UNITED RENTALS INC /DE
Form 424B3
November 06, 2017

Use these links to rapidly review the document
TABLE OF CONTENTS

Table of Contents

Filed Pursuant to Rule 424(b)(3)
Registration Statement No. 333-221007

PROSPECTUS

United Rentals (North America), Inc.

Offer to Exchange Up to $750,000,000 aggregate principal amount of new 4.875% Senior Notes due 2028 registered under the Securities Act of 1933, for any and all outstanding 4.875% Senior Notes due 2028 issued on September 22, 2017

We are offering to exchange, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal (the "Exchange Offer"), our new 4.875% Senior Notes due 2028, which we refer to as the New Notes, for all of our outstanding 4.875% Senior Notes due 2028 issued in a registered offering on September 22, 2017, which we refer to as the Old Notes. The New Notes will have terms that are substantially identical to those of the Old Notes, other than the issue date and the mandatory redemption provisions applicable to the Old Notes relating to our acquisition of Neff Corporation (the "Neff Acquisition"). The mandatory redemption provisions of the Old Notes ceased to apply when the Neff Acquisition closed on October 2, 2017. The New Notes will be issued as additional senior debt securities under the indenture, dated August 11, 2017 (the "August 2017 Indenture") governing our 4.875% Senior Notes due 2028 issued on August 11, 2017 (the "August 2017 Notes"), and will have identical terms, be fungible with and be part of a single series of senior debt securities with $925,000,000 principal amount of the August 2017 Notes. We refer to the August 2017 Notes and the New Notes collectively as the Notes. The Old Notes were offered under an indenture, dated September 22, 2017.

Material Terms of the Exchange Offer

Subject to the terms of the Exchange Offer, we will exchange the New Notes for all Old Notes that are validly tendered and not withdrawn prior to the expiration of this Exchange Offer.

The New Notes will mature on January 15, 2028. Interest on the New Notes is payable on January 15 and July 15 of each year and accrues from August 11, 2017 or the most recent interest payment date.

We may redeem some or all of the New Notes on or after January 15, 2023, at the redemption prices set forth herein, plus accrued and unpaid interest, if any, to the redemption date. We also may redeem some or all of the New Notes at any time prior to January 15, 2023, at a price equal to 100% of the aggregate principal amount of the New Notes to be redeemed, plus a make-whole premium and accrued and unpaid interest, if any, to the redemption date. In addition, at any time on or prior to

January 15, 2021, we may redeem up to 40% of the aggregate principal amount of the New Notes with the net cash proceeds of certain equity offerings at a redemption price equal to 104.875% of the aggregate principal amount of the New Notes plus accrued and unpaid interest, if any, to the redemption date.

The exchange of Old Notes for New Notes pursuant to this Exchange Offer generally should not be a taxable event for U.S. federal income tax purposes. See "*Material U.S. Federal Income Tax Consequences of the Exchange Offer*."

There is no public market for the New Notes. We have not applied, and do not intend to apply, for listing of the New Notes on any national securities exchange or automated quotation system.

We will not receive any proceeds from the Exchange Offer.

The New Notes will be guaranteed on a senior unsecured basis by our parent company, United Rentals, Inc., and, subject to limited exceptions, URNA's current and future domestic subsidiaries. Our foreign subsidiaries will not be guarantors.

Investing in the New Notes involves risks. You should read carefully the *Risk Factors* beginning on page 9 of this prospectus before participating in the Exchange Offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The letter of transmittal accompanying this prospectus states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act of 1933. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of up to 180 days after the Expiration Date (as defined below), we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "*Plan of Distribution*."

Prospectus dated November 6, 2017

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus or in any additional written communication prepared by or authorized by us. We have not authorized anyone to provide you with any information or represent anything about us, our financial results or the Exchange Offer that is not contained in this prospectus or in any additional written communication prepared by or on behalf of us. If given or made, any such other information or representation should not be relied upon as having been authorized by us. We are not making an offer to exchange the outstanding New Notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus or in any additional written communication prepared by or on behalf of us is accurate only as of the date on its cover page and that any information incorporated by reference herein is accurate only as of the date of the document incorporated by reference.

We own or have rights to certain trademarks and trade names that we use in conjunction with the operations of our business. Each trademark, trade name or service mark of any other company appearing in this prospectus belongs to its holder. Solely for convenience, trademarks and trade names referred to in this prospectus may appear without the "®" or " " symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent possible under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

Table of Contents

Presentation of Information

Unless otherwise indicated or the context otherwise requires, (1) the term "URNA" refers to United Rentals (North America), Inc., the issuer of the New Notes, and not to its parent or any of its subsidiaries, (2) the term "Holdings" refers to United Rentals, Inc., the parent of URNA and a guarantor of the New Notes, and not to any of its subsidiaries, and (3) the terms "United Rentals," "we," "us," "our," "our company" or "the Company" refer to Holdings and its subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein contain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such statements can be identified by the use of forward-looking terminology such as "believe," "expect," "may," "will," "should," "seek," "on-track," "plan," "project," "forecast," "intend" or "anticipate," or the negative thereof or comparable terminology, or by discussions of strategy or outlook. You are cautioned that our business and operations are subject to a variety of risks and uncertainties, many of which are beyond our control, and, consequently, our actual results may differ materially from those projected.

Factors that could cause our actual results to differ materially from those projected include, but are not limited to, the following:

- the possibility that companies that we have acquired or may acquire, in our specialty business or otherwise, including NES Rentals Holdings II, Inc. ("NES") and Neff Corporation ("Neff"), could have undiscovered liabilities or involve other unexpected costs, may strain our management capabilities or may be difficult to integrate;

- the cyclical nature of our business, which is highly sensitive to North American construction and industrial activities; if construction or industrial activity decline, our revenues and, because many of our costs are fixed, our profitability may be adversely affected;

- our significant indebtedness (which totaled $8.4 billion at September 30, 2017) requires us to use a substantial portion of our cash flow for debt service and can constrain our flexibility in responding to unanticipated or adverse business conditions;

- inability to refinance our indebtedness on terms that are favorable to us, or at all;

- incurrence of additional debt, which could exacerbate the risks associated with our current level of indebtedness;

- noncompliance with financial or other covenants in our debt agreements, which could result in our lenders terminating the agreements and requiring us to repay outstanding borrowings;

- restrictive covenants and amount of borrowings permitted in our debt instruments, which can limit our financial and operational flexibility;

- overcapacity of fleet in the equipment rental industry;

- inability to benefit from government spending, including spending associated with infrastructure projects;

fluctuations in the price of our common stock and inability to complete stock repurchases in the time frame and/or on the terms anticipated;

rates we charge and time utilization we achieve being less than anticipated;

inability to manage credit risk adequately or to collect on contracts with a large number of customers;

Table of Contents

inability to access the capital that our businesses or growth plans may require;

incurrence of impairment charges;

trends in oil and natural gas could adversely affect the demand for our services and products;

the fact that our holding company structure requires us to depend in part on distributions from subsidiaries and such distributions could be limited by contractual or legal restrictions;

increases in our loss reserves to address business operations or other claims and any claims that exceed our established levels of reserves;

incurrence of additional expenses (including indemnification obligations) and other costs in connection with litigation, regulatory and investigatory matters;

the outcome or other potential consequences of regulatory matters and commercial litigation;

shortfalls in our insurance coverage;

our charter provisions as well as provisions of certain debt agreements and our significant indebtedness may have the effect of making more difficult or otherwise discouraging, delaying or deterring a takeover or other change of control of us;

turnover in our management team and inability to attract and retain key personnel;

costs we incur being more than anticipated, and the inability to realize expected savings in the amounts or time frames planned;

dependence on key suppliers to obtain equipment and other supplies for our business on acceptable terms;

inability to sell our new or used fleet in the amounts, or at the prices, we expect;

competition from existing and new competitors;

risks related to security breaches, cybersecurity attacks and other significant disruptions in our information technology systems;

the costs of complying with environmental, safety and foreign law and regulations, as well as other risks associated with non-U.S. operations, including currency exchange risk;

labor disputes, work stoppages or other labor difficulties, which may impact our productivity, and potential enactment of new legislation or other changes in law affecting our labor relations or operations generally; and

increases in our maintenance and replacement costs and/or decreases in the residual value of our equipment; and

other factors discussed in the section titled "*Risk Factors*" of this prospectus and the section titled "*Item 1A Risk Factors*" and elsewhere in our most recent Annual Report on Form 10-K (the "Annual Report").

For a more complete description of these and other possible risks and uncertainties, please refer to our Annual Report, as well as to our subsequent filings with the SEC. Our forward-looking statements contained herein speak only as of the date hereof, and we make no commitment to update or publicly release any revisions to forward-looking statements in order to reflect new information or subsequent events, circumstances or changes in expectations.

Table of Contents

INDUSTRY AND MARKET DATA

We obtained the industry, market and competitive position data used throughout this prospectus and in the documents incorporated by reference herein from our own internal estimates and research, as well as from industry publications and research, surveys and studies conducted by third parties. Industry publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe that each of these publications, studies and surveys is reliable, we have not independently verified industry, market and competitive position data from third-party sources. While we believe our internal business research is reliable and the market definitions are appropriate, neither such research nor these definitions have been verified by any independent source.

WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any documents filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our filings with the SEC are also available to the public through the SEC's Internet website at *http://www.sec.gov*.

We also make available on our Internet website, free of charge, our annual, quarterly and current reports, including any amendments to these reports, as well as certain other SEC filings, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is *http://www.unitedrentals.com*. The information contained on our website is not incorporated by reference into this document.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC's rules allow us to "incorporate by reference" the documents that we file with the SEC. This means that we can disclose important information to you by referring you to those documents. Any information referred to in this way is considered part of this prospectus from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus will automatically update and, where applicable, supersede any information contained or incorporated by reference in this prospectus.

We incorporate by reference into this prospectus the following documents or information filed by us with the SEC (other than, in each case, documents (or portions thereof) or information deemed to have been furnished and not filed in accordance with SEC rules and regulations):

(1) Annual Report for the fiscal year ended December 31, 2016, filed on January 25, 2017;

(2) Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Stockholders on Thursday, May 4, 2017 and filed on March 21, 2017;

(3) Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017, filed on April 19, 2017;

(4) Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2017, filed on July 19, 2017;

(5) Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017, filed on October 18, 2017;

(6) Current Reports on Form 8-K filed on January 25, 2017 (but excluding Item 2.02, the related exhibit and Item 7.01), January 27, 2017, February 27, 2017, April 3, 2017; May 4, 2017,

June 2, 2017, August 11, 2017, August 17, 2017, August 29, 2017, September 22, 2017, September 29, 2017, October 2, 2017 and October 25, 2017; and

(7) All documents subsequently filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, on or after the date of this prospectus until the termination of the offering of the securities.

We will provide, free of charge, to each person, including any beneficial owner, to whom this prospectus is delivered, upon his or her written or oral request, a copy of any or all documents referred to above which have been or may be incorporated by reference into this prospectus, excluding exhibits to those documents, unless such exhibits are specifically incorporated by reference into those documents. You can request those documents from United Rentals, Inc. at 100 First Stamford Place, Suite 700, Stamford, Connecticut, 06902, Attention: Corporate Secretary, telephone number (203) 618-7342.

Table of Contents

SUMMARY

This summary does not contain all the information that may be important to you. You should read this entire prospectus and the information incorporated by reference herein, including the section titled "Risk Factors," the financial statements and related notes, before making an investment decision.

Our Company

United Rentals is the largest equipment rental company in the world. Our customer service network consists of 950 rental locations in the United States and Canada as well as centralized call centers and online capabilities. We offer approximately 3,300 classes of equipment for rent to construction and industrial companies, manufacturers, utilities, municipalities, homeowners, government entities and other customers. In 2016 and the nine months ended September 30, 2017, we generated total revenue of $5.8 billion and $4.7 billion, including $4.9 billion and $4.1 billion of equipment rental revenue, respectively.

As of September 30, 2017, our fleet of rental equipment included approximately 500,000 units. The total original equipment cost of our fleet ("OEC"), based on the initial consideration paid, was $10.8 billion at September 30, 2017. The fleet includes:

- *General construction and industrial equipment*, such as backhoes, skid-steer loaders, forklifts, earthmoving equipment and materials handling equipment. In 2016, general construction and industrial equipment accounted for approximately 43 percent of our equipment rental revenue;

- *Aerial work platforms*, such as boom lifts and scissor lifts. In 2016, aerial work platforms accounted for approximately 32 percent of our equipment rental revenue;

- *General tools and light equipment*, such as pressure washers, water pumps and power tools. In 2016, general tools and light equipment accounted for approximately 8 percent of our equipment rental revenue;

- *Power and HVAC (heating, ventilating and air conditioning) equipment*, such as portable diesel generators, electrical distribution equipment and temperature control equipment. In 2016, power and HVAC equipment accounted for approximately 7 percent of our equipment rental revenue;

- *Trench safety equipment*, such as trench shields, aluminum hydraulic shoring systems, slide rails, crossing plates, construction lasers and line testing equipment for underground work. In 2016, trench safety equipment accounted for approximately 6 percent of our equipment rental revenue; and

- *Pumps,* primarily used by energy and petrochemical customers. In 2016, pumps accounted for approximately 4 percent of our equipment rental revenue.

In addition to renting equipment, we sell new and used equipment as well as related parts and service, and contractor supplies.

Our principal executive offices are located at 100 First Stamford Place, Suite 700, Stamford, Connecticut, 06902, and our telephone number is (203) 622-3131.

Table of Contents

The Exchange Offer

The Exchange Offer	The Exchange Offer relates to the exchange of up to $750,000,000 aggregate principal amount of outstanding 4.875% Senior Notes due 2028 issued on September 22, 2017 (the "Old Notes"), for an equal aggregate principal amount of 4.875% Senior Notes due 2028 (the "New Notes"). We will exchange all outstanding Old Notes issued that are validly tendered and not validly withdrawn. However, you may only exchange Old Notes in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. The form and terms of the New Notes will be substantially identical to the form and terms of the corresponding outstanding Old Notes, except that the New Notes will not contain the mandatory redemption provisions applicable to the Old Notes relating to the Neff Acquisition and will be issued under a separate indenture. The New Notes will be issued under the indenture, dated August 11, 2017 (the "August 2017 Indenture"), governing our 4.875% Senior Notes due 2028 issued on August 11, 2017 (the "August 2017 Notes"), and will have identical terms, be fungible with and be part of a single series of senior debt securities with $925,000,000 principal amount of our August 2017 Notes.
Expiration Date	Our Exchange Offer expires at 5:00 p.m., New York City time, on December 6, 2017 (the "Expiration Date"), unless we extend the Expiration Date. We may extend the Expiration Date of the Exchange Offer for any reason.
Resale of New Notes	We believe that you may offer for resale, resell and otherwise transfer your New Notes without compliance with the registration and prospectus delivery provisions of the Securities Act if you are not our affiliate and you acquire the New Notes issued in the exchange offer in the ordinary course. You must also represent to us that you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the New Notes we issue to you in the Exchange Offer. Each broker-dealer that receives New Notes in the Exchange Offer for its own account in exchange for Old Notes that it acquired as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the New Notes issued in the Exchange Offer.

Table of Contents

Special Procedures For Beneficial Owners	If you are the beneficial owner of Old Notes and you registered your Old Notes in the name of a broker or other institution, and you wish to participate in the Exchange Offer, you should promptly contact the person in whose name you registered your Old Notes and instruct that person to tender the Old Notes on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your outstanding Old Notes, either make appropriate arrangements to register ownership of the outstanding Old Notes in your name or obtain a properly completed bond power from the registered holder. The transfer of record ownership may take considerable time.
Conditions to the Exchange Offer	The Exchange Offer is subject to certain customary conditions, which we may waive, as described below under "*The Exchange Offer Conditions to the Exchange Offer.*"
Procedures for Tendering Initial Notes	If you wish to accept the Exchange Offer, the following must be delivered to the Exchange Agent: your Old Notes by timely confirmation of book-entry transfer through The Depository Trust Company ("DTC"); an agent's message from DTC, stating that the tendering participant agrees to be bound by the letter of transmittal and the terms of the Exchange Offer; and all other documents required by the letter of transmittal. These actions must be completed before the expiration of the Exchange Offer. You must comply with DTC's standard procedures for electronic tenders, by which you will agree to be bound by the letter of transmittal.
Withdrawal Rights	You may withdraw the tender of your Old Notes at any time prior to the Expiration Date.
Material U.S. Federal Income Tax Considerations	An exchange of Old Notes for New Notes should not be subject to United States federal income tax. See "*Material U.S. Federal Income Tax Considerations of the Exchange Offer*."
Use of Proceeds	We will not receive any proceeds from the issuance of New Notes pursuant to the Exchange Offer. Old Notes that are validly tendered and exchanged will be retired and canceled. We will pay all expenses incidental to the Exchange Offer.
Exchange Agent	You can reach Wells Fargo Bank, National Association, (the "Exchange Agent"), at 600 Fourth Street South, 7th Floor, Minneapolis, MN 55402, Attn: Corporate Trust Operations. For more information with respect to the exchange offer, you may call the Exchange Agent at (800) 344-5128; the fax number for the Exchange Agent is (612) 667-6282 (for eligible institutions only).

Table of Contents

The New Notes

The New Notes will have terms that are substantially identical to those of the Old Notes, other than the issue date and the mandatory redemption provisions applicable to the Old Notes relating to the Neff Acquisition. The mandatory redemption provisions of the Old Notes ceased to apply when the Neff Acquisition closed on October 2, 2017. The New Notes will be issued as additional senior debt securities under the August 2017 Indenture and will have identical terms, be fungible with and be part of a single series of senior debt securities with $925,000,000 principal amount of the August 2017 Notes. You should carefully review the "Description of the New Notes" section of this prospectus, which contains a more detailed description of the terms and conditions of the New Notes.

