of Foreign Currency Exchange Rate Fluctuations	Impact on Revenues		Impact on Income Before Income Taxes	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	(Dollars in thousands)			
Three Months				
Canadian dollar	$ 5,301	$ (6,958)	$ 843	$ (865)
British pound	1,935	(11,523)	(126)	(409)
Euro	92	(299)	(16)	(171)
Total	$ 7,328	$ (18,780)	$ 701	$ (1,445)
Nine Months				
Canadian dollar	$ 6,707	$ (13,261)	$ 1,071	$ (1,885)
British pound	(3,700)	(24,334)	(66)	5,989
Euro	122	(221)	(16)	(98)
Total	$ 3,129	$ (37,816)	$ 989	$ 4,006

Results of Operations by Segment

Based on our internal management structure, we report three segments: North American salons, international salons and hair restoration centers. Significant results of operations are discussed below with respect to each of these segments.

North American Salons

North American Salon Revenues. Total North American salon revenues for the three and nine months ended March 31, 2010 and 2009 were as follows:

Periods Ended March 31,	Revenues	(Decrease) Increase Over Prior Fiscal Year		Same-Store Sales (Decrease)
		Dollar	Percentage	
	(Dollars in thousands)			
Three Months				
2010	$ 516,978	$ (16,577)	(3.1)%	(1.8)%
2009	533,555	5,287	1.0	(4.3)
Nine Months				
2010	$ 1,548,657	$ (26,245)	(1.7)%	(3.5)%
2009	1,574,902	26,203	1.7	(2.5)

The percentage increases (decreases) during the three and nine months ended March 31, 2010 and 2009 were due to the following factors:

Percentage Increase (Decrease) in Revenues	For the Periods Ended March 31,			
	Three Months		Nine months	
	2010	2009	2010	2009

Acquisitions (previous twelve months)	0.6%	3.7%	1.0%	4.1%
Organic	(4.2)	(0.6)	(2.6)	(0.9)
Foreign currency	1.0	(1.3)	0.4	(0.9)
Franchise revenues	(0.1)	(0.1)	(0.0)	
Closed salons	(0.4)	(0.7)	(0.5)	(0.6)
	(3.1)%	1.0%	(1.7)	1.7%

We acquired 22 North American salons during the twelve months ended March 31, 2010, including 19 franchise buybacks. The decline in organic was the result of same-store sales decrease of 1.8 and 3.5 percent for the three and nine months ended March 31, 2010, respectively. Contributing to the organic decline during the three months ended March 31, 2010 was the completion of an agreement to supply the purchaser of Trade Secret product at cost. During the three months ended March 31, 2009 the Company generated revenue of $12.6 million for product sold to the purchaser of Trade Secret. The foreign currency impact during the three and nine months ended March 31, 2010 was driven by the weakening of the United States dollar against the Canadian dollar as compared to the prior period s exchange rate.

We acquired 229 North American salons during the twelve months ended March 31, 2009, including 135 franchise buybacks. The organic decrease was the result of a same-store sales decrease of 4.3 and 2.5 percent for the three and nine months ended March 31, 2009, respectively, and the deconsolidation of EEG on August 1, 2007, partially offset by the sales of product to the purchaser of Trade Secret. The foreign currency impact during the three and nine months ended March 31, 2009 was driven by the strengthening of the United States dollar against the Canadian dollar as compared to the prior period s exchange rate.

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North American Salon Operating Income. Operating income for the North American salons for the three and nine months ended March 31, 2010 and 2009 was as follows:

Periods Ended March 31,	Operating Income	Operating Income as % of Total Revenues	Increase (Decrease) Over Prior Fiscal Year Dollar	Percentage	Basis Point(1)
			(Dollars in thousands)		
Three Months					
2010	$ 32,230	6.2%	$ (33,148)	(50.7)%	(610)
2009	65,378	12.3	(6,719)	(9.3)	(130)
Nine Months					
2010	$ 155,656	10.1%	$ (39,726)	(20.3)%	(230)
2009	195,382	12.4	(11,121)	(5.4)	(90)

(1) Represents the basis point change in North American salon operating income as a percent of North American salon revenues as compared to the corresponding periods of the prior fiscal year.