Issuer	United Rentals (North America), Inc.
New Notes Offered	$750,000,000 million aggregate principal amount of 4.875% Senior Notes due 2028.
Maturity	January 15, 2028.
Interest	4.875% per annum, payable semi-annually in cash in arrears on January 15 and July 15 of each year and accrues from August 11, 2017 or the most recent payment date.
Ranking	The New Notes will be senior unsecured obligations of URNA and will rank equally in right of payment with all of URNA's existing and future senior indebtedness, effectively junior to any of URNA's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness and senior in right of payment to any of URNA's existing and future subordinated indebtedness. As of September 30, 2017, on an as adjusted basis, after giving effect to the issuance of the New Notes and related guarantees, the New Notes would have ranked:

equally in right of payment with approximately $5.6 billion principal amount of URNA's other senior unsecured obligations, comprised of:

$225 million principal amount of 7 5/8% Senior Notes due 2022,

$850 million principal amount of 5 3/4% Senior Notes due 2024,

$750 million principal amount of 4 5/8% Senior Notes due 2025,

$800 million principal amount of 5 1/2% Senior Notes due 2025,

$1.0 billion principal amount of 5 7/8% Senior Notes due 2026,

$1.0 billion principal amount of 5 1/2% Senior Notes due 2027; and

$925 million principal amount of the August 2017 Notes;

Table of Contents

effectively junior to approximately $1.5 billion of URNA's secured obligations, comprised of:

$305 million of URNA's outstanding borrowings under the our senior secured asset-based revolving credit facility (the "ABL Facility"), (excluding $2.5 billion of additional borrowing capacity, net of outstanding letters of credit of $39 million),

$1.0 billion principal amount of 4⅝% Senior Secured Notes due 2023,

URNA's guarantee obligations in respect of $111 million of the outstanding borrowings of the subsidiary guarantors under the ABL Facility,

$55 million in capital leases, and

URNA's guarantee obligations in respect of $7 million of capital leases of the subsidiary guarantors; and

effectively junior to:

$667 million of indebtedness of URNA's special purpose vehicle in connection with the accounts receivable securitization facility,

$2 million of capital leases of Holdings, and

$5 million of capital leases of URNA's subsidiaries that are not guarantors.
Most of URNA's U.S. receivable assets have been sold to a special purpose vehicle in connection with the accounts receivable securitization facility (the accounts receivable in the collateral pool being the lenders' only source of payment under that facility).

Table of Contents

Guarantees

The New Notes will be guaranteed on a senior unsecured basis by Holdings and, subject to limited exceptions, URNA's current and future domestic subsidiaries. The guarantees will be senior unsecured obligations of the guarantors and will rank equally in right of payment with all of the existing and future senior unsecured indebtedness of the guarantors, effectively junior to any existing and future secured indebtedness of the guarantors to the extent of the value of the assets securing such indebtedness, and senior in right of payment to all existing and future subordinated indebtedness of the guarantors. The New Notes will not be guaranteed by URNA's foreign or unrestricted subsidiaries or any foreign subsidiary holding company or any subsidiary of a foreign subsidiary, unless URNA determines otherwise. During any period when the New Notes are rated investment grade by both Standard & Poor's Ratings Services ("S&P") and Moody's Investors Service, Inc. ("Moody's") or, in certain circumstances, another nationally recognized statistical rating agency selected by URNA, provided at such time no default under the indenture has occurred and is continuing, URNA may request to release the guarantee of any subsidiary guarantor.

As of September 30, 2017, on an as adjusted basis, after giving effect to the issuance of the New Notes and the related guarantees, the guarantees would have ranked:

equally in right of payment with approximately $5.6 billion of the guarantors' other senior unsecured obligations, comprised of the guarantors' guarantee obligations in respect of:

$225 million principal amount of $7^{5}/_{8}$% Senior Notes due 2022,

$850 million principal amount of $5^{3}/_{4}$% Senior Notes due 2024,

$750 million principal amount of $4^{5}/_{8}$% Senior Notes due 2025,

$800 million principal amount of $5^{1}/_{2}$% Senior Notes due 2025,

$1.0 billion principal amount of $5^{7}/_{8}$% Senior Notes due 2026,

$1.0 billion principal amount of $5^{1}/_{2}$% Senior Notes due 2027; and

$925 million principal amount of the August 2017 Notes;

Table of Contents

effectively junior to approximately $1.5 billion of the guarantors' secured obligations, comprised of:

the guarantors' guarantee obligations in respect of $305 million of URNA's outstanding borrowings under the ABL Facility,

$111 million of the outstanding borrowings of the subsidiary guarantors under the ABL Facility,

the guarantors' guarantee obligations in respect of $1.0 billion principal amount of $4^5/_8$% Senior Secured Notes due 2023,

the guarantors' guarantee obligations in respect of $55 million in URNA's capital leases,

$2 million of capital leases of Holdings; and

$7 million of capital leases of the subsidiary guarantors; and

effectively junior to:

$667 million of indebtedness of URNA's special purpose vehicle in connection with the accounts receivable securitization facility, and

$5 million of capital leases of URNA's subsidiaries that are not guarantors.

The non-guarantor subsidiaries of URNA accounted for $223 million, or 8%, and $158 million, or 7%, of our adjusted EBITDA for the year ended December 31, 2016 and the nine months ended September 30, 2017, respectively. The non-guarantor subsidiaries of URNA accounted for $510 million, or 9%, and $405 million, or 9%, of our total revenues for the year ended December 31, 2016 and the nine months ended September 30, 2017, respectively. The non-guarantor subsidiaries of URNA accounted for $2.2 billion, or 16%, of our total assets, and $829 million, or 7%, of our total liabilities at September 30, 2017.

Optional Redemption

URNA may, at its option, redeem some or all of the New Notes at any time on or after January 15, 2023 at the redemption prices listed under "*Description of the New Notes Optional Redemption*," plus accrued and unpaid interest, if any, to the redemption date.

At any time prior to January 15, 2023, URNA may redeem some or all of the New Notes at a price equal to 100% of the aggregate principal amount of the New Notes to be redeemed, plus a "make-whole" premium and accrued and unpaid interest, if any, to the redemption date.

Table of Contents

	In addition, at any time on or prior to January 15, 2021, URNA may, at its option, on one or more occasions, redeem up to 40% of the aggregate principal amount of the New Notes with the net cash proceeds of certain equity offerings, at a price equal to 104.875% of the aggregate principal amount of the New Notes redeemed plus accrued and unpaid interest, if any, to the redemption date. See "*Description of the New Notes Optional Redemption*."
Change of Control	If we experience specific kinds of change of control events, we must offer to repurchase the New Notes at a price of 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the purchase date. See "*Description of the New Notes Change of Control*."
Certain Covenants	The indenture governing the New Notes contains certain covenants applicable to URNA and its restricted subsidiaries, including limitations on: (1) liens; (2) mergers, consolidations and sale of assets; and (3) dividends and other distributions, stock repurchases and redemptions and other restricted payments. The indenture governing the New Notes also contains requirements relating to additional subsidiary guarantors. Each of these covenants is subject to important exceptions and qualifications. In addition, certain of the restrictive covenants will not apply to us during any period when the New Notes are rated investment grade by both S&P and Moody's or, in certain circumstances, another rating agency selected by us, provided at such time no default under the indenture has occurred and is continuing. See "*Description of the New Notes Certain Covenants*" and "*Description of the New Notes Consolidation, Merger, Sale of Assets, etc.*"
No Public Trading Market	Neither the Old Notes nor the August 2017 Notes are listed on any securities exchange or any automated dealer quotation system, and we do not intend to list the New Notes on any national securities exchange or automated dealer quotation system. Accordingly, there can be no assurance that a market for the New Notes will develop or as to the liquidity of any market that may develop.
Trustee	Wells Fargo Bank, National Association.
Governing Law	The New Notes and the indenture under which they will be issued will be governed by the laws of the State of New York.
Risk Factors	Investing in the New Notes involves risks. You should carefully consider the information under the section titled "*Risk Factors*" beginning on page 9 and all other information contained or incorporated by reference in this prospectus prior to investing in the New Notes. In particular, we urge you to carefully consider the information set forth in the section titled "*Risk Factors*" and in "*Item 1A Risk Factors*" of our Annual Report for a description of certain risks you should consider before investing in the New Notes.

Table of Contents

RISK FACTORS

Investing in the New Notes involves risks. You should carefully consider the risks described below and the risk factors incorporated by reference herein, as well as the other information included or incorporated by reference in this prospectus, before you invest in the New Notes. Certain risks related to us and our business are contained in the section titled "*Item 1A Risk Factors*" and elsewhere in our Annual Report, which is incorporated by reference in this prospectus. See "*Where You Can Find More Information*" for information about how to obtain a copy of these documents. The risks and uncertainties described below and incorporated by reference into this prospectus are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of these risks actually occurs, our business, financial condition and results of operations could be materially affected. In that case, the value of the New Notes could decline substantially.

Risks Relating to the Exchange Offer

An active trading market for the New Notes may not develop, which could make it difficult to resell the New Notes at their fair market value or at all.

The New Notes are securities for which there currently is no public market. We do not intend to list the New Notes on any national securities exchange or automated quotation system. Accordingly, no market for the New Notes may develop, and any market that develops may not be sustained. To the extent that an active trading market does not develop or is not sustained, you may not be able to resell your New Notes at their fair market value or at all.

Late deliveries of Old Notes and other required documents could prevent a holder from exchanging its Old Notes.

Holders are responsible for complying with all Exchange Offer procedures. The issuance of New Notes in exchange for Old Notes will only occur upon completion of the procedures described in this prospectus under "*The Exchange Offer*." Therefore, holders of Old Notes who wish to exchange them for New Notes should allow sufficient time for timely completion of the Exchange Offer procedures. Neither we nor the Exchange Agent are obligated to extend the Exchange Offer or notify you of any failure to follow the proper procedures or waive any defect if you fail to follow the proper procedures.

If you are a broker-dealer, your ability to transfer the New Notes may be restricted.

A broker-dealer that purchased the Old Notes for its own account as part of market-making or trading activities must comply with the prospectus delivery requirements of the Securities Act when it sells the New Notes. Our obligation to make this prospectus available to broker-dealers is limited. Consequently, we cannot guarantee that a proper prospectus will be available to broker-dealers wishing to resell their New Notes.

The liquidity of any trading market that currently exists for the Old Notes may be adversely affected by the Exchange Offer, and holders of Old Notes who fail to participate in the Exchange Offer may find it more difficult to sell their Old Notes after the Exchange Offer is completed.

To the extent that Old Notes are tendered and accepted for exchange pursuant to the Exchange Offer, the trading markets for the remaining Old Notes will become more limited or may cease to exist altogether. A debt security with a small outstanding aggregate principal amount or "float" may command a lower price than would a comparable debt security with a larger float. Therefore, the market price for the unexchanged Old Notes may be adversely affected. The reduced float may also make the trading prices of the remaining Old Notes more volatile.

Table of Contents

Risks Relating to Our Indebtedness

Our significant indebtedness exposes us to various risks.

At September 30, 2017, our total indebtedness was $8.4 billion. Our significant indebtedness could adversely affect our business, results of operations and financial condition in a number of ways by, among other things:

- increasing our vulnerability to, and limiting our flexibility to plan for, or react to, adverse economic, industry or competitive developments;
- making it more difficult to pay or refinance our debts as they become due during periods of adverse economic, financial market or industry conditions;
- requiring us to devote a substantial portion of our cash flow to debt service, reducing the funds available for other purposes, including funding working capital, capital expenditures, acquisitions, execution of our growth strategy and other general corporate purposes, or otherwise constraining our financial flexibility;
- restricting our ability to move operating cash flows to Holdings. URNA's payment capacity is restricted under the covenants in the indentures governing its outstanding indebtedness;
- affecting our ability to obtain additional financing for working capital, acquisitions or other purposes, particularly since substantially all of our assets are subject to security interests relating to existing indebtedness;
- decreasing our profitability or cash flow;
- causing us to be less able to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions;
- causing us to be disadvantaged compared to competitors with less debt and lower debt service requirements;
- resulting in a downgrade in our credit rating or the credit ratings of any of the indebtedness of our subsidiaries, which could increase the cost of further borrowings;
- requiring our debt to become due and payable upon a change in control; and
- limiting our ability to borrow additional monies in the future to fund working capital, capital expenditures and other general corporate purposes.

A portion of our indebtedness bears interest at variable rates that are linked to changing market interest rates. As a result, an increase in market interest rates would increase our interest expense and our debt service obligations. At September 30, 2017, we had $1.1 billion of indebtedness that bears interest at variable rates, representing 13 percent of our total indebtedness.

To service our indebtedness, we will require a significant amount of cash and our ability to generate cash depends on many factors beyond our control.

We depend on cash on hand and cash flows from operations to make scheduled debt payments. To a significant extent, our ability to do so is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may not be able to generate sufficient cash flow from operations to repay our indebtedness when it becomes due and to meet our other cash needs. If we are unable to service our indebtedness and fund our operations, we will have to adopt an alternative strategy that may include:

- reducing or delaying capital expenditures;
- limiting our growth;

Table of Contents

- seeking additional capital;
- selling assets; or
- restructuring or refinancing our indebtedness.

Even if we adopt an alternative strategy, the strategy may not be successful and we may continue to be unable to service our indebtedness and fund our operations.

We may not be able to refinance our indebtedness on favorable terms, if at all. Our inability to refinance our indebtedness, including the New Notes, could materially and adversely affect our liquidity and our ongoing results of operations.

Our ability to refinance indebtedness will depend in part on our operating and financial performance, which, in turn, is subject to prevailing economic conditions and to financial, business, legislative, regulatory and other factors beyond our control. In addition, prevailing interest rates or other factors at the time of refinancing could increase our interest expense. A refinancing of our indebtedness could also require us to comply with more onerous covenants and further restrict our business operations. Our inability to refinance our indebtedness or to do so upon attractive terms could materially and adversely affect our business, prospects, results of operations, financial condition and cash flows, and make us vulnerable to adverse industry and general economic conditions.

We may be able to incur substantially more debt and take other actions that could diminish our ability to make payments on our indebtedness, including the New Notes, when due, which could further exacerbate the risks associated with our current level of indebtedness.

Despite our indebtedness level, we may be able to incur substantially more indebtedness in the future and such indebtedness may be secured indebtedness. The terms of the indenture governing the New Notes do not prohibit us from incurring unsecured debt and the limitation on incurring secured debt is subject to important limitations, qualifications and exceptions. The indentures or agreements governing our current indebtedness permit us to recapitalize our debt or take a number of other actions, any of which could diminish our ability to make payments on our indebtedness when due and further exacerbate the risks associated with our current level of indebtedness. If new debt is added to our or any of our existing and future subsidiaries' current debt, the related risks that we now face could intensify and we may not be able to meet all our debt obligations, including repayment of the New Notes in whole or in part. If we incur any secured debt it will be effectively senior to the New Notes to the extent of the value of the collateral securing such debt and if we incur any additional indebtedness that ranks equally with the New Notes, the holders of that debt will be entitled to share ratably with the holders of the New Notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of our business.

If we are unable to satisfy the financial and other covenants in certain of our debt agreements, our lenders could elect to terminate the agreements and require us to repay the outstanding borrowings, or we could face other substantial costs.

The only financial covenant that currently exists under the ABL Facility is the fixed charge coverage ratio. Subject to certain limited exceptions specified in the ABL Facility, the fixed charge coverage ratio covenant under the ABL Facility will only apply in the future if specified availability under the ABL Facility falls below 10 percent of the maximum revolver amount under the ABL Facility. When certain conditions are met, cash and cash equivalents and borrowing base collateral in excess of the ABL Facility size may be included when calculating specified availability under the ABL Facility. As of December 31, 2016, specified availability under the ABL Facility exceeded the required threshold and, as a result, the maintenance covenant was inapplicable. Under our accounts receivable securitization facility, we are required, among other things, to maintain certain financial tests relating

Table of Contents

to: (i) the default ratio, (ii) the delinquency ratio, (iii) the dilution ratio and (iv) days sales outstanding. The accounts receivable securitization facility also requires us to comply with the fixed charge coverage ratio under the ABL Facility, to the extent the ratio is applicable under the ABL Facility. If we are unable to satisfy these or any of the other relevant covenants, the lenders could elect to terminate the ABL Facility and/or the accounts receivable securitization facility and require us to repay outstanding borrowings. In such event, unless we are able to refinance the indebtedness coming due and replace the ABL Facility, accounts receivable securitization facility and/or the other agreements governing our debt, we would likely not have sufficient liquidity for our business needs and would be forced to adopt an alternative strategy as described above. Even if we adopt an alternative strategy, the strategy may not be successful and we may not have sufficient liquidity to service our debt and fund our operations. Future debt arrangements we enter into may contain similar provisions.

Restrictive covenants in certain of the agreements and instruments governing our indebtedness may adversely affect our financial and operational flexibility.

In addition to financial covenants, various other covenants in the ABL Facility, accounts receivable securitization facility and the other agreements governing our debt impose significant operating and financial restrictions on us and our restricted subsidiaries. Such covenants include, among other things, limitations on: (i) liens; (ii) sale-leaseback transactions; (iii) indebtedness; (iv) mergers, consolidations and acquisitions; (v) sales, transfers and other dispositions of assets; (vi) loans and other investments; (vii) dividends and other distributions, stock repurchases and redemptions and other restricted payments; (viii) dividends, other payments and other matters affecting subsidiaries; (ix) transactions with affiliates; and (x) issuances of preferred stock of certain subsidiaries. Future debt agreements we enter into may include similar provisions.

These restrictions may also make more difficult or discourage a takeover of us, whether favored or opposed by our management and/or our Board of Directors.

Our ability to comply with these covenants may be affected by events beyond our control, and any material deviations from our forecasts could require us to seek waivers or amendments of covenants or alternative sources of financing, or to reduce expenditures. We cannot guarantee that such waivers, amendments or alternative financing could be obtained or, if obtained, would be on terms acceptable to us.

A breach of any of the covenants or restrictions contained in these agreements could result in an event of default. Such a default could allow our debt holders to accelerate repayment of the related debt, as well as any other debt to which a cross-acceleration or cross-default provision applies, and/or to declare all borrowings outstanding under these agreements to be due and payable. If our debt is accelerated, our assets may not be sufficient to repay such debt, including the New Notes.

The indenture governing the New Notes contains negative covenants that provide limited protection.

The indenture governing the New Notes contains limited covenants that restrict our ability and the ability of our restricted subsidiaries to incur liens on our assets and enter into certain mergers with or into, or sell substantially all of our assets to, another person. The covenants for the New Notes do not include limitations on indebtedness, asset sales and the use of proceeds therefrom, affiliate transactions and certain other covenants that are included in many of the agreements governing our existing debt. As a result, the New Notes will not prevent us from taking a number of actions that may increase risk from the perspective of noteholders. In addition, breaches of covenants under our existing debt will only result in a default under the New Notes if the holders or lenders of that debt accelerate repayment of such debt. The limited covenants in the New Notes also contain exceptions that will allow us and our subsidiaries to incur significant amounts of additional secured indebtedness. See "*Description of the New Notes Certain Covenants*." In light of these exceptions, holders of the New

Table of Contents

Notes may be effectively subordinated to new lenders to the extent of the value of collateral pledged to secured obligations owed to such lenders.

The amount of borrowings permitted under our ABL Facility may fluctuate significantly, which may adversely affect our liquidity, results of operations and financial position.

The amount of borrowings permitted at any time under our ABL Facility is limited to a periodic borrowing base valuation of the collateral thereunder. As a result, our access to credit under our ABL Facility is potentially subject to significant fluctuations depending on the value of the borrowing base of eligible assets as of any measurement date, as well as certain discretionary rights of the agent in respect of the calculation of such borrowing base value. The inability to borrow under our ABL Facility may adversely affect our liquidity, results of operations and financial position.

We rely on available borrowings under the ABL Facility and the accounts receivable securitization facility for cash to operate our business, which subjects us to market and counterparty risk, some of which is beyond our control.

In addition to cash we generate from our business, our principal existing sources of cash are borrowings available under the ABL Facility and the accounts receivable securitization facility. If our access to such financing was unavailable or reduced, or if such financing were to become significantly more expensive for any reason, we may not be able to fund daily operations, which would cause material harm to our business or could affect our ability to operate our business as a going concern. In addition, if certain of our lenders experience difficulties that render them unable to fund future draws on the facilities, we may not be able to access all or a portion of these funds, which could have similar adverse consequences.

Risks Relating to the New Notes

None of URNA's foreign subsidiaries, unrestricted subsidiaries, subsidiaries that are foreign subsidiary holding companies or subsidiaries of foreign subsidiaries will be guarantors with respect to the New Notes, unless URNA determines otherwise; therefore, any claims you may have in respect of the New Notes will be structurally subordinated to the liabilities of those subsidiaries.

None of URNA's foreign subsidiaries, unrestricted subsidiaries or subsidiaries that are foreign subsidiary holding companies or subsidiaries of foreign subsidiaries will guarantee the New Notes, unless URNA determines otherwise. If any of such non-guarantor subsidiaries becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, holders of its indebtedness and its trade creditors generally will be entitled to payment on their claims from the assets of such subsidiary before any of those assets would be made available to us. Consequently, your claims in respect of the New Notes will be structurally subordinated to all of the existing and future liabilities, including trade payables, of URNA's non-guarantor subsidiaries. The indenture governing the New Notes does not prohibit URNA from having subsidiaries that are not guarantors in the future.

The non-guarantor subsidiaries accounted for approximately 9% of our total revenues for both the year ended December 31, 2016 and the nine months ended September 30, 2017. As of September 30, 2017, the non-guarantor subsidiaries held approximately 8% of our rental equipment.

The indenture governing the New Notes does not limit the incurrence of indebtedness and issuance of preferred stock of or by our subsidiaries. In addition, the indenture governing the New Notes does not impose any limitation on the incurrence by such subsidiaries of liabilities that are not considered indebtedness under the indenture.

Table of Contents

A portion of our operations is currently conducted through URNA's subsidiaries and URNA will depend in part on distributions from these subsidiaries in order to pay amounts due on the New Notes. Certain provisions of law or contractual restrictions could limit distributions from URNA's subsidiaries.

A portion of our operations is conducted through URNA's subsidiaries. The effect of this structure is that URNA will depend in part on the earnings of its subsidiaries, and the payment or other distribution to it of these earnings, in order to meet its obligations under the New Notes and its other debt. Provisions of law, such as those requiring that dividends be paid only from surplus, could limit the ability of URNA's subsidiaries to make payments or other distributions to it. Furthermore, these subsidiaries could in certain circumstances agree to contractual restrictions on their ability to make distributions. These restrictions could also render the subsidiary guarantors financially or contractually unable to make payments under their guarantees of the New Notes.

Holdings' primary asset is its equity interest in URNA.

The New Notes will be guaranteed by Holdings. However, substantially all of Holdings' net worth is attributable to the stock of URNA owned by Holdings and all of its operations are conducted through URNA. Consequently, the Holdings guarantee will not give holders of the New Notes a claim to significant assets other than those to which they already have a claim as URNA's direct creditors. Furthermore, substantially all of Holdings' assets are subject to a security interest in favor of the lenders under the ABL Facility, which gives these lenders a first-priority claim to such assets.

A guarantee by a subsidiary guarantor could be voided if the subsidiary guarantor fraudulently transferred the guarantee at the time it incurred the indebtedness, which could result in the holders of the New Notes being able to rely only on URNA and Holdings to satisfy claims.

A guarantee by one of our subsidiary guarantors that is found to be a fraudulent transfer may be voided under the fraudulent transfer laws described below. The application of these laws requires the making of complex factual determinations and estimates as to which there may be different opinions and views.

In general, federal and state fraudulent transfer laws provide that a guarantee by a subsidiary guarantor can be voided, or claims under a guarantee by a subsidiary guarantor may be subordinated to all other debts of that subsidiary guarantor if, among other things, at the time it incurred the indebtedness evidenced by its guarantee:

- the subsidiary guarantor intended to hinder, delay or defraud any present or future creditor; or
- the subsidiary guarantor received less than reasonably equivalent value or fair consideration for the incurrence of the guarantee; and
  - was insolvent or rendered insolvent by reason of such incurrence;
  - was engaged in a business or transaction for which the subsidiary guarantor's remaining assets constituted unreasonably small capital; or
  - intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they mature.

In addition, any payment by that subsidiary guarantor under a guarantee could be voided and required to be returned to the subsidiary guarantor or to a fund for the benefit of the creditors of the subsidiary guarantor.

Table of Contents

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the governing law. Generally, a subsidiary guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

We cannot predict:

- what standard a court would apply in order to determine whether a subsidiary guarantor was insolvent as of the date it issued the guarantee or whether, regardless of the method of valuation, a court would determine that the subsidiary guarantor was insolvent on that date; or
- whether a court would determine that the payments under the guarantee constituted fraudulent transfers or conveyances on other grounds.

In the event that the guarantee of the New Notes by a subsidiary guarantor is voided as a fraudulent conveyance, holders of the New Notes would effectively be subordinated to all indebtedness and other liabilities of that subsidiary guarantor.

If we experience a change of control, URNA will be required to make an offer to repurchase the New Notes. However, URNA may be unable to do so due to lack of funds or covenant restrictions.

If we experience a change of control (as defined in the indenture governing the New Notes), URNA will be required to make an offer to repurchase all outstanding New Notes at the applicable percentage of their principal amount, plus accrued but unpaid interest, if any, to the date of repurchase. However, URNA may be unable to do so because:

- URNA might not have enough available funds, particularly since a change of control could cause part or all of our other indebtedness to become due; and
- the agreements governing the ABL Facility would, and other indebtedness may, prohibit URNA from repurchasing the New Notes, unless we were able to obtain a waiver or refinance such indebtedness.

A failure to make an offer to repurchase the New Notes upon a change of control would give rise to an event of default under the indenture governing the New Notes and could result in an acceleration of amounts due thereunder. Any such default and acceleration under one indenture could trigger a cross-default under our and URNA's other indebtedness. In addition, any such default under one indenture would trigger a default under the ABL Facility (which could result in the acceleration of all indebtedness thereunder) and a termination event under our accounts receivable securitization facility. A change of control (as defined in the agreement governing the ABL Facility), in and of itself, is also an event of default under the ABL Facility, which would entitle our lenders to accelerate all amounts owing thereunder. In the event of any such acceleration, there can be no assurance that we will have enough cash to repay our outstanding indebtedness, including the New Notes. In addition, such acceleration could cause a default under the New Notes.

Table of Contents

A downgrade, suspension or withdrawal of the rating assigned by a rating agency to our debt securities could cause the liquidity or market value of the New Notes to decline significantly and increase our cost of borrowing.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. In general, rating agencies base their ratings on many quantitative and qualitative factors, including, but not limited to, capital adequacy, liquidity, asset quality, business mix and quality of earnings, and, as a result, we may not be able to maintain our current credit ratings.

Credit rating agencies continually review their ratings for the companies that they follow, including us. Borrowing under the ABL Facility, as well as the future incurrence of additional secured or additional unsecured indebtedness, may cause the rating agencies to reassess the ratings assigned to our debt securities. Any such action may lead to a downgrade of any rating assigned to the New Notes or in the assignment of a rating for the New Notes that is lower than might otherwise be the case. Real or anticipated changes in our credit ratings could cause the liquidity or market value of the New Notes to decline significantly.

There can be no assurance that the ratings assigned by S&P and Moody's to the New Notes will remain for any given period of time or that these ratings will not be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes in our company, so warrant. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. Neither we nor any underwriter undertakes any obligation to maintain the ratings or to advise holders of the New Notes of any changes in ratings. Each agency's rating should be evaluated independently of any other agency's rating.

There may be no public market for the New Notes.

We do not intend to apply for listing of the New Notes on any securities exchange or any automated dealer quotation system. Accordingly, we cannot assure you as to:

- the liquidity or sustainability of any market for the New Notes;
- your ability to sell the New Notes; or
- the price at which you would be able to sell your New Notes.

If a market for the New Notes does exist, it is possible that you will not be able to sell your New Notes at a particular time or that the price that you receive when you sell will be favorable. It is also possible that any trading market that does exist for the New Notes will not be liquid. Future trading prices of the New Notes will depend on many factors, including:

- our operating performance, financial condition and prospects, or the operating performance, financial condition and prospects of companies in the equipment rental industry generally;
- the interest of securities dealers in making a market for the New Notes;
- prevailing interest rates; and
- the market for similar securities.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused volatility in prices. If a market for the New Notes exists, it is possible that the market for the New Notes will be subject to disruptions and price volatility. Any disruptions may have a negative effect on holders of the New Notes, regardless of our operating performance, financial condition and prospects.

Table of Contents

Certain of the covenants contained in the indenture governing the New Notes and, if requested by us, the subsidiary guarantees, will not be applicable during any period when the New Notes are rated investment grade by S&P and Moody's or, in certain circumstances, another rating agency selected by us. In addition, we may request to release the guarantee of any subsidiary during any such period.

The covenant in the indenture governing the New Notes limiting dividends and other distributions, share repurchases and redemptions and other restricted payments will not apply to us during any period when the New Notes are rated investment grade by both S&P and Moody's or, in certain circumstances, another nationally recognized statistical rating agency selected by us, provided that at such time no default under the indenture has occurred and is continuing. There can be no assurance that the New Notes will ever be rated investment grade, or that if they are rated investment grade, the New Notes will maintain such ratings. However, suspension of this covenant would allow us to pay distributions, buy back shares or engage in other transactions that would not be permitted while this covenants was in force, and the effects of any such actions will be permitted to remain in place even if the New Notes are subsequently downgraded below investment grade and the covenants are reinstated. Please see "*Description of the New Notes Certain Covenants Covenant Suspension*."

During any period when the New Notes are rated investment grade by both S&P and Moody's or, in certain circumstances, another nationally recognized statistical rating agency selected by us, provided that at such time no default under the indenture has occurred and is continuing, we may request to release the guarantee of any subsidiary guarantor. In the event that the guarantee of the New Notes by a subsidiary guarantor is released, holders of the New Notes would effectively be subordinated to all indebtedness and other liabilities of that subsidiary guarantor. Please see "*Description of the New Notes Guarantees*."

The New Notes will be effectively subordinated to URNA's and each guarantor's secured indebtedness, in each case to the extent of the value of the assets securing such indebtedness.

The New Notes will be URNA's senior unsecured obligations and will be effectively subordinated to all of URNA's and each guarantor's secured indebtedness, to the extent of the value of the collateral. Our U.S. dollar borrowings under the ABL Facility and our senior secured New Notes are secured by substantially all of our and the guarantors' assets. Most of our U.S. receivable assets have been sold to a bankruptcy remote special purpose entity in connection with our accounts receivable securitization facility (the accounts receivable in the collateral pool being the lenders' only source of payment under that facility). The lenders under the ABL Facility, the holders of the secured New Notes or the holders of other secured indebtedness will be entitled to exercise the remedies available to a secured lender under applicable law (in addition to any remedies that may be available under documents pertaining to the ABL Facility, the senior secured New Notes or our other secured indebtedness). The exercise of such remedies may adversely affect our ability to meet our financial obligations under the New Notes.

As of September 30, 2017, our total indebtedness was $8.4 billion, and:

- URNA and the guarantors of the New Notes had outstanding an aggregate of $416 million of indebtedness secured by a first-priority lien outstanding and $2.5 billion of borrowing capacity under the ABL Facility (net of outstanding letters of credit of $39 million), subject to, among other things, their maintenance of a sufficient borrowing base under such facility;

- URNA and the guarantors of the New Notes had outstanding an aggregate principal amount of $1.0 billion of indebtedness secured on a second-priority lien basis under URNA's senior secured Notes (which are guaranteed by the guarantors); and

- URNA and the guarantors of the New Notes had outstanding an aggregate of $64 million of indebtedness under capital leases secured by assets that do not constitute collateral under the ABL Facility and URNA's senior secured New Notes.

Under the terms of the agreements governing our debt, we may incur significant amounts of additional secured indebtedness.

Table of Contents

USE OF PROCEEDS

We will not receive any proceeds from the Exchange Offer. In consideration for issuing the New Notes, we will receive Old Notes from you in the same principal amount. The Old Notes surrendered in exchange for the New Notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the New Notes will not result in any change in our indebtedness.

Table of Contents

THE EXCHANGE OFFER

Purpose and Effect of Exchange Offer

We are offering to exchange $750,000,000 aggregate principal amount of our outstanding 4.875% Senior Notes due 2028, issued on September 22, 2017 (the "Old Notes"), for an equivalent amount of new 4.875% Senior Notes due 2028 (the "New Notes"). The New Notes will have terms that are substantially identical to those of the Old Notes, other than the issue date and the mandatory redemption provisions applicable to the Old Notes relating to the Neff Acquisition. The mandatory redemption provisions of the Old Notes ceased to apply when the Neff Acquisition closed on October 2, 2017. The New Notes will be issued as additional senior debt securities under the indenture, dated August 11, 2017 (the "August 2017 Indenture"), governing our 4.875% Senior Notes due 2028 issued on August 11, 2017 (the "August 2017 Notes") and will have identical terms, be fungible with and be part of a single series of senior debt securities with $925,000,000 principal amount of the August 2017 Notes. We refer to the August 2017 Notes and the New Notes together as the Notes. We refer to the exchange offer as the "Exchange Offer."

Terms of the Exchange Offer

Upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, for each $1,000 principal amount of Old Notes properly surrendered and not withdrawn before the expiration date of the Exchange Offer, we will issue $1,000 principal amount of New Notes. Holders may tender some or all of their Old Notes pursuant to the Exchange Offer in denominations of $2,000 and integral multiples of $1,000 in excess thereof. The Exchange Offer is not conditioned upon any minimum aggregate principal amount of Old Notes being tendered.

The form and terms of the New Notes will be the same as the form and terms of the Old Notes except that:

- the New Notes will have a different CUSIP number from the Old Notes;
- the New Notes will be issued under a separate indenture (the August 2017 Indenture); and
- the New Notes will not contain the special mandatory redemption provision related to the Neff Acquisition, which ceased to apply when the Neff Acquisition closed on October 2, 2017.

No interest will be paid in connection with the Exchange Offer. The New Notes will accrue interest from and including the last interest payment date on which interest has been paid on the Old Notes or, if no interest has been paid on the Old Notes, from August 11, 2017. Accordingly, the holders of Old Notes that are accepted for exchange will not receive accrued but unpaid interest on Old Notes at the time of tender. Rather, that interest will be payable on the New Notes delivered in exchange for the Old Notes on the first interest payment date after the Expiration Date.

Under existing SEC interpretations, the New Notes would generally be freely transferable after the Exchange Offer without further registration under the Securities Act, except that broker-dealers receiving the New Notes in the Exchange Offer will be subject to a prospectus delivery requirement with respect to their resale. This view is based on interpretations by the staff of the SEC in no-action letters issued to other issuers in exchange offers like this one. We have not, however, asked the SEC to consider this particular exchange offer in the context of a no-action letter. Therefore, the SEC might not treat it in the same way it has treated other exchange offers in the past. You will be relying on the no-action letters that the SEC has issued to third parties in circumstances that we believe are similar to ours. Based on these no-action letters, the following conditions must be met in order to receive freely transferable New Notes:

- you must not be a broker-dealer that acquired the Old Notes from us or in market-making transactions or other trading activities;

- you must acquire the New Notes in the ordinary course of your business;
- you must not be participating, and do not intend to participate, and have no arrangements or understandings with any person to participate, in the distribution of the New Notes within the meaning of the Securities Act; and
- you must not be an affiliate of ours, as defined under Rule 405 of the Securities Act.