The basis point decrease in North American salon operating income as a percent of North American salon revenues for the three months ended March 31, 2010 was primarily due to the $35.3 million goodwill impairment of the Company s Regis salon concept and negative leverage in fixed cost categories due to negative same-store sales. The negative leverage for the three months ended March 31, 2010 was partially offset by the Company s costs savings initiatives and gross margin improvement.

The basis point decrease in North American salon operating income as a percent of North American salon revenues for the nine months ended March 31, 2010 was primarily due to the $35.3 million goodwill impairment of the Company s Regis salon concept and negative leverage in fixed cost categories due to negative same-store sales. In addition, the basis point decrease was due to the settlement of two legal claims regarding customer and employee matters totaling $3.6 million, higher self insurance expense (the Company recorded a reduction in self insurance accruals of $1.9 million in the nine months ended March 31, 2010 compared to a $6.7 million reduction in the nine months ended March 31, 2009), partially offset by the Company s costs savings initiatives and gross margin improvement.

The basis point decrease in North American salon operating income as a percent of North American salon revenues for the three and nine months ended March 31, 2009 was primarily lower due to a decline in product margins from mix play, as a larger than expected percentage of our product sales came from lower-margin promotional items, negative leverage in fixed cost categories due to negative same-store sales and lease termination costs associated with the Company s plan to close underperforming company-owned salons.

International Salons

International Salon Revenues. Total international salon revenues for the three and nine months ended March 31, 2010 and 2009 were as follows:

Periods Ended March 31,		Revenues		Decrease Over Prior Fiscal Year Dollar	Percentage	Same-Store Sales Decrease
				(Dollars in thousands)		
Three Months						
2010	$	35,458	$	(420)	(1.2)%	(4.8)%
2009		35,878		(20,095)	(35.9)	(8.1)
Nine Months						
2010	$	114,603	$	(10,991)	(8.8)%	(3.7)%
2009		125,594		(66,716)	(34.7)	(7.5)

The percentage increases (decreases) during the three and nine months ended March 31, 2010 and 2009 were due to the following factors:

	For the Periods Ended March 31,			
	Three Months		Nine months	
Percentage Increase (Decrease) in Revenues	**2010**	**2009**	**2010**	**2009**
Acquisitions (previous twelve months)	%	%	%	1.6%
Organic	1.8	(5.2)	1.3	(6.1)
Foreign currency	5.6	(21.1)	(2.9)	(12.8)
Franchise revenues		(6.0)		(12.3)
Closed salons	(8.6)	(3.6)	(7.2)	(5.1)
	(1.2)%	(35.9)%	(8.8)%	(34.7)%

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We did not acquire any international salons during the twelve months ended March 31, 2010. The increase in organic was primarily due to the rebranding of certain salons that had previously been operating under a different salon concept, partially offset by same-store sales decreases of 4.8 and 3.7 percent during the three and nine months ended March 31, 2010. The foreign currency impact during the three months ended March 31, 2010 was driven by the weakening of the United States dollar against the British pound and the Euro as compared to the comparable prior period. The foreign currency impact during the nine months ended March 31, 2010 was primarily driven by the strengthening of the United States dollar against the British pound as compared to the comparable prior period. We closed 28 company-owned salons during the twelve months ended March 31, 2010.

We did not acquire any international salons during the twelve months ended March 31, 2009. The organic decrease was primarily due to same-store sales decreases of 8.1 and 7.5 percent during the three and nine months ended March 31, 2009. The foreign currency impact during the three and nine months ended March 31, 2009 was driven by the strengthening of the United States dollar against the British pound and the Euro as compared to the comparable prior period. The decrease in franchise revenues and closed salons was due to the merger of our continental European franchise salon operations with the Franck Provost Salon Group on January 31, 2008.

International Salon Operating Income. Operating income for the international salons for the three and nine months ended March 31, 2010 and 2009 was as follows:

Periods Ended March 31,	Operating Income	Operating Income as % of Total Revenues	Increase (Decrease) Over Prior Fiscal Year		
			Dollar	Percentage	Basis Point(1)
			(Dollars in thousands)		
Three Months					
2010	$ 2,088	5.9%	$ 1,200	135.1%	340
2009	888	2.5	360	68.2	160
Nine Months					
2010	$ 2,870	2.5%	$ 42,875	107.2%	3,440
2009	(40,005)	(31.9)	(51,154)	(458.8)	(3,770)

(1) Represents the basis point change in international salon operating income as a percent of international salon revenues as compared to the corresponding periods of the prior fiscal year.

The basis point improvement in international salon operating income as a percent of international salon revenues during the three and nine months ended March 31, 2010 was primarily due to the Company s planned closure of underperforming United Kingdom salons and the continuation of the Company s expense control and payroll management.

The basis point improvement in International salon operating income as a percent of international salon revenues during the nine months ended March 31, 2010 was primarily due to the goodwill impairment of the United Kingdom division recorded in the comparable prior period.

The basis point increase in international salon operating income as a percent of international salon revenues during the three months ended March 31, 2009 was primarily due to a planned vacation accrual adjustment.

The basis point decrease in international salon operating income as a percent of international salon revenues during the nine months ended March 31, 2009 was primarily due to the $41.7 million goodwill impairment of the United Kingdom reporting unit recorded in the second quarter of fiscal year 2009.

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Hair Restoration Centers

Hair Restoration Revenues. Total hair restoration revenues for the three and nine months ended March 31, 2010 and 2009 were as follows:

Periods Ended March 31,	Revenues	Increase Over Prior Fiscal Year Dollar	Increase Over Prior Fiscal Year Percentage	Same-Store Sales Increase (Decrease)
		(Dollars in thousands)		
Three Months				
2010	$ 35,135	$ 482	1.4%	1.4%
2009	34,653	37	0.1	(2.9)
Nine Months				
2010	$ 105,226	$ 681	0.7%	(0.1)%
2009	104,545	4,701	4.7	(1.1)

The percentage increases (decreases) during the three and nine months ended March 31, 2010 and 2009, were due to the following factors:

	For the Periods Ended March 31,			
	Three Months		Nine months	
Percentage Increase (Decrease) in Revenues	**2010**	**2009**	**2010**	**2009**
Acquisitions (previous twelve months)	%	2.3%	0.2%	7.1%
Organic	2.3	(1.8)	1.0	(1.1)
Franchise revenues	(0.9)	(0.4)	(0.5)	(1.3)
	1.4%	0.1%	0.7%	4.7%

We did not acquire any hair restoration centers through franchise buybacks during the twelve months ended March 31, 2010. Organic increased due to same-store sales increases of 1.4 percent during the three months ended March 31, 2010. Organic increased during the nine months ended March 31, 2010 due to one new corporate location partially offset by a same-store sales decrease of 0.1 percent.

Hair restoration revenues increased during the three and nine month periods ended March 31, 2009 due to acquisition of two hair restoration centers through franchise buybacks and five new corporate locations during the twelve months ended March 31, 2009. The organic decrease was due to negative same-store sales. Franchise revenues decreased due to the reduction in franchise centers.

Hair Restoration Operating Income. Operating income for our hair restoration centers for the three and nine months ended March 31, 2010 and 2009 was as follows:

	Operating	Operating Income as % of Total	Decrease Over Prior Fiscal Year

Periods Ended March 31,	Income	Revenues	Dollar	Percentage	Basis Point(1)
			(Dollars in thousands)		
Three Months					
2010	$ 3,831	10.9%	$ (934)	(19.6)%	(290)
2009	4,765	13.8	(2,248)	(32.1)	(650)
Nine Months					
2010	$ 14,590	13.9%	$ (2,446)	(14.4)	(240)
2009	17,036	16.3	(3,949)	(18.8)	(470)

(1) Represents the basis point change in hair restoration operating income as a percent of hair restoration revenues as compared to the corresponding periods of the prior fiscal year.

The basis point decrease in hair restoration operating income as a percent of hair restoration revenues during the three months ended March 31, 2010 is primarily due to the settlement of a vendor dispute totaling $0.6 million during the three months ended March 31, 2010.