By tendering your Old Notes as described below in "*Procedures for Tendering*," you will be representing to us that you satisfy all of the above listed conditions. If you do not satisfy all of the above listed conditions you cannot rely on the position of the SEC set forth in the no-action letters referred to above, and you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a resale of the New Notes.

The SEC considers broker-dealers that acquired Old Notes directly from us, but not as a result of market-making activities or other trading activities, to be making a distribution of the New Notes if they participate in the Exchange Offer. Consequently, these broker-dealers must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a resale of the New Notes.

A broker-dealer that has bought Old Notes for market-making or other trading activities must comply with the prospectus delivery requirements of the Securities Act in order to resell any New Notes it receives for its own account in the Exchange Offer. The SEC has taken the position that broker-dealers may use this prospectus to fulfill their prospectus delivery requirements with respect to the New Notes.

Unless you are required to do so because you are a broker-dealer, you may not use this prospectus for an offer to resell, resale or other retransfer of New Notes. We are not making this Exchange Offer to, nor will we accept tenders for exchange from, holders of Old Notes in any jurisdiction in which the Exchange Offer or the acceptance of it would not be in compliance with the securities or blue sky laws of that jurisdiction.

Holders of New Notes do not have appraisal or dissenters' rights under state law or under the August 2017 Indenture in connection with the Exchange Offer. We intend to conduct the Exchange Offer in accordance with the applicable requirements of Regulation 14E under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Expiration Date; Extensions; Amendments

The Expiration Date for the Exchange Offer is 5:00 p.m., New York City time, on December 6, 2017, unless we extend the Expiration Date. We may extend this Expiration Date in our sole discretion. If we so extend the Expiration Date, the term "Expiration Date" shall mean the latest date and time to which we extend the Exchange Offer.

We reserve the right in our sole discretion:

- to, prior to the Expiration Date, delay accepting any Old Notes;
- to extend the Exchange Offer;
- to terminate the Exchange Offer if, in our reasonable judgment, any of the conditions described below under "*Conditions to the Exchange Offer*" shall not have been satisfied; or
- to amend the terms of the Exchange Offer in any way we determine.

We will give oral or written notice of any delay, extension or termination to the Exchange Agent. In addition, we will give, as promptly as practicable, oral or written notice regarding any delay in acceptance, extension or termination of the offer to the registered holders of Old Notes. If we amend

Table of Contents

the Exchange Offer in a manner that we determine to constitute a material change, or if we waive a material condition, we will promptly disclose the amendment or waiver in a manner reasonably calculated to inform the holders of Old Notes of the amendment or waiver, and extend the offer if required by law.

We intend to make public announcements of any delay in acceptance, extension, termination, amendment or waiver regarding the Exchange Offer prior to 9 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

Conditions to the Exchange Offer

We will not be required to accept for exchange, or to exchange New Notes for, any Old Notes, and we may terminate the Exchange Offer as provided in this prospectus at or before the Expiration Date, if:

- any law, statute, rule or regulation shall have been proposed, adopted or enacted, or interpreted in a manner, which, in our reasonable judgment, would impair our ability to proceed with the Exchange Offer;
- any action or proceeding is instituted or threatened in any court or by or before the SEC or any other governmental agency with respect to the Exchange Offer which, in our reasonable judgment, would impair our ability to proceed with the Exchange Offer;
- we have not obtained any governmental approval which we, in our reasonable judgment, consider necessary for the completion of the Exchange Offer as contemplated by this prospectus;
- any change, or any condition, event or development involving a prospective change, shall have occurred or be threatened in the general economic, financial, currency exchange or market conditions in the United States or elsewhere that, in our reasonable judgment, would impair our ability to proceed with the Exchange Offer;
- any other change or development, including a prospective change or development, that, in our reasonable judgment, has or may have a material adverse effect on us, the market price of the August 2017 Notes, the New Notes or the Old Notes or the value of the Exchange Offer to us; or
- there shall have occurred (i) any suspension or limitation of trading in securities generally on the New York Stock Exchange or the over-the-counter market; (ii) a declaration of a banking moratorium by United States Federal or New York authorities; or (iii) a commencement or escalation of a war or armed hostilities involving or relating to a country where we do business or other international or national emergency or crisis directly or indirectly involving the United States.

The conditions listed above are for our sole benefit and we may assert them regardless of the circumstances giving rise to any of these conditions. We may waive these conditions in our sole discretion in whole or in part at any time and from time to time. A failure on our part to exercise any of the above rights shall not constitute a waiver of that right, and that right shall be considered an ongoing right which we may assert at any time and from time to time.

If we determine in our reasonable judgment that any of the events listed above has occurred, we may, subject to applicable law:

- refuse to accept any Old Notes and return all tendered Old Notes to the tendering holders and terminate the Exchange Offer;
- extend the Exchange Offer and retain all Old Notes tendered before the expiration of the Exchange Offer, subject, however, to the rights of holders to withdraw these Old Notes; or

waive unsatisfied conditions relating to the Exchange Offer and accept all properly tendered Old Notes which have not been withdrawn. If this waiver constitutes a material change to the Exchange Offer, we will disclose this change by means of a prospectus that will be distributed to the registered holders of the Old Notes. If the Exchange Offer would otherwise expire, we will extend the Exchange Offer for 5-10 business days, depending on how significant the waiver is and the manner of disclosure to registered holders.

Any determination by us concerning the above events will be final and binding.

In addition, we reserve the right in our sole discretion to purchase or make offers for any Old Notes that remain outstanding subsequent to the Expiration Date, and purchase Old Notes in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers may differ from the terms of the Exchange Offer.

Procedures for Tendering

Except in limited circumstances, only a DTC participant listed on a DTC securities position listing with respect to the Old Notes may tender Old Notes in the Exchange Offer. To tender Old Notes in the Exchange Offer:

- you must instruct DTC and a DTC participant of your intention whether or not you wish to tender your Old Notes for New Notes; and

- DTC participants in turn need to follow the procedures for book-entry transfer as set forth below under " *Book-Entry Transfer*" and in the letter of transmittal.

By tendering, you will make the representations described below under " *Representations on Tendering Old Notes.*" In addition, each broker-dealer that receives New Notes for its account in the Exchange Offer, where the Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the New Notes. See "*Plan of Distribution*." The tender by a holder of Old Notes will constitute an agreement between that holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

The transmission of an agent's message and all other required documents, as described under " Book-Entry Transfer," to the Exchange Agent is at the election and risk of the tendering holder of Old Notes. Instead of delivery by mail, we recommend that holders use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery to the Exchange Agent prior to the Expiration Date. Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the Exchange Agent.

We will determine in our sole discretion all questions as to the validity, form, eligibility, including time of receipt, and acceptance and withdrawal of tendered Old Notes, and our determination shall be final and binding on all parties. We reserve the absolute right to reject any and all Old Notes not properly tendered or any Old Notes whose acceptance by us would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to any particular Old Notes either before or after the Expiration Date. Our interpretation of the terms and conditions of the Exchange Date, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, holders must cure any defects or irregularities in connection with tenders of Old Notes within a period we determine. Although we intend to request the Exchange Agent to notify holders of defects or irregularities relating to tenders of Old Notes, neither we, the Exchange Agent nor any other person will have any duty or incur any liability for failure to give this notification. We will not consider tenders of Old Notes to have been made until these defects or irregularities have been cured or waived. The Exchange Agent will return any Old Notes that are not properly tendered and as to which the defects or irregularities have not been cured or waived to the tendering holders, unless otherwise provided in the letter of transmittal, promptly following the Expiration Date.

Each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. See "*Plan of Distribution*."

Book-Entry Transfer

We understand that the Exchange Agent will make a request promptly after the date of this prospectus to establish accounts with respect to the Old Notes at DTC for the purpose of facilitating the Exchange Offer. Any financial institution that is a participant in DTC's system may make book-entry delivery of Old Notes by causing DTC to transfer such Old Notes into the Exchange Agent's DTC account in accordance with DTC's electronic Automated Tender Offer Program procedures for such transfer. The exchange of New Notes for tendered Old Notes will only be made after timely confirmation of book-entry transfer of the Old Notes into Exchange Agent's account and receipt by the Exchange Agent of an "agent's message" and all other required documents specified in the letter of transmittal.

The confirmation, agent's message and any other required documents must be received at the Exchange Agent's address listed below under " *Exchange Agent*" on or before 5:00 p.m., New York City time, on the Expiration Date of the Exchange Offer.

As indicated above, delivery of documents to DTC in accordance with its procedures does not constitute delivery to the Exchange Agent.

The term "agent's message" means a message, transmitted by DTC and received by the Exchange Agent and forming part of the confirmation of a book-entry transfer, which states that DTC has received an express acknowledgment from a participant in DTC tendering Old Notes stating the aggregate principal amount of Old Notes which have been tendered by the participant; that such participant has received an appropriate letter of transmittal and agrees to be bound by the terms of the letter of transmittal and the terms of the Exchange Offer; and that we may enforce such agreement against the participant.

Delivery of an agent's message will also constitute an acknowledgment from the tendering DTC participant that the representations contained in the letter of transmittal and described below under " *Representations on Tendering Old Notes*" are true and correct.

Representations on Tendering Old Notes

By surrendering Old Notes in the Exchange Offer, you will be representing that, among other things:

- you are acquiring the New Notes issued in the Exchange Offer in the ordinary course of your business;
- you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate, in the distribution of the New Notes within the meaning of the Securities Act;
- you are not an affiliate of ours, as defined in Rule 405 under the Securities Act;
- you have full power and authority to tender, exchange, assign and transfer the Old Notes tendered;

Table of Contents

we will acquire good, marketable and unencumbered title to the Old Notes being tendered, free and clear of all security interests, liens, restrictions, charges, encumbrances, or other obligations relating to their sale or transfer, and not subject to any adverse claim, when the Old Notes are accepted by us; and

you acknowledge and agree that if you are a broker-dealer registered under the Exchange Act or you are participating in the Exchange Offer for the purpose of distributing the New Notes, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale of the New Notes, and you cannot rely on the position of the SEC's staff in their no-action letters.

If you are a broker-dealer and you will receive New Notes for your own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities, you will be required to acknowledge in the letter of transmittal that you will comply with the prospectus delivery requirements of the Securities Act in connection with any resale of the New Notes. The letter of transmittal states that, by complying with their obligations, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. See also "*Plan of Distribution*."

Withdrawal of Tenders

Your tender of Old Notes pursuant to the Exchange Offer is irrevocable except as otherwise provided in this section. You may withdraw tenders of Old Notes at any time prior to 5:00 p.m., New York City time, on the Expiration Date.

For a withdrawal to be effective for DTC participants, holders must comply with their respective standard operating procedures for electronic tenders and the Exchange Agent must receive an electronic notice of withdrawal from DTC.

Any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn Old Notes and otherwise comply with the procedures of DTC. We will determine in our sole discretion all questions as to the validity, form and eligibility, including time of receipt, for such withdrawal notices, and our determination shall be final and binding on all parties. Any Old Notes so withdrawn will be deemed not to have been validly tendered for purposes of the Exchange Offer and no New Notes will be issued with respect to them unless the Old Notes so withdrawn are validly re-tendered. Any Old Notes which have been tendered but which are withdrawn or not accepted for exchange will be returned to the holder without cost to such holder promptly after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old Notes may be re-tendered by following the procedures described above under " *Procedures For Tendering*" at any time prior to the Expiration Date.

Exchange Agent

We have appointed Wells Fargo Bank, National Association as exchange agent in connection with the Exchange Offer (the "Exchange Agent"). In such capacity, the Exchange Agent has no fiduciary duties to the holders of the New Notes and will be acting solely on the basis of our directions. Holders should direct questions, requests for assistance and for additional copies of this prospectus or the letter of transmittal to the Exchange Agent addressed as follows:

Wells Fargo Bank, N.A.
Corporate Trust Operations
MAC N9300-070
600 South Fourth Street
Minneapolis, MN 55402
1-800-344-5128

Table of Contents

Fees and Expenses

The expense of soliciting tenders pursuant to the Exchange Offer will be borne by us.

We have not retained any dealer-manager in connection with the Exchange Offer and we will not make any payments to brokers, dealers or other persons soliciting acceptances of the Exchange Offer. We will, however, pay the Exchange Agent reasonable and customary fees for its services and will reimburse it for its related reasonable out-of-pocket expenses. We may also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this prospectus, letters of transmittal and related documents to the beneficial owners of the Old Notes and in handling or forwarding tenders for exchange.

Holders who tender their Old Notes for exchange will not be obligated to pay any transfer taxes. If, however, a transfer tax is imposed for any reason other than the exchange of Old Notes in connection with the Exchange Offer, then the tendering holder must pay the amount of any transfer taxes due, whether imposed on the registered holder or any other persons. If the tendering holder does not submit satisfactory evidence of payment of these taxes or exemption from them with the letter of transmittal, the amount of these transfer taxes will be billed directly to the tendering holder.

Consequences of Failure to Properly Tender Old Notes in the Exchange

We will issue the New Notes in exchange for Old Notes under the Exchange Offer only after timely confirmation of book-entry transfer of the Old Notes into the Exchange Agent's account and timely receipt by the Exchange Agent of an agent's message and all other required documents specified in the letter of transmittal. Therefore, holders of the Old Notes desiring to tender Old Notes in exchange for New Notes should allow sufficient time to ensure timely delivery. We are under no duty to give notification of defects or irregularities of tenders of Old Notes for exchange or waive any such defects or irregularities. Old Notes that are not tendered or that are tendered but not accepted by us will, following completion of the Exchange Offer, continue to be subject to the existing restrictions upon transfer under the Securities Act.

Participation in the Exchange Offer is voluntary.

To the extent that Old Notes are tendered and accepted in connection with the Exchange Offer, any trading market for remaining Old Notes could be adversely affected.

Neither we nor our board of directors make any recommendation to holders of Old Notes as to whether to tender or refrain from tendering all or any portion of their Old Notes pursuant to the Exchange Offer. Moreover, no one has been authorized to make any such recommendation. Holders of Old Notes must make their own decision whether to tender pursuant to the Exchange Offer and, if so, the aggregate amount of Old Notes to tender, after reading this prospectus and the letter of transmittal and consulting with their advisors, if any, based on their own financial position and requirements.

Table of Contents

DESCRIPTION OF THE NEW NOTES

We will issue the 4.875% Senior Notes due 2028 (the "New Notes") under the indenture (the "Indenture"), dated as of August 11, 2017, among us, the Guarantors and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Indenture governs $925,000,000 principal amount of our 4.875% Senior Notes due 2028 issued on August 11, 2017 (the "August 2017 Notes" and, together with the New Notes, the "Notes").

The terms of the New Notes will be identical to those of the August 2017 Notes and will include those terms expressly set forth in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). The following description is a summary of the material provisions of the New Notes and the Indenture and does not purport to be complete. This summary is subject to and is qualified by reference to all of the provisions of the New Notes and the Indenture, including the definitions of certain terms used in the Indenture. We urge you to read these documents because they, and not this description, define your rights as a holder of the New Notes. Copies of the Indenture are available as set forth below under " *Additional Information*."

Certain terms used in this description are defined under the caption " *Certain Definitions*." Defined terms used in this description but not defined under " *Certain Definitions*" will have the meanings assigned to them in the Indenture. Unless the context otherwise requires, references to "*New Notes*" include the New Notes offered hereby and any Additional New Notes (as defined below). In this description, the words "*Company*," "*we*" and "*our*" refer only to United Rentals (North America), Inc. and not to any of its subsidiaries.

Old Notes and New Notes Will Not Represent Same Debt

The New Notes will be issued solely in exchange for an equal principal amount of Old Notes pursuant to the Exchange Offer. However, the New Notes are being issued as additional August 2017 Notes and will not be entitled to the benefits of the indenture governing the Old Notes nor treated as a single class of debt securities with the Old Notes. The New Notes will be entitled to the benefits of the Indenture and will have identical terms, be fungible with and be part of a single series of senior debt securities with the August 2017 Notes. If the Exchange Offer is consummated, holders of the Old Notes who do not exchange their Old Notes for New Notes will not vote together with holders of the New Notes.

Brief Description of the Notes

The Notes will be:

- general unsecured obligations of the Company;
- *pari passu* in right of payment with all existing and future senior Indebtedness of the Company;
- effectively junior to all of the Company's existing and future secured Indebtedness to the extent of the value of the collateral securing such Indebtedness;
- senior in right of payment to any existing and future Subordinated Indebtedness of the Company; and
- guaranteed by Holdings and the Subsidiary Guarantors.

The Company's Subsidiaries, with limited exceptions, are "Restricted Subsidiaries." As of and for the nine months ended September 30, 2017 the Unrestricted Subsidiaries represented 7% of Holdings' total assets and had no revenue. Under the circumstances described below in the definition of "Unrestricted Subsidiary," the Company will be permitted to designate certain of its other Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will not be subject to many of

Table of Contents

the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not guarantee the Notes.