The basis point decrease in hair restoration operating income as a percent of hair restoration revenues during the nine months ended March 31, 2010 is primarily due to an increase in advertising spend and the settlement of a vendor dispute totaling $0.6 million.

The basis point decrease in hair restoration operating income as a percent of hair restoration revenues during the three months ended March 31, 2009 is primarily due to the lower operating margins on newly constructed and acquired centers and a planned increase in

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advertising spend.

The basis point decrease in hair restoration operating income as a percent of hair restoration revenues during the nine months ended March 31, 2009 is primarily due to the lower operating margins on newly constructed and acquired centers, a planned increase in advertising spend and higher legal costs and financial due diligence associated with a terminated potential acquisition.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We continue to maintain a strong balance sheet to support system growth and financial flexibility. Our debt to capitalization ratio, calculated as total debt as a percentage of total debt and shareholders equity at fiscal quarter end, was as follows:

Periods Ended	Debt to Capitalization	Basis Point (Decrease) Increase (1)
March 31, 2010	31.7%	(1,240)
June 30, 2009	44.1	20

(1) Represents the basis point change in total debt as a percent of total debt and shareholders equity as compared to prior fiscal year end (June 30).

The improvement in the debt to capitalization ratio as of March 31, 2010 compared to June 30, 2009 was primarily due to the July 2009 common stock offering and decreased debt levels stemming from the repayment of private placement debt during the nine months ended March 31, 2010.

The basis point increase in the debt to capitalization ratio during the twelve months ended June 30, 2009 was primarily due to a decrease in shareholders equity from the non-cash goodwill impairment within the United Kingdom salon division, the loss from discontinued operations related to the sale of Trade Secret, the non-cash impairment of our investment in Provalliance and foreign currency due to the strengthening of the United States dollar against the Canadian dollar, Euro, and British pound. The impact of the decrease in shareholders equity on the debt to capitalization ratio was partially offset by a decrease in debt from June 30, 2008 to June 30, 2009.

Total assets at March 31, 2010 and June 30, 2009 were as follows:

	March 31, 2010	June 30, 2009	$ Increase Over Prior Period(1)	% Increase Over Prior Period(1)
		(Dollars in thousands)		
Total Assets	$ 1,951,934	$ 1,892,486	$ 59,448	3.1%

(1) Change as compared to prior fiscal year end (June 30).

During the nine months ended March 31, 2010, total assets increased as a result of cash flows from operations, partially offset by the $35.3 million goodwill impairment charge related to the Regis salon concept.

Total shareholders equity at March 31, 2010 and June 30, 2009 was as follows:

	March 31, 2010	June 30, 2009	$ Increase Over Prior Period(1)	% Increase Over Prior Period(1)
		(Dollars in thousands)		
Shareholders Equity	$ 1,010,224	$ 802,860	$ 207,364	25.8%

(1) Change as compared to prior fiscal year end (June 30).

During the nine months ended March 31, 2010, equity increased primarily as a result of the issuance of $163.6 million in common stock, the $24.7 million ($15.4 million net of tax) equity component of the convertible debt, and the $24.4 million of earnings during the nine months ended March 31, 2010.

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Cash Flows

The cash flow presentation below for the nine months ended March 31, 2010 and 2009 includes continuing and discontinued operations.

Operating Activities

Net cash provided by operating activities was $151.1 and $120.7 million during the nine months ended March 31, 2010 and 2009, respectively, and was the result of the following:

Operating Cash Flows	For the Nine months Ended March 31, 2010	2009
	(Dollars in thousands)	
Net income (loss)	$ 24,401	$ (119,912)
Depreciation and amortization	81,253	91,733
Equity in (income) loss of affiliated companies	(8,394)	(142)
Deferred income taxes	574	(5,952)
Impairment on discontinued operations	(154)	183,090
Goodwill impairment	35,277	41,661
Receivables	(51)	(3,808)
Inventories	5,628	(547)
Income tax receivable	541	(39,979)
Other current assets	4,872	(2,391)
Other assets	(13,130)	1,137
Accounts payable and accrued expenses	5,894	(24,038)
Other non-current liabilities	3,761	(1,002)
Other	10,614	875
	$ 151,086	$ 120,725

During the nine months ended March 31, 2010, cash provided by operating activities was higher than the corresponding period of the prior fiscal year due to an improvement in working capital.

Investing Activities

Net cash used in investing activities was $22.6 and $92.5 million during the nine months ended March 31, 2010 and 2009, respectively, and was the result of the following:

Investing Cash Flows	For the Nine months Ended March 31, 2010	2009
	(Dollars in thousands)	
Capital expenditures for remodels or other additions	$ (23,724)	$ (32,248)
Capital expenditures for the corporate office (including all technology-related expenditures)	(7,378)	(13,340)
Capital expenditures for new salon construction	(5,666)	(18,451)
Proceeds from sale of assets	47	51
Business and salon acquisitions	(2,702)	(40,051)
Proceeds from loans and investments	16,099	17,489
Disbursements for loans and investments		(5,971)
Freestanding derivative settlement	736	
	$ (22,588)	$ (92,521)

During the nine months ended March 31, 2010, cash used in investing activities was less than the corresponding period of the prior fiscal year due to the Company s planned reduction in capital expenditures and salon acquisitions and the receipt of $15.0 million on the revolving credit facility with EEG. Salon acquisitions decreased to $2.7 million during the nine months ended March 31, 2010 as compared to $40.1 million in the comparable prior period as the Company began reducing capital expenditures and acquisition spend due to the economic downturn during the second quarter of the prior fiscal year.

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The company-owned constructed and acquired locations (excluding franchise buybacks) consisted of the following number of locations in each concept:

	For the Nine months Ended March 31, 2010		For the Nine months Ended March 31, 2009	
	Constructed	Acquired	Constructed	Acquired
Regis Salons	9	3	16	23
MasterCuts	13		14	
Trade Secret (1)			10	
SmartStyle	73		53	
Supercuts	9		20	
Promenade	15		28	71
International			4	
	119	3	145	94

(1) As of December 31, 2008, the Trade Secret concept within the North American reportable segment was accounted for as a discontinued operation. All periods presented reflect Trade Secret as a discontinued operation.

Financing Activities

Net cash used in financing activities was $7.2 and $79.6 million during the nine months ended March 31, 2010 and 2009, respectively, was the result of the following:

Financing Cash Flows	For the Nine months Ended March 31, 2010	2009
	(Dollars in thousands)	
Net payments on revolving credit facilities	$ (5,000)	$ (74,200)
Repayments of long-term debt and capital lease obligations	(316,597)	(83,519)
Proceeds from the issuance of long-term debt, net of underwriting discount	167,325	85,000
Proceeds from the issuance of common stock, net of underwriting discount	156,843	2,307
Excess tax benefits from stock-based compensation plans		284
Dividend paid	(6,854)	(5,181)
Other	(2,878)	(4,328)
	$ (7,161)	$ (79,637)

During the nine months ended March 31, 2010, cash used in financing activities was less than the corresponding period of the prior fiscal year due to the $167.3 and $156.8 million of net proceeds from the issuance of convertible debt and common stock, respectively, offset by the repayments on the revolving credit facilities and long-term debt.

Acquisitions

The acquisitions during the nine months ended March 31, 2010 consisted of 19 franchise buybacks and 3 acquired corporate salons. The acquisitions during the nine months ended March 31, 2009 consisted of 85 franchise buybacks and 94 acquired corporate salons. The acquisitions were funded primarily from operating cash flow and debt.

Contractual Obligations and Commercial Commitments

As a part of our salon development program, we continue to negotiate and enter into leases and commitments for the acquisition of equipment and leasehold improvements related to future salon locations, and continue to enter into transactions to acquire established hair care salons and businesses.

Financing

Financing activities are discussed above and derivative activities are discussed in Item 3, Quantitative and Qualitative Disclosures about Market Risk. There were no other significant financing activities during the three and nine months ended March 31, 2010.

We believe that cash generated from operations and amounts available under our existing debt facilities will be sufficient to fund anticipated capital expenditures, acquisitions and required debt repayments for the foreseeable future.

We are in compliance with all covenants and other requirements of our financing arrangements as of March 31, 2010.