As of September 30, 2017, on an as adjusted basis, after giving effect to the issuance of the New Notes and the related guarantees (the "Guarantees"), the New Notes would have ranked (1) equally in right of payment with approximately $5.6 billion principal amount of our other senior unsecured obligations, comprised of $225 million principal amount of $7^5/_8$% Senior Notes due 2022, $850 million principal amount of $5^3/_4$% Senior Notes due 2024, $750 million principal amount of $4^5/_8$% Senior Notes due 2025, $800 million principal amount of $5^1/_2$% Senior Notes due 2025, $1.0 billion principal amount of $5^7/_8$% Senior Notes due 2026, $1.0 billion principal amount of $5^1/_2$% Senior Notes due 2027 and $925 million principal amount of the August 2017 Notes; (2) effectively junior to approximately $1.5 billion of our secured obligations, comprised of (i) $305 million of our outstanding borrowings under the Credit Agreement (excluding $2.5 billion of additional borrowing capacity, net of outstanding letters of credit of $39 million), (ii) $1.0 billion principal amount of the Secured Notes, (iii) our guarantee obligations in respect of $111 million of the outstanding borrowings of our Subsidiary Guarantors under the Credit Agreement, (iv) $55 million in capital leases and (v) our guarantee obligations in respect of $7 million of capital leases of our Subsidiary Guarantors; and (3) effectively junior to (i) $667 million of indebtedness of our special purpose vehicle in connection with the Existing Securitization Facility, (ii) $5 million of capital leases of our Subsidiaries that are not Guarantors and (iii) $2 million of capital leases of Holdings. Most of our U.S. receivable assets have been sold to our special purpose vehicle in connection with our Existing Securitization Facility (the accounts receivable in the collateral pool being the lenders' only source of payment under that facility).

Principal, Maturity and Interest

The Company will issue the New Notes in this offering in an aggregate principal amount of $750 million. The New Notes are being issued as additional August 2017 Notes. The Notes will mature on January 15, 2028. The Company will be permitted to issue additional Notes under the Indenture (the "Additional New Notes"). The August 2017 Notes, the New Notes offered hereby and any Additional New Notes will rank equally and be treated as a single class for all purposes of the Indenture, including waivers, amendments, redemptions and offers to purchase. Interest on the Notes will accrue at the rate of 4.875% per annum and will be payable semiannually in arrears on January 15 and July 15 of each year, to the holders of record of Notes at the close of business on January 1 and July 1, respectively, immediately preceding such interest payment date, except that the last payment of interest will be made on January 15, 2028, to the holders of record of Notes at the close of business on January 1, 2028. The first interest payment with respect to the Notes will be made on January 15, 2018.

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of the Indenture. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The New Notes will be issued only in registered form without coupons, in denominations of $2,000 and integral multiples of $1,000 in excess thereof. Principal of, premium, if any, and interest on the Notes will be payable, and the Notes will be transferable, at the designated corporate trust office or agency of the Trustee in the City of New York maintained for such purposes. In addition, interest may be paid at the option of the Company by check mailed to the person entitled thereto as shown on the security register. No service charge will be made for any transfer, exchange or redemption of the Notes, except in certain circumstances for any tax or other governmental charge that may be imposed in connection therewith.

Initial settlement for the New Notes will be made in same-day funds. The Notes are expected to trade in the Same-Day Funds Settlement System of The Depository Trust Company ("DTC") until maturity, and secondary market trading activity for the Notes will therefore settle in same-day funds.

Table of Contents

Guarantees

Holdings and the Subsidiary Guarantors will fully and unconditionally guarantee, on a senior unsecured basis, jointly and severally, to each holder of the Notes and the Trustee under the Indenture, the full and prompt performance of the Company's obligations under the Indenture and such Notes, including the payment of principal of, premium, if any, and interest on the Notes. Subject to limited exceptions, the Subsidiary Guarantors are the current and future Domestic Restricted Subsidiaries of the Company, other than (unless otherwise determined by the Company) any Foreign Subsidiary Holding Company or Subsidiary of a Foreign Subsidiary.

The obligations of each Subsidiary Guarantor will be limited to the maximum amount which, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its guarantee or pursuant to its contribution obligations under the Indenture, will result in the obligations of such Subsidiary Guarantor under the guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. See "*Risk Factors Risks Relating to the New Notes A guarantee by a subsidiary guarantor could be voided if the subsidiary guarantor fraudulently transferred the guarantee at the time it incurred the indebtedness, which could result in the holders of the New Notes being able to rely only on URNA and Holdings to satisfy claims*."

Each Subsidiary Guarantor that makes a payment under its guarantee of the Notes will be entitled to a contribution from each other Guarantor of the Notes in an amount equal to such other Guarantor's pro rata portion of such payment based on the respective net assets of all the Guarantors at the time of such payment determined in accordance with GAAP (for purposes hereof, Holdings' net assets shall be those of all its consolidated Subsidiaries other than the Subsidiary Guarantors); *provided*, *however*, that during a Default, the right to receive payment in respect of such right of contribution shall be suspended until the payment in full of all guaranteed obligations under the Indenture.

Each guarantee of the Notes:

- will be a general unsecured obligation of that Guarantor;
- will be *pari passu* in right of payment with all existing and future senior Indebtedness of that Guarantor;
- will be effectively junior to all of that Guarantor's existing and future secured Indebtedness to the extent of the value of the collateral securing such Indebtedness; and
- will be senior in right of payment to any existing and future Subordinated Indebtedness of that Guarantor.

As of September 30, 2017, on an as adjusted basis, after giving effect to the issuance of the New Notes and the Guarantees, the Guarantees would have ranked (1) equally in right of payment with approximately $5.6 billion of the Guarantors' other senior unsecured obligations, comprised of the Guarantors' guarantee obligations in respect of (a) $225 million principal amount of $7^{5}/_{8}$% Senior Notes due 2022, (b) $850 million principal amount of $5^{3}/_{4}$% Senior Notes due 2024, (c) $750 million principal amount of $4^{5}/_{8}$% Senior Notes due 2025, (d) $800 million principal amount of $5^{1}/_{2}$% Senior Notes due 2025, (e) $1.0 billion principal amount of $5^{7}/_{8}$% Senior Notes due 2026, (f) $1.0 billion principal amount of $5^{1}/_{2}$% Senior Notes due 2027 and (g) $925 million principal amount of the August 2017 Notes; (2) effectively junior to approximately $1.5 billion of the Guarantors' secured obligations, comprised of (i) the Guarantors' guarantee obligations in respect of $305 million of our outstanding borrowings under the Credit Agreement, (ii) $111 million of the outstanding borrowings of our Subsidiary Guarantors under the Credit Agreement, (iii) the Guarantors' guarantee obligations in respect of $1.0 billion principal amount of the Secured Notes, (iv) the Guarantors' guarantee obligations in respect of $55 million in our capital leases, (v) $7 million of capital leases of our Subsidiary Guarantors and (vi) $2 million of capital leases of Holdings; and (3) effectively junior to (i) $667 million of indebtedness of our special purpose vehicle in connection with the Existing Securitization Facility and (ii) $5 million of capital leases of our Subsidiaries that are not Guarantors.

The Subsidiaries that are not Guarantors accounted for $223 million, or 8%, and $158 million, or 7%, of our adjusted EBITDA for the year ended December 31, 2016 and the nine months ended September 30, 2017, respectively. The non-guarantor subsidiaries of URNA accounted for $510 million, or 9%, and $405 million, or 9%, of our total revenues for the year ended December 31, 2016 and the nine months ended September 30, 2017, respectively. The non-guarantor subsidiaries of URNA accounted for $2.2 billion, or 16%, of our total assets, and $829 million, or 7%, of our total liabilities at September 30, 2017.

The Indenture does not contain limitations on the amount of additional Indebtedness or preferred stock that the Company and its Subsidiaries may incur or issue. The amount of any such Indebtedness or preferred stock could be substantial and, subject to the limitations set forth in the covenants described under " *Certain Covenants Limitation on Liens*," any such Indebtedness may be secured Indebtedness.

The guarantee of a Subsidiary Guarantor will be released:

(1) upon the sale or other disposition (including by way of consolidation or merger) of all of the Capital Stock of such Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary; *provided* such sale or disposition is permitted by the Indenture;

(2) upon the sale or disposition of all or substantially all the assets of such Subsidiary Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary; *provided* such sale or disposition is permitted by the Indenture;

(3) upon the liquidation or dissolution of such Guarantor; *provided* that no Default or Event of Default shall occur as a result thereof or has occurred and is continuing;

(4) upon Legal Defeasance, Covenant Defeasance or satisfaction and discharge of the Indenture;

(5) if the Company properly designates any Restricted Subsidiary that is a Subsidiary Guarantor under the Indenture as an Unrestricted Subsidiary;

(6) at the Company's request, during any Suspension Period; or

(7) at such time as such Subsidiary Guarantor does not have any other Indebtedness outstanding that would have required such Subsidiary Guarantor to enter into a Guaranty Agreement pursuant to the covenant described under " *Certain Covenants Additional Subsidiary Guarantors*," except as a result of a payment in respect of such other Indebtedness by such Subsidiary Guarantor.

Optional Redemption

Except as set forth below, we will not be entitled to redeem the Notes at our option prior to January 15, 2023.

The Notes will be redeemable at our option, in whole or in part, at any time on or after January 15, 2023, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if

Table of Contents

redeemed during the twelve-month period beginning on January 15 of each of the years indicated below:

Year	Redemption Price
2023	102.438%
2024	101.625%
2025	100.813%
2026 and thereafter	100.000%

In addition, at any time, or from time to time, on or prior to January 15, 2021, we may, at our option, use the net cash proceeds of one or more Equity Offerings to redeem up to an aggregate of 40.0% of the principal amount of the Notes at a redemption price equal to 104.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, thereon to the redemption date; *provided*, *however*, that (1) at least 50.0% of the aggregate principal amount of the Notes issued on the Issue Date (excluding Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption and (2) the redemption occurs within 120 days of the consummation of any such Equity Offering.

Prior to January 15, 2023, we will be entitled at our option to redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the redemption date (subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date).

Mandatory Redemption

The Company will not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

Selection and Notice of Redemption

In the event that less than all of the Notes are to be redeemed at any time, selection of such Notes for redemption will be made on a pro rata basis (subject to the rules of DTC) unless otherwise required by law or applicable stock exchange requirements; *provided*, *however*, that such Notes shall only be redeemable in principal amounts of $2,000 or an integral multiple of $1,000 in excess thereof. Notice of redemption shall be delivered electronically or mailed by first-class mail to each holder of the Notes to be redeemed at its registered address, at least 10 but not more than 60 days before the redemption date, except that redemption notices may be delivered electronically or mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance or a satisfaction and discharge of the Notes.

Notices of redemption may be subject to the satisfaction of one or more conditions precedent established by us in our sole discretion. In addition, we may provide in any notice of redemption for the Notes that payment of the redemption price and the performance of our obligations with respect to such redemption may be performed by another Person.

If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A Note in a principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon surrender for cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption, unless we default in the payment of the redemption price.

Table of Contents

Change of Control

Upon the occurrence of a Change of Control after the Issue Date, we shall be obligated to make an offer to purchase all of the then outstanding Notes (a "Change of Control Offer"), on a business day (the "Change of Control Purchase Date") not more than 60 nor less than 30 days following the delivery to each holder of the Notes of a notice of the Change of Control (a "Change of Control Notice"). The Change of Control Offer shall be at a purchase price in cash (the "Change of Control Purchase Price") equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, thereon to the Change of Control Purchase Date, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date. We shall be required to purchase all Notes tendered pursuant to the Change of Control Offer and not withdrawn. The Change of Control Offer is required to remain open for at least 20 business days.

In order to effect such Change of Control Offer, we shall, not later than the 30th day after the Change of Control, deliver the Change of Control Notice to each holder of the Notes, which notice shall govern the terms of the Change of Control Offer and shall state, among other things, (i) that a Change of Control has occurred and that such holder has the right to require the Company to purchase such holder's Notes at the Change of Control Purchase Price, (ii) the date which shall be the Change of Control Purchase Date and (iii) the procedures that holders of the Notes must follow to accept the Change of Control Offer. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws or regulations are applicable to a Change of Control Offer and the repurchase of Notes pursuant thereto. The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable.

Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer or (2) notice of redemption for all outstanding Notes has been given pursuant to the Indenture as described above under the caption " *Optional Redemption*," unless and until there is a default in payment of the applicable redemption price.

The use of the term "all or substantially all" in provisions of the Indenture such as clause (b) of the definition of "Change of Control" and under " *Consolidation, Merger, Sale of Assets, etc.*" has no clearly established meaning under New York law (which governs the Indenture) and has been the subject of limited judicial interpretation in only a few jurisdictions. Accordingly, there may be a degree of uncertainty in ascertaining whether any particular transaction would involve a disposition of "all or substantially all" of the assets of a person, which uncertainty should be considered by prospective purchasers of Notes.

The provisions under the Indenture set forth above relating to the Company's obligations to make a Change of Control Offer may, prior to the occurrence of a Change of Control, be waived or modified with the consent of the holders of a majority in principal amount of the then outstanding Notes issued under the Indenture. Following the occurrence of a Change of Control, any change, amendment or modification in any material respect of the obligation of the Company to make and consummate a Change of Control Offer may only be effected with the consent of each holder of the Notes affected thereby. See " *Amendments and Waivers*."

Table of Contents

Certain Covenants

Effectiveness of Covenants. The Indenture contains covenants including, among others, the covenants described below.

During any period of time that: (a) the Notes have Investment Grade Ratings from both Rating Agencies, and (b) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (a) and (b) being collectively referred to as a "Covenant Suspension Event"), the Company and its Restricted Subsidiaries will not be subject to either of the following provisions of the Indenture (collectively, the "Suspended Covenants"):

(1) " Limitation on Restricted Payments"; and

(2) " Additional Subsidiary Guarantors".

In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date") one or both of the Rating Agencies withdraw their Investment Grade Rating or downgrade the rating assigned to the Notes below an Investment Grade Rating, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture with respect to future events.

The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to in this description as the "Suspension Period." With respect to Restricted Payments made after the Reversion Date, the amount of Restricted Payments made since the Issue Date will be calculated as though the covenant described under the heading " *Limitation on Restricted Payments*" had been in effect during the Suspension Period. Any Subsidiary may be designated as an Unrestricted Subsidiary during the Suspension Period.

During the Suspension Period, the obligation to grant further guarantees will be suspended. Upon the Reversion Date, the obligation to grant guarantees pursuant to the covenant described under the heading " *Additional Subsidiary Guarantors*" will be reinstated (and the Reversion Date will be deemed to be the date on which any guaranteed Indebtedness was incurred for purposes of the covenant described under the heading " *Additional Subsidiary Guarantors*"). In addition, any guarantees that were terminated as described under " *Guarantees*" will be required to be reinstated promptly and in no event later than 30 days after the Reversion Date to the extent such guarantees would otherwise be required to be provided under the Indenture.

Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of any failure to comply with the Suspended Covenants during any Suspension Period and the Company and any Restricted Subsidiary will be permitted, following a Reversion Date, without causing a Default or Event of Default or breach of any of the Suspended Covenants (notwithstanding the reinstatement thereof) under the Indenture, to honor, comply with or otherwise perform any contractual commitments or obligations entered into during a Suspension Period following a Reversion Date and to consummate the transactions contemplated thereby.

There can be no assurance that the Notes will ever achieve or maintain Investment Grade Ratings.

Limitation on Restricted Payments. The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly:

(a) declare or pay any dividend or make any other distribution or payment on or in respect of Capital Stock of the Company or any Restricted Subsidiary or make any payment to the direct or indirect holders (in their capacities as such) of Capital Stock of the Company or any Restricted Subsidiary (other than dividends or distributions payable solely in Capital Stock of

Table of Contents

the Company (other than Redeemable Capital Stock) or in options, warrants or other rights to purchase Capital Stock of the Company (other than Redeemable Capital Stock)) (other than the declaration or payment of dividends or other distributions to the extent declared or paid to the Company or any Restricted Subsidiary);

(b) purchase, redeem, defease or otherwise acquire or retire for value any Capital Stock of the Company or any options, warrants, or other rights to purchase any such Capital Stock of the Company or any direct or indirect parent of the Company (other than any such securities owned by the Company or a Restricted Subsidiary and any acquisition of Capital Stock deemed to occur upon the exercise of options if such Capital Stock represents a portion of the exercise price thereof); or

(c) make any principal payment on, or purchase, defease, repurchase, redeem or otherwise acquire or retire for value, prior to any scheduled maturity, scheduled repayment, scheduled sinking fund payment or other Stated Maturity, any Subordinated Indebtedness (other than (A) any such Subordinated Indebtedness owned by the Company or a Restricted Subsidiary or (B) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value (collectively, for purposes of this clause (c), a "purchase") of Subordinated Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment, final maturity or exercise of a right to put on a set scheduled date (but not including any put right in connection with a change of control event), in each case due within one year of the date of such purchase; *provided* that, in the case of any such purchase in anticipation of the exercise of a put right, at the time of such purchase, it is more likely than not, in the good faith judgment of the Board of Directors of the Company, that such put right would be exercised if such put right were exercisable on the date of such purchase),

(such payments described in the preceding clauses (a), (b) and (c) are collectively referred to as "Restricted Payments"), unless, immediately after giving effect to the proposed Restricted Payment (the amount of any such Restricted Payment, if other than cash, shall be the Fair Market Value of the asset(s) proposed to be transferred by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment):

(A) no Default or Event of Default shall have occurred and be continuing (or would result therefrom);

(B) the Consolidated Fixed Charge Coverage Ratio of the Company and its Restricted Subsidiaries is at least 2.00:1.00; and

(C) the aggregate amount of such Restricted Payment together with all other Restricted Payments (including the Fair Market Value of any non-cash Restricted Payments) declared or made since the Issue Date would not exceed the sum of (without duplication) of:

(1) 50.0% of the Consolidated Net Income of the Company accrued during the period (treated as one accounting period) from January 1, 2012 to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such aggregate cumulative Consolidated Net Income of the Company for such period shall be a deficit, minus 100% of such deficit);

(2) the aggregate net cash proceeds and the Fair Market Value of property or assets received by the Company as capital contributions to the Company after March 9, 2012 or from the issuance or sale of Capital Stock (excluding Redeemable Capital Stock of the Company) of the Company to any Person (other than an issuance or sale to a Subsidiary of the Company and other than an issuance or sale to an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees) after March 9, 2012;

Table of Contents

(3) the aggregate net cash proceeds received by the Company from any Person (other than a Subsidiary of the Company) upon the exercise of any options, warrants or rights to purchase shares of Capital Stock (other than Redeemable Capital Stock) of the Company; and

(4) the aggregate net cash proceeds and the Fair Market Value of property or assets received after March 9, 2012 by the Company or any Restricted Subsidiary from any Person (other than a Subsidiary of the Company) for Indebtedness that has been converted or exchanged into or for Capital Stock (other than Redeemable Capital Stock) of the Company or Holdings (to the extent such Indebtedness was originally sold by the Company for cash), plus the aggregate amount of cash and the Fair Market Value of any property received by the Company or any Restricted Subsidiary (other than from a Subsidiary of the Company) in connection with such conversion or exchange.

None of the foregoing provisions will prohibit the following; *provided* that with respect to payments pursuant to clauses (i), (iv), (v), (vii), (ix), (xiv), (xv) and (xvi) below, no Default or Event of Default has occurred and is continuing:

(i) the payment of any dividend or distribution within 60 days after the date of its declaration, if at the date of declaration such payment would be permitted by the first paragraph of this covenant;

(ii) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of, a substantially concurrent sale (other than to a Subsidiary of the Company) of Capital Stock of the Company (other than Redeemable Capital Stock) or from a substantially concurrent cash capital contribution to the Company; *provided*, *however*, that such cash proceeds are excluded from clause (C) of the first paragraph of this covenant;

(iii) any redemption, repurchase, defeasance or other acquisition or retirement of Subordinated Indebtedness by exchange for, or out of the net cash proceeds of, a substantially concurrent issue and sale of Indebtedness of the Company which:

(1) has no scheduled principal payment prior to the 91st day after the Maturity Date; and

(2) has an Average Life to Stated Maturity greater than the remaining Average Life to Stated Maturity of the Notes issued under the Indenture;

(iv) payments to purchase Capital Stock of the Company or Holdings from officers or directors of the Company or Holdings in an amount not to exceed the sum of (1) $20.0 million plus (2) $15.0 million multiplied by the number of calendar years that have commenced since March 9, 2012;

(v) payments (other than those covered by clause (iv) above) to purchase Capital Stock of the Company or Holdings from management, employees or directors of the Company or any of its Subsidiaries, or their authorized representatives, upon the death, disability or termination of employment of such management, employees or directors, in aggregate amounts under this clause (v) not to exceed $15.0 million in any fiscal year of the Company;

(vi) [reserved];

(vii) within 60 days after the consummation of a Change of Control Offer with respect to a Change of Control described under "*Change of Control*" above (including the purchase of the Notes tendered), any purchase or redemption of Subordinated Indebtedness or any Capital Stock of Holdings, the Company or any Restricted Subsidiaries required pursuant to the terms thereof as a result of such Change of Control at a purchase or redemption price not to exceed 101% of the outstanding principal amount or liquidation amount thereof, plus accrued and unpaid

Table of Contents

interest or dividends (if any); *provided*, *however*, that at the time of such purchase or redemption no Default shall have occurred and be continuing (or would result therefrom);

(viii) payments to Holdings in an amount sufficient to enable Holdings to pay:

(1) its taxes, legal, accounting, payroll, benefits, incentive compensation, insurance and corporate overhead expenses (including SEC, stock exchange and transfer agency fees and expenses);

(2) trade, lease, payroll, benefits, incentive compensation and other obligations in respect of goods to be delivered to, services (including management and consulting services) performed for and properties used by, the Company and the Restricted Subsidiaries;

(3) the purchase price for Investments in other persons; *provided*, *however*, that promptly following such Investment either:

(x) such other person either becomes a Restricted Subsidiary or is merged or consolidated with, or transfers or conveys all or substantially all of its assets to, the Company or a Restricted Subsidiary, or the Company or a Restricted Subsidiary is merged with or into such other person; or

(y) such Investment would otherwise be permitted under the Indenture if made by the Company and such Investment is contributed or transferred by Holdings to the Company or a Restricted Subsidiary;

(4) reasonable and customary incidental expenses as determined in good faith by the Board of Directors of Holdings; and

(5) costs and expenses incurred by Holdings in relation to the Transactions, the National Pump Transactions and the NES Transactions.

(ix) cash payments in lieu of the issuance of fractional shares in connection with the exercise of any warrants, options or other securities convertible into or exchangeable for Capital Stock of Holdings, the Company or any Restricted Subsidiary;

(x) the deemed repurchase of Capital Stock on the cashless exercise of stock options;

(xi) the payment of any dividend or distribution by a Restricted Subsidiary to the holders of its Capital Stock on a pro rata basis;

(xii) [reserved];

(xiii) [reserved];

(xiv) any Restricted Payment so long as immediately after the making of such Restricted Payment, the Total Indebtedness Leverage Ratio does not exceed 5.00:1.00;

(xv) any Restricted Payment in an amount which, when taken together with all Restricted Payments made after the Issue Date pursuant to this clause (xv), does not exceed $300.0 million; and

(xvi) payments in respect of any dividend or distribution on the Capital Stock of Holdings and payments to purchase Capital Stock of Holdings, in each case, not to exceed $100.0 million in the aggregate pursuant to this clause (xvi) per fiscal year.

Any payments made pursuant to clauses (i), (xiv), (xv) or (xvi) of this paragraph shall be taken into account, and any payments made pursuant to other clauses of this paragraph shall be excluded, in calculating the amount of Restricted Payments pursuant to clause (C) of the first paragraph of this covenant.

Table of Contents

The Company, in its sole discretion, may classify any Restricted Payment as being made in part under one of the provisions of this covenant and in part under one or more other such provisions (or, as applicable, clauses), or reclassify any Restricted Payment made under one or more of the provisions of this covenant as being made under one or more other provisions (or, as applicable, clauses) of this covenant.

Limitation on Liens. The Company will not, and will not permit any Restricted Subsidiary to create, incur, assume or suffer to exist any Lien (the "Initial Lien") of any kind (except for Permitted Liens) securing any Indebtedness, unless the Notes are equally and ratably secured (except that Liens securing Subordinated Indebtedness shall be expressly subordinate to Liens securing the Notes to the same extent such Subordinated Indebtedness is subordinate to the Notes). Any Lien created for the benefit of the holders of the Notes pursuant to the preceding sentence shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien.

For the purposes of determining compliance with, and the outstanding principal amount of Indebtedness secured by a Lien for purposes of, this covenant, (i) in the event that such Lien meets the criteria of more than one type of Permitted Lien, the Company, in its sole discretion, will classify, and may from time to time reclassify, such Lien and only be required to include the amount and type of Indebtedness secured by such Lien in one or a combination of Permitted Liens; *provided* that (i) Liens securing Indebtedness outstanding on the Issue Date under the Credit Agreement shall be treated as incurred pursuant to clause (b) of the definition of "Permitted Liens," and (ii) the Lien of any obligor securing such Indebtedness (or of any other Person who could have incurred such Lien under this covenant) shall be disregarded to the extent that such Lien secures the principal amount of such Indebtedness.

Except as provided in the following paragraph with respect to Liens securing Indebtedness denominated in a foreign currency, the amount of any Indebtedness secured by a Lien outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

   (a) the Fair Market Value of such assets at the date of determination; and

   (b) the amount of the Indebtedness of the other Person.

For purposes of determining compliance with any dollar-denominated restriction on the incurrence of Liens securing Indebtedness denominated in a foreign currency, the dollar-equivalent principal amount of such Indebtedness secured by Liens pursuant thereto shall be calculated based on the relevant currency exchange rate in effect on the date that such Indebtedness was incurred, in the case of term Indebtedness secured by Liens, or first committed, in the case of revolving credit Indebtedness secured by Liens; *provided* that (x) the dollar-equivalent principal amount of any such Indebtedness secured by Liens outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date, (y) if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency (or in a different currency from such Indebtedness so being incurred), and such refinancing would cause the applicable dollar-denominated restriction on Liens to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness secured by Liens, calculated as described in the

Table of Contents

following sentence, does not exceed (i) the outstanding or committed principal amount (whichever is higher) of such Indebtedness being refinanced plus (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing and (z) the dollar-equivalent principal amount of Indebtedness secured by Liens denominated in a foreign currency and incurred pursuant to a Credit Facility shall be calculated based on the relevant currency exchange rate in effect on, at the Company's option, (i) the Issue Date, (ii) any date on which any of the respective commitments under such Credit Facility shall be reallocated between or among facilities or subfacilities thereunder, or on which such rate is otherwise calculated for any purpose thereunder or (iii) the date of such incurrence. The principal amount of any Indebtedness secured by Liens incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

Additional Subsidiary Guarantors. The Company will cause each Domestic Restricted Subsidiary, other than (unless otherwise determined by the Company) any Foreign Subsidiary Holding Company or Subsidiary of a Foreign Subsidiary, that guarantees any Indebtedness of the Company or of any other Restricted Subsidiary incurred pursuant to the Credit Agreement to, within a reasonable time thereafter, execute and deliver to the Trustee a Guaranty Agreement pursuant to which such Domestic Restricted Subsidiary will guarantee payment of the Notes on the same terms and conditions as those set forth in the Indenture, subject to any limitations that apply to the guarantee of Indebtedness giving rise to the requirement to guarantee the Notes. This covenant shall not apply to any of the Company's Subsidiaries that have been properly designated as an Unrestricted Subsidiary.

Reporting Requirements. For so long as the Notes are outstanding, whether or not the Company is subject to Section 13(a) or 15(d) of the Exchange Act, or any successor provision thereto, the Company shall file with the SEC (if permitted by SEC practice and applicable law and regulations) the annual reports, quarterly reports and other documents which the Company would have been required to file with the SEC pursuant to such Section 13(a) or 15(d) or any successor provision thereto if the Company were so subject, such documents to be filed with the SEC on or prior to the respective dates (the "Required Filing Dates") by which the Company would have been required so to file such documents if the Company were so subject. If, notwithstanding the preceding sentence, filing such documents by the Company with the SEC is not permitted by SEC practice or applicable law or regulations, the Company shall transmit (or cause to be transmitted) electronically or by mail to all holders of the Notes, as their names and addresses appear in the Note register, copies of such documents within 30 days after the Required Filing Date (or make such documents available on a website maintained by the Company or Holdings).

Consolidation, Merger, Sale of Assets, etc.

The Company will not, directly or indirectly, in any transaction or series of transactions, merge or consolidate with or into, or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets as an entirety to, any Person or Persons, and the Company will not permit any Restricted Subsidiary to enter into any such transaction or series of transactions if such transaction or series of transactions, in the aggregate, would result in a sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the properties and assets of the Company or the Company and its Restricted Subsidiaries, taken as a whole, to any other person or persons, unless at the time and after giving effect thereto:

(a) either:

(i) if the transaction or transactions is a merger or consolidation, the Company or such Restricted Subsidiary, as the case may be, shall be the surviving person of such merger or consolidation; or

(ii) the Person formed by such consolidation or into which the Company, or such Restricted Subsidiary, as the case may be, is merged or to which the properties and assets of the Company or such Restricted Subsidiary, as the case may be, substantially as an entirety, are transferred (any such surviving person or transferee person being the "Surviving Entity") shall be a corporation organized and existing under the laws of the United States of America, any state thereof or the District of Columbia and shall expressly assume pursuant to a supplemental indenture and such other necessary agreements reasonably satisfactory to the Trustee all the obligations of the Company or such Restricted Subsidiary, as the case may be, under the Notes and the Indenture; and

(b) immediately after giving effect to such transaction or series of transactions on a pro forma basis (including, without limitation, any Indebtedness incurred or anticipated to be incurred in connection with or in respect of such transaction or series of transactions), no Default or Event of Default shall have occurred and be continuing.

In connection with any consolidation, merger, transfer, lease, assignment or other disposition contemplated hereby, the Company shall deliver, or cause to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, transfer, lease, assignment or other disposition and the supplemental indenture in respect thereof comply with the requirements under the Indenture.

Upon any consolidation or merger, or any sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Company in accordance with the immediately preceding paragraphs, the successor person formed by such consolidation or into which the Company or a Restricted Subsidiary, as the case may be, is merged or the successor person to which such sale, assignment, conveyance, transfer, lease or disposition is made shall succeed to, and be substituted for, and may exercise every right and power of the Company under the Notes and the Indenture with the same effect as if such successor had been named as the Company in the Notes and the Indenture and, except in the case of a lease, the Company or such Restricted Subsidiary shall be released and discharged from its obligations thereunder.

The Indenture provides for all purposes of the Indenture and the Notes (including the provision of this covenant and the covenants described in " *Certain Covenants Limitation on Restricted Payments*" and " *Certain Covenants Limitation on Liens*"), Subsidiaries of any surviving person shall, upon such transaction or series of related transactions, become Restricted Subsidiaries unless and until designated as Unrestricted Subsidiaries, and all Liens on property or assets, of the Company and the Restricted Subsidiaries in existence immediately after such transaction or series of related transactions will be deemed to have been incurred upon such transaction or series of related transactions.

Events of Default

The following are "Events of Default" under the Indenture:

(i) default in the payment of the principal of or premium, if any, when due and payable, on any of the Notes (at Stated Maturity, upon optional redemption, required purchase or otherwise);

(ii) default in the payment of an installment of interest, if any, on any of the Notes, when due and payable, for 30 days;

(iii) default in the performance of, or breach of, the provisions set forth under " *Consolidation, Merger, Sale of Assets, etc.*";

(iv) failure to comply with any of its obligations in connection with a Change of Control (other than a default with respect to the failure to purchase the Notes), for a period of 30 days after

Table of Contents

written notice of such failure has been given to the Company by the Trustee or the holders of at least 25.0% in aggregate principal amount of the outstanding Notes;

(v) default in the performance of, or breach of, any covenant or agreement of the Company or the Guarantors under the Indenture (other than a default in the performance or breach of a covenant or agreement which is specifically dealt with in clause (i), (ii), (iii) or (iv)) and such default or breach shall continue for a period of 60 days after written notice has been given, by certified mail:

(x) to the Company by the Trustee; or

(y) to the Company and the Trustee by the holders of at least 25.0% in aggregate principal amount of the outstanding Notes;

(vi) default or defaults under one or more agreements, instruments, mortgages, bonds, debentures or other evidences of Indebtedness under which the Company or any Restricted Subsidiary then has outstanding Indebtedness in excess of $150.0 million, in each case, either individually or in the aggregate, and either:

(a) such Indebtedness is already due and payable in full; or

(b) such default or defaults have resulted in the acceleration of the maturity of such Indebtedness; *provided* that no Default or Event of Default will be deemed to occur with respect to any such accelerated Indebtedness that is paid or is otherwise acquired or retired within 20 business days after such acceleration;

(vii) one or more judgments, orders or decrees of any court or regulatory or administrative agency of competent jurisdiction for the payment of money in excess of $150.0 million, in each case, either individually or in the aggregate, shall be entered against the Company or any Restricted Subsidiary or any of their respective properties and shall not be discharged and there shall have been a period of 90 days after the date on which any period for appeal has expired and during which a stay of enforcement of such judgment, order or decree, shall not be in effect;

(viii) the entry of a decree or order by a court having jurisdiction in the premises:

(a) for relief in respect of the Company or any Significant Subsidiary in an involuntary case or proceeding under the Federal Bankruptcy Code or any other federal, state or foreign bankruptcy, insolvency, reorganization or similar law;

(b) adjudging the Company or any Significant Subsidiary bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any Significant Subsidiary under the Federal Bankruptcy Code or any other similar federal, state or foreign law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or any Significant Subsidiary or of any substantial part of any of their properties, or ordering the winding-up or liquidation of any of their affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days;

(ix) the institution by the Company or any Significant Subsidiary of a voluntary case or proceeding under the Federal Bankruptcy Code or any other similar federal, state or foreign law or any other case or proceedings to be adjudicated a bankrupt or insolvent, or the consent by the Company or any Significant Subsidiary to the entry of a decree or order for relief in respect of the Company or any Significant Subsidiary in any involuntary case or proceeding under the Federal Bankruptcy Code or any other similar federal, state or foreign law or to the institution of bankruptcy or insolvency proceedings against the Company or any Significant Subsidiary, or the filing by the Company or any Significant Subsidiary of a petition or answer or consent

Table of Contents

seeking reorganization or relief under the Federal Bankruptcy Code or any other similar federal, state or foreign law, or the consent by it to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of any of the Company or any Significant Subsidiary or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due; or

(x) any of the guarantees of the Notes by a Guarantor that is a Significant Subsidiary ceases to be in full force and effect or any of such guarantees is declared to be null and void and unenforceable or any of such guarantees is found to be invalid or any of the Guarantors denies its liability under its guarantee (other than by reason of release of a Guarantor in accordance with the terms of the Indenture) and such event continues for 10 business days.

If an Event of Default (other than those covered by clause (viii) or (ix) above with respect to the Company, any Restricted Subsidiary that is a Significant Subsidiary, or any group of Restricted Subsidiaries of the Company, that, taken together, would constitute a Significant Subsidiary) shall occur and be continuing, the Trustee, by notice to the Company, or the holders of at least 25.0% in aggregate principal amount of the Notes then outstanding, by notice to the Trustee and the Company, may declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all of the outstanding Notes due and payable immediately. If an Event of Default specified in clause (viii) or (ix) above with respect to the Company, any Restricted Subsidiary that is a Significant Subsidiary, or any group of Restricted Subsidiaries of the Company, that, taken together, would constitute a Significant Subsidiary, occurs and is continuing, then the principal of, premium, if any, accrued and unpaid interest, if any, on all the outstanding Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of the Notes.