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Dividends

We paid dividends of $0.12 per share during the nine months ended March 31, 2010 and 2009. On April 29, 2010, our Board of Directors declared a $0.04 per share quarterly dividend payable May 27, 2010 to shareholders of record on May 13, 2010.

SAFE HARBOR PROVISIONS UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report on Form 10-Q, 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. 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. 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 competition within the personal hair care industry, which remains strong, both domestically and internationally, price sensitivity; changes in economic conditions and in particular, continued weakness in the U.S. and global economies; changes in consumer tastes and fashion trends; the ability of the Company to implement its planned spending and cost reduction plan and to continue to maintain compliance with financial covenants in its credit agreements; labor and benefit costs; legal claims; risk inherent to international development (including currency fluctuations); the continued ability of the Company and its franchisees to obtain suitable locations and financing for new salon development and to maintain satisfactory relationships with landlords and other licensors with respect to existing locations; governmental initiatives such as minimum wage rates, taxes and possible franchise legislation; the ability of the Company to successfully identify, acquire and integrate salons that support its growth objectives; the ability of the Company to maintain satisfactory relationships with suppliers; the ability of the Company to consummate the planned closure of salons and the related realization of the anticipated costs, benefits and time frame; or other factors not listed above. The ability of the Company to meet its expected revenue growth is dependent on salon acquisitions, new salon construction and same-store sales increases, all of which are affected by many of the aforementioned risks. Additional information concerning potential factors that could affect future financial results is set forth in the Company s Annual Report on Form 10-K for the year ended June 30, 2009. 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-K, 10-Q and 8-K and Proxy Statements on Schedule 14A.

Item 3. 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, some of 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 to its net investments in its foreign subsidiaries and notes receivable with certain affiliated companies and, to a lesser extent, changes in the Canadian dollar exchange rate. 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 Company has established an interest rate management policy that attempts to minimize its overall cost of debt, while taking into consideration the earnings implications associated with the volatility of short-term interest rates. As part of this policy, the Company has elected to maintain a combination of variable and fixed rate debt. Considering the effect of interest rate swaps at March 31, 2010 and June 30, 2009, respectively, the Company had the following outstanding debt balances:

	March 31, 2010	June 30, 2009
	(Dollars in thousands)	
Fixed rate debt	$ 424,876	$ 534,307
Floating rate debt	45,000	100,000
	$ 469,876	$ 634,307

The Company manages its interest rate risk by continually assessing the amount of fixed and variable rate debt. On occasion, the Company uses interest rate swaps to further mitigate the risk associated with changing interest rates and to maintain its desired balances of fixed and floating rate debt. The Company s variable rate debt typically represents 35.0 to 45.0 percent of the total debt portfolio. As of March 31, 2010, the variable rate debt represented less than 10.0 percent of the total debt portfolio. The Company is currently assessing the amount of fixed and variable rate debt.

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For additional information, including a tabular presentation of the Company s debt obligations and derivative financial instruments, refer to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in the Company s June 30, 2009 Annual Report on Form 10-K. Other than the information included above, there have been no material changes to the Company s market risk and hedging activities during the three and nine months ended March 31, 2010.

Item 4. 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 in its Exchange Act reports 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 and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our Disclosure Committee, consisting of certain members of management, assists in this evaluation. The Disclosure Committee meets on a quarterly basis and more often if necessary.

With the participation of management, the Company s chief executive officer and chief financial officer evaluated the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Rules 13a-5(e) and 15d-15(e) promulgated under the Exchange Act) at the conclusion of the period ended March 31, 2010. Based upon this evaluation, the chief executive officer and chief financial officer concluded that the Company s disclosure controls and procedures were effective.

Changes in Internal Controls

Based on management s most recent evaluation of the Company s internal control over financial reporting, management determined that there were no changes in the Company s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting that occurred during the Company s most recent fiscal quarter.

PART II OTHER INFORMATION

Item 1. 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 wage and hour violations. Litigation is inherently unpredictable and the outcome of these matters cannot presently be determined. Although company counsel believes that the Company has valid defenses in these matters, it 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 1A. Risk Factors

Our business and our industry are affected by cyclical and global economic factors, including the risk of a prolonged recession.