After a declaration of acceleration under the Indenture, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the outstanding Notes, by written notice to the Company and the Trustee, may rescind such declaration if:

(a) the Company has paid or deposited with the Trustee a sum sufficient to pay:

(i) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

(ii) all overdue interest on all the Notes;

(iii) the principal of and premium, if any, on any Notes which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes; and

(iv) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue principal at the rate borne by the Notes which has become due otherwise than by such declaration of acceleration;

(b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and

(c) all Events of Default, other than the non-payment of principal of and premium, if any, and interest on the Notes that has become due solely by such declaration of acceleration, have been cured or waived.

Table of Contents

The holders of a majority in aggregate principal amount of the outstanding Notes may on behalf of the holders of all the Notes waive any past defaults under the Indenture, except a default in the payment of the principal of and premium, if any, or interest on any Note, or in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holder of each Note outstanding.

No holder of any of the Notes has any right to institute any proceeding with respect to the Indenture or any remedy thereunder, unless the holders of at least 25.0% in aggregate principal amount of the outstanding Notes have made written request to the Trustee, and offered indemnity satisfactory to the Trustee, to institute such proceeding as Trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 45 days after receipt of such notice and the Trustee, within such 45-day period, has not received directions inconsistent with such written request by holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not apply, however, to a suit instituted by a holder of a Note for the enforcement of the payment of the principal of and premium, if any, or interest on such Note on or after the respective due dates expressed in such Note.

During the existence of an Event of Default, the Trustee is required to exercise such rights and powers vested in it under the Indenture and use the same degree of care and skill in its exercise thereof as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. Subject to the provisions of the Indenture relating to the duties of the Trustee, whether or not an Event of Default shall occur and be continuing, the Trustee under the Indenture is not under any obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders of the Notes unless such holders shall have offered to the Trustee security or indemnity satisfactory to it. Subject to certain provisions concerning the rights of the Trustee, the holders of a majority in aggregate principal amount of the outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee under the Indenture.

If a Default or an Event of Default occurs and is continuing and is known to the Trustee, the Trustee shall deliver to each holder of the Notes notice of the Default or Event of Default within 90 days after obtaining knowledge thereof. Except in the case of a Default or an Event of Default in payment of principal of and premium, if any, or interest on any Notes, the Trustee may withhold the notice to the holders of such Notes if the Trustee, in good faith, determines that withholding the notice is in the interest of the noteholders.

The Company is required to furnish to the Trustee annual statements as to the performance by the Company of its and its Restricted Subsidiaries' obligations under the Indenture and as to any default in such performance.

No Liability for Certain Persons

No director, officer, employee or stockholder of Holdings or the Company, nor any director, officer or employee of any Subsidiary Guarantor, as such, will have any liability for any obligations of the Company or any Guarantor under the Notes, the guarantees thereof or the Indenture based on or by reason of such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The foregoing waiver and release are an integral part of the consideration for the issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws.

Legal Defeasance and Covenant Defeasance

The Company may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an officers' certificate, elect to have all of its obligations discharged with respect to the

Table of Contents

outstanding Notes and all obligations of the Guarantors discharged with respect to their guarantees of such Notes ("Legal Defeasance") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers) that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under " *Events of Default*" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable U.S. Government Obligations, or a combination of cash in U.S. dollars and non-callable U.S. Government Obligations, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest and premium, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

Table of Contents

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company must deliver to the Trustee an officers' certificate stating that the deposit was not made by the Company with the intent of preferring the holders of the Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and

(7) the Company must deliver to the Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes as expressly provided for in the Indenture) as to all outstanding Notes when:

(i) either:

(a) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or repaid and the Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(b) all the Notes not theretofore delivered to the Trustee for cancellation (except lost, stolen or destroyed Notes which have been replaced or paid) have become due and payable, will become due and payable at their stated maturity within one year, or will become due and payable within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of and premium, if any, and interest on the Notes to the date of deposit (in the case of the Notes that have become due and payable) or to the maturity or redemption date, as the case may be, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(ii) the Company has paid all other sums payable under the Indenture by the Company; and

(iii) the Company has delivered to the Trustee an officers' certificate and an opinion of counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of such Indenture have been complied with.

Amendments and Waivers

From time to time, the Company and the Trustee may, without the consent of the holders of any of the outstanding Notes, amend, waive or supplement the Indenture, the Notes or the guarantees for certain specified purposes, including, among other things, curing ambiguities, omissions, mistakes, defects or inconsistencies, conforming any provision to any provision under the heading "*Description of the New Notes*," qualifying, or maintaining the qualification of, the Indenture under the Trust Indenture Act, making any change that does not adversely affect the rights of any holder of the Notes, adding

Table of Contents

Guarantees or releasing or discharging Guarantees in accordance with the terms of the Indenture, providing for uncertificated Notes in addition to or in place of certificated Notes, making such provisions as necessary (as determined in good faith by the Company) for the issuance of Additional Notes or evidencing and providing for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof. Other amendments and modifications of the Indenture, the Notes or the guarantees may be made by the Company and the Trustee with the consent of the holders of a majority of the aggregate principal amount of the outstanding Notes; *provided*, *however*, that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby:

(i) reduce the principal amount of, extend the fixed maturity of or alter the redemption provisions of, the Notes;

(ii) change the currency in which any Notes or any premium, or the interest thereon is payable;

(iii) reduce the percentage in principal amount of outstanding Notes that must consent to an amendment, supplement or waiver or consent to take any action under the Indenture or the Notes;

(iv) impair the right to institute suit for the enforcement of any payment on or with respect to the Notes;

(v) waive a default in payment with respect to the Notes;

(vi) reduce or change the rate or time for payment of interest, if any, on the Notes; or

(vii) modify or change any provision of the Indenture affecting the ranking of the Notes or any guarantee of the Notes in a manner adverse to the holders of the Notes.

The Trustee

The Indenture provides that, except during the continuance of an Event of Default, the Trustee thereunder will perform only such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will exercise such rights and powers vested in it under the Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture and provisions of the Trust Indenture Act incorporated by reference therein contain limitations on the rights of the Trustee thereunder, should it become a creditor of the Company, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions; *provided*, *however*, that if it acquires any conflicting interest (as defined in such Act) it must eliminate such conflict or resign.

We maintain banking and lending relationships in the ordinary course of business with the Trustee and its affiliates.

Governing Law

The Indenture and the Notes will be governed by the laws of the State of New York, without regard to the principles of conflicts of law.

Additional Information

Anyone who receives this prospectus may obtain a copy of the Indenture without charge by writing to United Rentals, Inc., 100 First Stamford Place, Suite 700, Stamford, CT 06902, Attention: Corporate Secretary.

Table of Contents

Book-Entry, Delivery and Form

The Notes will be issued in the form of one or more registered global Notes (the "Global Notes"). The Global Notes will be deposited upon issuance with the Trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for definitive Notes in certificated form ("Certificated Notes") except in the limited circumstances described below. See " *Exchange of Global Notes for Certificated Notes*." Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of Notes in certificated form.

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants, which may change from time to time.

Depository Procedures

The following description of the operations and procedures of DTC is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Company takes no responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

DTC has advised the Company that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "Participants") and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the underwriters), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants.

The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised the Company that, pursuant to procedures established by it:

(1) upon deposit of the Global Notes, DTC will credit the accounts of the Participants designated by the underwriters with portions of the principal amount of the Global Notes; and

(2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes who are Participants in DTC's system may hold their interests therein directly through DTC. Investors in the Global Notes who are not Participants may hold their interests therein indirectly through organizations which are Participants in such system. All interests in a Global Note may be subject to the procedures and requirements of DTC. The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such Persons will be limited to that extent. Because DTC can act only on behalf of the Participants, which in turn act on

Table of Contents

behalf of the Indirect Participants, the ability of a Person having beneficial interests in a Global Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holders" thereof under the Indenture for any purpose.

Payments in respect of the principal of, and interest and premium, if any on, a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, the Company and the Trustee will treat the Persons in whose names the Notes, including the Global Notes, are registered as the owners of the Notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Company, the Trustee nor any agent of the Company or the Trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or

(2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Company that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee or the Company. Neither the Company nor the Trustee will be liable for any delay by DTC or any of the Participants or the Indirect Participants in identifying the beneficial owners of the Notes, and the Company and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds.

DTC has advised the Company that it will take any action permitted to be taken by a holder of the Notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Notes for legended Notes in certificated form, and to distribute such Notes to its Participants.

None of the Company, the Trustee and any of their respective agents will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Table of Contents

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Certificated Notes if:

(1) DTC (a) notifies the Company that it is unwilling or unable to continue as depositary for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, the Company fails to appoint a successor depositary;

(2) the Company in its discretion at any time determines not to have all the Notes represented by Global Notes; or

(3) a default entitling the holders of the Notes to accelerate the maturity thereof has occurred and is continuing.

Any Global Note that is exchangeable as above is exchangeable for certificated Notes issuable in authorized denominations and registered in such names as DTC shall direct.

Same Day Settlement and Payment

The Company will make payments in respect of the Notes represented by the Global Notes (including principal, premium, if any, and interest) by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. The Company will make all payments of principal, interest and premium, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such holder's registered address. The Notes represented by the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. The Company expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness of a person:

(a) assumed in connection with an Asset Acquisition from such person; or

(b) existing at the time such person becomes a Subsidiary of any other person and not incurred in connection with, or in contemplation of, such Asset Acquisition or such person becoming a Subsidiary.

"*Adjusted Treasury Rate*" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after January 15, 2023, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month, except that if the period from the redemption date to January 15, 2023 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury

Table of Contents

Price for such redemption date, in each case calculated on the third business day immediately preceding the redemption date, plus 0.50%.

"*Applicable Premium*" means with respect to any Notes at any redemption date, the greater of:

(1) 1.00% of the principal amount of such Notes; and

(2) the excess of (a) the present value at such redemption date of (i) the redemption price of the Notes on January 15, 2023, set forth in the table appearing above with respect to the Notes under the caption " *Optional Redemption*" *plus* (ii) all required remaining scheduled interest payments due on such Notes through January 15, 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate as of such redemption date, over (b) the principal amount of such Notes on such redemption date.

"*Asset Acquisition*" means:

(a) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary, or shall be merged with or into the Company or any Restricted Subsidiary or a transaction pursuant to which the Company or a Restricted Subsidiary merges with or into any other Person and such Person assumes the obligations of the Company or such Restricted Subsidiary, as applicable, as described under " *Consolidation, Merger, Sale of Assets, etc.*"; or

(b) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person which constitute all or substantially all of the assets of such Person, any division or line of business of such Person or any other properties or assets of such Person.

"*Asset Sale*" means any sale, issuance, conveyance, transfer, lease or other disposition by the Company or any Restricted Subsidiary to any Person other than the Company or a Restricted Subsidiary of:

(a) any Capital Stock of any Restricted Subsidiary (other than directors qualifying shares or to the extent required by applicable law);

(b) all or substantially all of the properties and assets of any division or line of business of the Company or any Restricted Subsidiary; or

(c) any other properties or assets of the Company or any Restricted Subsidiary,

other than, in the case of clauses (a), (b) or (c) above,

(i) sales, conveyances, transfers, leases or other dispositions of (x) obsolete, damaged or used equipment or (y) other equipment or inventory in the ordinary course of business;

(ii) sales, conveyances, transfers, leases or other dispositions of assets in one or a series of related transactions for an aggregate consideration of less than the greater of $75.0 million and 1.0% of Consolidated Net Tangible Assets;

(iii) the lease, assignment, license, sublicense or sublease of any real or personal property in the ordinary course of business;

(iv) any exchange of like property pursuant to or intended to qualify under Section 1031 (or any successor section) of the Code, and to be used in a Related Business;

(v) any disposition of Cash Equivalents;

Table of Contents

(vi) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable; and

(vii) the abandonment or other disposition of trademarks, copyrights, patents or other intellectual property that are, in the good faith determination of the Company, no longer economically practicable to maintain or useful in the conduct of the business of the Company and its subsidiaries taken as a whole.

"*Attributable Debt*" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Notes, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended); *provided*, *however*, that if such Sale/Leaseback Transaction results in a Capitalized Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capitalized Lease Obligation."

"*Average Life to Stated Maturity*" means, with respect to any Indebtedness, as at any date of determination, the quotient obtained by dividing:

(i) the sum of the products of:

(a) the number of years from such date to the date or dates of each successive scheduled principal payment (including, without limitation, any sinking fund requirements) of such Indebtedness; and

(b) the amount of each such principal payment; by

(ii) the sum of all such principal payments.

"*Board of Directors*" means the board of directors of a company or its equivalent, including managers of a limited liability company, general partners of a partnership or trustees of a business trust, or any duly authorized committee thereof.

"*Capital Stock*" means, with respect to any person, any and all shares, interests, participations, rights in or other equivalents (however designated) of such person's capital stock or equity participations, and any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock and, including, without limitation, with respect to partnerships, limited liability companies or business trusts, ownership interests (whether general or limited) and any other interest or participation that confers on a person the right to receive a share of the profits and losses of, or distributions of assets of, such partnerships, limited liability companies or business trusts.

"*Capitalized Lease Obligation*" means any obligation under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed) that is required to be classified and accounted for as a capital lease obligation under GAAP, and, for the purpose of the Indenture, the amount of such obligation at any date shall be the capitalized amount thereof at such date, determined in accordance with GAAP; *provided* that if GAAP shall change after the Issue Date so that a lease (or other agreement conveying the right to use property) that would not be classified as a capital lease under GAAP as in effect as of the Issue Date would be classified as a capital lease, then the obligations under such lease (or other agreement conveying the right to use any property) shall not be considered to be a Capitalized Lease Obligation.

"*Cash Equivalents*" means, at any time:

(a) any evidence of Indebtedness, maturing not more than one year after such time, issued or guaranteed by the United States Government or any agency thereof;

Table of Contents

(b) commercial paper, maturing not more than one year from the date of issue, or corporate demand notes, in each case rated at least A-1 by S&P or P-1 by Moody's;

(c) any certificate of deposit (or time deposits represented by such certificates of deposit) or bankers acceptance, maturing not more than one year after such time, or overnight Federal Funds transactions that are issued or sold by a commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than $500.0 million;

(d) any repurchase agreement entered into with any commercial banking institution of the stature referred to in clause (c) which:

(i) is secured by a fully perfected security interest in any obligation of the type described in any of clauses (a) through (c); and

(ii) has a market value at the time such repurchase agreement is entered into of not less than 100% of the repurchase obligation of such commercial banking institution thereunder;

(e) investments in short-term asset management accounts managed by any bank party to a Credit Facility which are invested in indebtedness of any state or municipality of the United States or of the District of Columbia and which are rated under one of the two highest ratings then obtainable from S&P or by Moody's or investments of the types described in clauses (a) through (d) above; and

(f) investments in funds investing primarily in investments of the types described in clauses (a) through (e) above.

"*Change of Control*" means the occurrence of any of the following events:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50.0% of the total Voting Stock of the Company or Holdings (other than, in the case of the Company, Holdings or a wholly owned Subsidiary of Holdings);

(b) the Company or Holdings consolidates with, or merges with or into, another Person or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its properties and assets as an entirety to any Person (other than (1) with respect to the Company, to Holdings, a wholly owned Subsidiary of Holdings or a Subsidiary Guarantor and (2) with respect to Holdings, to a wholly owned Subsidiary of Holdings, the Company or a Subsidiary Guarantor, or any Person that consolidates with, or merges with or into, the Company or Holdings), in any such event pursuant to a transaction in which the outstanding Voting Stock of the Company or Holdings is converted into or exchanged for cash, securities or other property, other than any such transaction involving a merger or consolidation where:

(i) the outstanding Voting Stock of the Company or Holdings is converted into or exchanged for Voting Stock (other than Redeemable Capital Stock) of the surviving or transferee corporation; and

(ii) immediately after such transaction no "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), excluding Holdings or any wholly owned Subsidiary of Holdings, is the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50.0% of the total Voting Stock of the surviving or transferee corporation; or

Table of Contents

(c) the Company is liquidated or dissolved or adopts a plan of liquidation.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Comparable Treasury Issue*" means the United States Treasury security selected by the Quotation Agent as having a maturity most nearly equal to the period from the redemption date to January 15, 2023 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to January 15, 2023.

"*Comparable Treasury Price*" means, with respect to any redemption date, if clause (ii) of the definition of "Adjusted Treasury Rate" is applicable, the average of three, or such lesser number as is given to the Company, Reference Treasury Dealer Quotations for such redemption date.

"*Consolidated Cash Flow Available for Fixed Charges*" means, with respect to any Person for any period:

(i) the sum of, without duplication, the amounts for such period, taken as a single accounting period, of:

(a) Consolidated Net Income;

(b) Consolidated Non-cash Charges;

(c) Consolidated Interest Expense;

(d) Consolidated Income Tax Expense;

(e) any fees, expenses or charges related to the Transactions, the RSC Merger Transactions, the National Pump Transactions, the NES Transactions or to any Equity Offering, Investment, merger, acquisition, disposition, consolidation, recapitalization or the incurrence or repayment of Indebtedness (including any refinancing or amendment of any of the foregoing) (whether or not consummated or incurred);

(f) the amount of any restructuring charges or reserves (which shall include retention, severance, systems establishment cost, excess pension charges, contract termination costs, including future lease commitments, costs related to start up, closure, relocation or consolidation of facilities, costs to relocate employees, consulting fees, one time information technology costs, one time branding costs and losses on the sale of excess fleet from closures); *provided*, *however*, that the aggregate amount of such charges or reserves added to Consolidated Cash Flow Available for Fixed Charges for any period pursuant to this clause (f) (when taken together with any amounts added pursuant to clause (g) below) will not exceed the greater of 20.0% of Consolidated Cash Flow Available for Fixed Charges of such Person for such period; and

(g) the amount of net cost savings and synergies projected by the Company in good faith to be realized (which shall be calculated on a pro forma basis as though such cost savings or synergies had been realized on the first day of such period), net of the amount of actual benefits realized during such period from such actions; *provided* that (A) such cost savings or synergies are reasonably identifiable and supportable, (B) such actions have been taken or are to be taken within 24 months after the date of determination to take such action and (C) the aggregate amount of any cost savings and synergies added pursuant to this clause (g) (when taken together with any amounts added pursuant to clause (f) above) shall not exceed 20.0% of Consolidated Cash Flow Available for Fixed Charges for such period, less

(ii)

(x) non-cash items increasing Consolidated Net Income and (y) all cash payments during such period relating to non-cash charges that were added back in determining Consolidated Cash Flow Available for Fixed Charges in the most recent Four Quarter Period (as defined below).