Our financial results are substantially dependent upon overall economic conditions in the United States and in Europe. A prolonged or a deepening recession in the United States, or globally, could substantially further decrease the demand for our products and services below current levels and adversely affect our business. Our industry has historically been vulnerable to significant declines in consumption and product and service pricing during prolonged periods of economic downturn such as at present.

Recessions and other periods of economic dislocation typically result in a lower level of discretionary income for consumers. To the extent discretionary income declines, consumers may be more likely to reduce discretionary spending. This could result in our salon customers foregoing salon treatments or using home treatments as a substitute. It could also result in our hair restoration patients decreasing the amount spent on hair restoration treatments.

The current economic conditions have affected our financial results for the three and nine months ended March 31, 2010. Our comparable same-store sales results for the three and nine months ended March 31, 2010 declined 1.8 and 3.3 percent, respectively, compared to the three and nine months ended March 31, 2009. During the three and nine months ended March 31, 2010 we impaired $35.3 million of goodwill associated with our Regis salon concept. Also, we impaired $41.7 million of goodwill associated with our salon concepts in the United Kingdom and $25.7 million of our investment in Provalliance during fiscal year 2009. If the economic downturn continues to result in negative same-store sales and we are unable to offset the impact with operational savings, our financial results may be further affected. We may be required to take additional impairment charges and to impair certain long-lived assets,

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goodwill and investments, and such impairments could be material to our consolidated balance sheet and results of operations. The concepts that have the highest likelihood of impairment are Regis and Promenade.

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

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

If we continue to have negative same-store sales our business and results of operations may be affected.

Our success depends, in part, upon our ability to improve sales, as well as both gross margins and operating margins. A variety of factors affect comparable same-store sales, including fashion trends, competition, current economic conditions, changes in our product assortment, the success of marketing programs and weather conditions. These factors may cause our comparable same-store sales results to differ materially from prior periods and from our expectations. Our comparable same-store sales results for the three and nine months ended March 31, 2010 declined 1.8 and 3.3 percent, respectively, compared to the three and nine months March 31, 2009.

If we are unable to improve our comparable same-store sales on a long-term basis or offset the impact with operational savings, our financial results may be affected. Furthermore, continued declines in same-store sales performance may cause us to be in default of certain covenants in our financing arrangements.

Changes in our key relationships may adversely affect our operating results.

We maintain key relationships with certain companies, including Wal-Mart. Termination or modification of any of these relationships, including Wal-Mart, could significantly reduce our revenues and have a material and adverse impact on our business, our operating results and our ability to grow.

Changes in fashion trends may impact our revenue.

Changes in consumer tastes and fashion trends can have an impact on our financial performance. For example, trends in wearing longer hair may reduce the number of visits to, and therefore, sales at our salons.

Changes in regulatory and statutory laws may result in increased costs to our business.

With approximately 12,700 locations and approximately 56,000 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 or increase costs to provide employee benefits may result in additional costs to our company. Compliance with new, complex and changing laws may cause our expenses to increase. In addition, any non-compliance with these laws could result in fines, product recalls and enforcement actions or otherwise restrict our ability to market certain products, which could adversely affect our business, financial condition and results of operations. We are also subject to laws that affect the franchisor-franchisee relationship.

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

Competition on a market by market basis remains strong. Therefore, our ability to raise prices in certain markets can be adversely impacted by this competition. If we are not able to raise prices, our ability to grow same-store sales and increase our revenue and earnings may be impaired.

If our joint ventures are unsuccessful our financial results may be affected.

We have entered into joint venture arrangements with other companies in the retail hair salon and beauty school businesses in order to maintain and expand our operations in the United States, Asia and continental Europe. If our joint venture partners are unwilling or unable to devote their financial resources or marketing and operational capabilities to our joint venture businesses, or if any of our joint ventures are terminated, we may not be able to realize anticipated revenues and profits in the countries where our joint ventures operate and our business could be materially adversely affected. If our joint venture arrangements are not successful, we may have a limited ability to terminate or modify these arrangements. If any of our joint ventures are terminated, there can be no assurance that we will be able to attract new joint venture partners to continue the activities of the terminated joint venture or to operate independently in the countries in which the terminated joint venture conducted business.

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We are subject to default risk on our accounts and notes receivable.

We have outstanding accounts and notes receivable subject to collectibility. If the counterparties are unable to repay the amounts due or if payment becomes unlikely our results of operations would be adversely affected.

Changes in manufacturers choice of distribution channels may negatively affect our revenues.

The retail products that we sell are licensed to be carried exclusively by professional salons. The products we purchase for sale in our salons are purchased pursuant to purchase orders, as opposed to long-term contracts and generally can be terminated by the producer without much advance notice. Should the various product manufacturers decide to utilize other distribution channels, such as large discount retailers, it could negatively impact the revenue earned from product sales.

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

Changes in interest rates will have an impact on our expected results from operations. Currently, we manage the risk related to fluctuations in interest rates through the use of variable rate debt instruments and other financial instruments.

If we fail to protect the security of personal information about our customers, we could be subject to costly government enforcement actions or private litigation and our reputation could suffer.

The nature of our business involves processing, transmission and storage of personal information about our customers. If we experience a data security breach, we could be exposed to government enforcement actions and private litigation. In addition, our customers could lose confidence in our ability to protect their personal information, which could cause them to stop visiting our salons altogether. Such events could lead to lost future sales and adversely affect our results of operations.

Certain of the terms and provisions of the convertible notes we issued in July 2009 may adversely affect our financial condition and operating results and impose other risks.

In July 2009 we issued $172.5 million aggregate principal amount of our 5.0 percent convertible senior notes due 2014 in a public offering. Certain terms of the notes we issued may adversely affect our financial condition and operating results or impose other risks, such as the following:

- Holders of notes may convert their notes into shares of our common stock, which may dilute the ownership interest of our shareholders,

- If we elect to settle all or a portion of the conversion obligation exercised by holders of the notes through the payment of cash, it could adversely affect our liquidity,

- Holders of notes may require us to purchase their notes upon certain fundamental changes, and any failure by us to purchase the notes in such event would result in an event of default with respect to the notes,

- The fundamental change provisions contained in the notes may delay or prevent a takeover attempt of the Company that might otherwise be beneficial to our investors,

- Recent changes in the accounting method for convertible debt securities that may be settled in cash require us to include both the current period s amortization of the debt discount and the instrument s coupon interest as interest expense, which will decrease our financial results,

- Our ability to pay principal and interest on the notes depends on our future operating performance and any failure by us to make scheduled payments could allow the note holders to declare all outstanding principal and interest to be due and payable, result in termination of other debt commitments and foreclosure proceedings by other lends, or force us into bankruptcy or liquidation, and

- The debt obligations represented by the notes may limit our ability to obtain additional financing, require us to dedicate a substantial portion of our cash flow from operations to pay our debt, limit our ability to adjust rapidly to changing market conditions and increase our vulnerability to downtowns in general economic conditions in our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company did not repurchase any of its common stock through its share repurchase program during the three months ended March 31, 2010.

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Item 6. Exhibits

Exhibit 10(a)*	Amendment dated January 28, 2010 to the Employment Agreement, as Amended and Restated effective December 31, 2008, between the Company and Paul D. Finkelstein (Employment Agreement incorporated by reference to Exhibit(b)(*) to the Company s Form 10-Q Report filed on February 9, 2009.
Exhibit 15	Letter Re: Unaudited Interim Financial Information.
Exhibit 31.1	Chairman of the Board of Directors, President and Chief Executive Officer of Regis Corporation: Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Senior Executive Vice President, Chief Financial and Administrative Officer of Regis Corporation: Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Chairman of the Board of Directors, President and Chief Executive Officer of Regis Corporation: Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Senior Executive Vice President, Chief Financial and Administrative Officer of Regis Corporation: Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

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SIGNATURES

Pursuant to the requirements 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	
Date: May 10, 2010	By:	/s/ Randy L. Pearce
		Randy L. Pearce Senior Executive Vice President, Chief Financial and Administrative Officer Signing on behalf of the registrant and as principal accounting officer