Table of Contents

"*Consolidated Current Liabilities*" as of the date of determination means the aggregate amount of liabilities of the Company and its consolidated Restricted Subsidiaries which may properly be classified as current liabilities (including taxes accrued as estimated), on a consolidated basis, after eliminating:

(1) all intercompany items between the Company and any Restricted Subsidiary; and

(2) all current maturities of long-term Indebtedness, all as determined in accordance with GAAP consistently applied.

"*Consolidated Fixed Charge Coverage Ratio*" means, with respect to any person, the ratio of the aggregate amount of Consolidated Cash Flow Available for Fixed Charges of such person for the four full fiscal quarters, treated as one period, for which financial information in respect thereof is available immediately preceding the date of the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio (such four full fiscal quarter period being referred to herein as the "Four Quarter Period") to the aggregate amount of Consolidated Fixed Charges of such person for the Four Quarter Period.

The Consolidated Fixed Charge Coverage Ratio shall be calculated after giving pro forma effect to:

(a) the making of any Restricted Payment requiring calculation of the Consolidated Fixed Charge Coverage Ratio;

(b) the incurrence, repayment, defeasance, retirement or discharge of any Indebtedness by the Company and its Restricted Subsidiaries since the first day of the Four Quarter Period as if such Indebtedness was incurred, repaid, defeased, retired or discharged at the beginning of the Four Quarter Period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during the Four Quarter Period or such shorter period for which such facility was outstanding or, if such facility was created after the end of the Four Quarter Period, based upon the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation or such shorter period); and

(c) any Asset Sale or Asset Acquisition occurring since the first day of the Four Quarter Period (including to the date of calculation) as if such acquisition or disposition occurred at the beginning of such Four Quarter Period.

For purposes of this definition, whenever pro forma effect is to be given to any Investment, acquisition, disposition or other transaction, or the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness incurred or repaid, repurchased, redeemed, defeased or otherwise acquired, retired or discharged in connection therewith, the pro forma calculations in respect thereof (including without limitation in respect of anticipated cost savings or synergies relating to any such Investment, acquisition, disposition or other transaction that have been or are expected to be realized) shall be as determined in good faith by the chief financial officer or an authorized officer of the Company. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Protection Agreement applicable to such Indebtedness). If any interest bears, at the option of the Company or a Restricted Subsidiary, a rate of interest based on a prime or similar rate, a eurocurrency interbank offered rate or other fixed or floating rate, and such Indebtedness is being given pro forma effect, the interest expense on such Indebtedness shall be calculated by applying such optional rate as the Company or such Restricted Subsidiary may designate. If any Indebtedness that is being given pro forma effect was incurred under a revolving credit facility, the interest expense on such Indebtedness shall be computed based upon the average daily balance of

Table of Contents

such Indebtedness during the applicable period. Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate determined in good faith by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP, subject to the definition of Capitalized Lease Obligation hereunder.

If such Person or any of its Restricted Subsidiaries directly or indirectly guarantees Indebtedness of a third person, the above clause shall give effect to the incurrence of such guaranteed Indebtedness as if such Person or such Subsidiary had directly incurred or otherwise assumed such guaranteed Indebtedness.

"*Consolidated Fixed Charges*" means, with respect to any person for any period, the sum of, without duplication, the amounts for such period of:

(i) Consolidated Interest Expense; and

(ii) the aggregate amount of dividends and other distributions paid in cash during such period in respect of Redeemable Capital Stock of such person and its Restricted Subsidiaries on a consolidated basis.

"*Consolidated Income Tax Expense*" means, with respect to any person for any period, the provision for federal, state, local and foreign taxes (whether or not paid, estimated or accrued) based on income, profits or capitalization of such person and its Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP.

"*Consolidated Interest Expense*" means, with respect to any person for any period, without duplication, the sum of:

(i) the interest expense, net of any interest income, of such person and its Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP, including, without limitation:

(a) any amortization of debt discount;

(b) the net payments made or received under Interest Rate Protection Obligations (including any amortization of discounts);

(c) the interest portion of any deferred payment obligation;

(d) all commissions, discounts and other fees and charges owed with respect to letters of credit, bankers' acceptance financing or similar facilities; and

(e) all accrued interest; and

(ii) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such person and its Restricted Subsidiaries during such period as determined on a consolidated basis in accordance with GAAP, less

(iii) to the extent otherwise included in such interest expense referred to in clause (i) above, the amortization or write-off of financing costs, commissions, fees and expenses.

"*Consolidated Net Income*" means, with respect to any person, for any period, the consolidated net income (or loss) of such person and its Restricted Subsidiaries for such period as determined in accordance with GAAP, adjusted, to the extent included in calculating such net income, by excluding, without duplication:

(i)

any extraordinary, unusual or non-recurring gain, loss, expense or charge (including without limitation fees, expenses and charges associated with the RSC Merger Transactions, the National Pump Transactions, the NES Transactions or any merger, acquisition, disposition or consolidation after March 9, 2012);

Table of Contents

(ii) (a) the portion of net income of such person and its Restricted Subsidiaries allocable to minority interests in unconsolidated persons or to Investments in Unrestricted Subsidiaries to the extent that cash dividends or distributions have not actually been received by such person or one of its Restricted Subsidiaries and (b) the portion of net loss of such person and its Restricted Subsidiaries allocable to minority interests in unconsolidated persons or to Investments in Unrestricted Subsidiaries shall be included to the extent of the aggregate investment of the Company or any Restricted Subsidiary in such person;

(iii) gains or losses in respect of any Asset Sales by such person or one of its Restricted Subsidiaries (net of fees and expenses relating to the transaction giving rise thereto), on an after-tax basis;

(iv) the net income of any Restricted Subsidiary of such person to the extent that the declaration of dividends or similar distributions by that Restricted Subsidiary of that income is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulations applicable to that Restricted Subsidiary or its stockholders (other than (x) restrictions that have been waived or otherwise released, (y) restrictions pursuant to the Notes or Indenture and (z) restrictions in effect on the Issue Date with respect to a Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole are not materially less favorable to the holders than such restrictions in effect on the Issue Date);

(v) any gain or loss realized as a result of the cumulative effect of a change in accounting principles;

(vi) the write-off of any issuance costs incurred by the Company in connection with the refinancing or repayment of any Indebtedness;

(vii) any net after-tax gain (or loss) attributable to the early repurchase, extinguishment or conversion of Indebtedness, Hedging Obligations or other derivative instruments (including any premiums paid);

(viii) any non-cash income (or loss) related to the recording of the Fair Market Value of any Hedging Obligations;

(ix) any unrealized gains or losses in respect of Currency Agreements;

(x) (a) any non-cash compensation deduction as a result of any grant of stock or stock-related instruments to employees, officers, directors or members of management and (b) and any cash charges associated with the rollover, acceleration or payout on stock or stock-related instruments by management of Holdings, the Company, or any of their Subsidiaries in connection with the RSC Merger Transactions, the National Pump Transactions or the NES Transactions;

(xi) any income (or loss) from discontinued operations;

(xii) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of any Person denominated in a currency other than the functional currency of such Person;

(xiii) to the extent covered by insurance and actually reimbursed, or, so long as the Company has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), expenses with respect to liability or casualty events or business

Table of Contents

interruption; *provided* that, to the extent included in Consolidated Net Income in a future period, reimbursements with respect to expenses excluded from the calculation of Consolidated Net Income pursuant to this clause (xiii) shall be excluded from Consolidated Net Income in such period up to the amount of such excluded expenses;

(xiv) any non-cash charge, expense or other impact attributable to application of the purchase method of accounting (including the total amount of depreciation and amortization, cost of sales or other non-cash expense resulting from the write-up of assets to the extent resulting from such purchase accounting adjustments);

(xv) any goodwill or other intangible asset impairment charge;

(xvi) effects of fair value adjustmeMasterCuts (5.1) (3.3) (0.7)

Regis

(3.1) (4.2) (2.5)

Promenade

(2.8) (2.7) (2.6)

Total North American Salons

(2.3) (3.2) (1.8)

International salons

(4.3) (9.1) (3.1)

Consolidated same-store sales

(2.4)% (3.5)% (1.9)%

The same-store sales decrease of 2.4% during fiscal year 2013 was due to a 3.0% decrease in guest visits, partially offset by a 0.6% increase in average ticket. We closed 492 and 384 salons (including 69 and 51 franchise salons) during fiscal years 2013 and 2012, respectively. The Company constructed (net of relocations) 153 company-owned salons during fiscal year 2013. We did not acquire any company-owned salons during fiscal year 2013 compared to 13 company-owned salons (including 11 franchise buybacks) during fiscal year 2012.

The same-store sales decrease of 3.5% during fiscal year 2012 was due to a 3.4% decrease in guest visits and 0.1% decrease in average ticket. We acquired 13 company-owned salons (including 11 franchise buybacks) during fiscal year 2012 compared to 105 company-owned salons (including 78 franchise buybacks) during fiscal year 2011. The Company constructed (net of relocations) 166 company-owned salons during fiscal year 2012. We closed 384 and 305 salons (including 51 and 60 franchise salons) during fiscal years 2012 and 2011, respectively.

The same-store sales decrease of 1.9% during fiscal year 2011 was due to a 3.8% decrease in guest visits partially offset by a 1.9% increase in average ticket. We acquired 105 company-owned salons (including 78 franchise buybacks) during fiscal year 2011 compared to 26 company-owned salons (including 23 franchise buybacks) during fiscal year 2010. The Company constructed (net of relocations) 115 company-owned salons during fiscal year 2011. We closed 305 and 269 salons (including 60 and 65 franchise salons) during fiscal years 2011 and 2010, respectively.

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

Service Revenues

The $80.0 million decrease in service revenues during fiscal year 2013 was due to the closure of 423 company-owned salons, same-store service sales decreasing 2.0% and the comparable prior period including an additional day from leap year. The decrease in same-store services sales was primarily a result of a 2.3% decrease in same-store guest visits, offset by a 0.3% increase in average ticket. Partially offsetting the decrease was growth due to newly constructed salons during fiscal year 2013.

The $51.5 million decrease in service revenues during fiscal year 2012 was due the closure of 333 company-owned salons and same-store service sales decreasing 3.7%. The decrease in same-store services sales was primarily a result of a 3.1% decrease in same-store guest visits and a 0.6% decrease in average ticket due to promotional programs designed to generate additional guest visits. Partially offsetting the decrease was growth due to new and acquired salons during fiscal year 2012 and the additional day from leap year.

Table of Contents

The $22.4 million decrease in service revenues during fiscal year 2011 was due to same-store service sales decreasing 2.4%, as a result of a decline in same-store guest visits. Partially offsetting the decrease was growth due to new and acquired salons during fiscal year 2011, price increases, sales mix as the company increased hair color and waxing services, and the weakening of the United States dollar against the Canadian dollar.

Product Revenues

The $24.3 million decrease in product revenues during fiscal year 2013 was primarily due to same-store product sales decreasing 3.9%, the closure of 423 company-owned salons and the comparable prior period including an additional day from leap year, partially offset by an increase in product sales to franchisees as a result of an increase in franchise locations.

The $7.4 million decrease in product revenues during fiscal year 2012 was primarily due to same-store product sales decreasing 2.7%, and the closure of 333 company-owned salons, partially offset by the additional day from leap year and an increase in product sales to franchisees as a result of an increase in franchise locations.

The $14.2 million decrease in product revenues during fiscal year 2011 was primarily due to the decrease in product sales to the purchaser of Trade Secret from $20.0 million in fiscal year 2010 to zero in fiscal year 2011. Partially offsetting the decrease was same-store product sales increasing 0.2 percent, product sales from new and acquired salons, and the weakening of the United States dollar against the Canadian dollar during fiscal year 2011.

Royalties and Fees

Total franchised locations open at June 30, 2013 and 2012 were 2,082 and 2,016, respectively. The $0.8 million increase in royalties and fees was due to the increase in franchised locations during fiscal year 2013 and same-store sales increases at franchise locations.

Total franchised locations open at June 30, 2012 and 2011 were 2,016 and 1,936, respectively. During fiscal year 2012, we purchased a 60.0 percent ownership interest in a franchise network, consisting of 31 franchised locations. The $1.0 million increase in royalties and fees was also due to same-store sales increases at franchise locations, partially offset by the Company purchasing 11 of our franchised salons during fiscal year 2012.

Total franchised locations open at June 30, 2011 and 2010 were 1,936 and 2,020, respectively. The 84 salon decrease in franchised locations was offset by the impact of the weakening of the United States dollar against the Canadian dollar.

Cost of Service

The 220 basis point increase in cost of service as a percent of service revenues during fiscal year 2013 was primarily due to increased labor costs in our North American salons, a result of the Company's strategy to increase stylist hours in order to reduce guest wait times and improve the overall guest experience, and the negative leverage this created with same-store service sales declines. The Company made slight improvement during the year in optimizing salon schedules to align with guest traffic. Also contributing to the basis point increase was the Company's decision earlier in the year to compensate stylists on the gross sales amount during certain coupon events and an increase in health insurance expense due to higher claims.

The 10 basis point decrease in cost of service as a percent of service revenues during fiscal year 2012 was due to lower commissions as a result of leveraged pay plans for new stylists and a decrease in salon health insurance costs due to lower claims, partially offset by decreased productivity in our North American segment.

Table of Contents

The 50 basis point increase in cost of service as a percent of service revenues during fiscal year 2011 was due to an increase in salon health insurance costs due to several unusually large claims and an increase in payroll taxes as a result of states increasing unemployment taxes.

Cost of Product

The 460 basis point increase in cost of product as a percent of product revenues was mainly attributed to our inventory simplification program, which standardizes retail plan-o-grams, eliminates retail products and consolidates from four to one private label brand. Historically, the Company has been able to recover its cost on discontinued retail inventory through in-store promotional discounts, and during the fourth quarter of fiscal 2013, the Company clearanced approximately $8 million of product. However, given the change in the Company's strategic direction to standardize plan-o-grams, the scope and size of this simplification program and the negative impact continued clearance sales would have on future product sales and cost of product as a percent of product revenues, the Company immediately liquidated any remaining inventory into non Regis distribution channels within the parameters of existing supply agreements. This resulted in a noncash inventory charge of $12.6 million in the fourth quarter. While negatively impacting cost of product as a percent of product revenues, clearance sales and liquidation of inventories generated higher cash returns than past practices of repackaging and returning products to distribution centers for restocking, disposal or return to vendors. Further impacting cost of product as a percent of product sales were Hurricane Sandy product donations, partially offset by reductions to commissions paid on retail sales.

The 10 basis point increase in cost of product as a percentage of product revenues during fiscal year 2012 was primarily due to increases in freight costs due to higher fuel prices partially offset by a reduction in commissions paid to new employees on retail product sales in our North American segment.

The 220 basis point decrease in cost of product as a percentage of product revenues during fiscal year 2011 was primarily due to previous fiscal year including $20.0 million of product sold at cost to the purchaser of Trade Secret. Partially offsetting the basis point decrease was an increase in sales of appliances that have a higher cost as a percent of revenues in our International segment.

Site Operating Expenses

The 30 basis point increase in site operating expenses as a percent of consolidated revenues during fiscal year 2013 was primarily due to negative leverage from the decrease in same-store sales. Site operating expenses declined $3.1 million primarily within our North American segment due to a decrease in advertising costs, utilities and janitorial expense, partially offset by increases in salon connectivity costs to support the Company's new POS system and salon workstations and higher salon repairs and maintenance expense.

The 10 basis point increase in site operating expenses as a percent of consolidated revenues during fiscal year 2012 was primarily due to negative leverage from the decrease in same-store sales.

The 30 basis point increase in site operating expenses as a percent of consolidated revenues during fiscal year 2011 was primarily due to an increase in advertising expense within the Company's Promenade concept and an increase in self-insurance accruals, partially offset by a reduction in legal claims expense.

General and Administrative

General and administrative (G&A) declined $22.9 million, or 60 basis points as a percentage of consolidated revenues, during fiscal year 2013. This improvement was primarily due to reductions in salaries and benefits from our corporate reorganization executed last year, certain cost savings

Table of Contents

initiatives in the current year and reduced levels of incentive pay in the current year, partly offset by costs associated with rolling out our new POS system. The Company remains focused on simplification to drive further costs efficiencies.

The 130 basis point improvement in G&A costs as a percentage of consolidated revenues during fiscal year 2012 was the result of lapping a $31.2 million valuation reserve on the note receivable with the purchaser of Trade Secret in fiscal year 2011. Also contributing to the improvement during fiscal year 2012 was a reduction in salaries and other employee benefits as a result of the reduction in salon support workforce that occurred in January 2012. Partially offsetting these improvements were incremental costs associated with the Company's senior management restructuring, severance charges, and professional fees incurred in connection with the contested proxy and the exploration of alternatives for non-core assets.

The 210 basis point increase in G&A costs as a percentage of consolidated revenues during fiscal year 2011 was primarily due to the $31.2 million valuation reserve on the note receivable with the purchaser of Trade Secret, incremental costs associated with the Company's senior management restructure, expenditures associated with the Regis salon concept re-imaging project, professional fees incurred related to the exploration of strategic alternatives and information technology projects, legal claims and negative leverage on fixed costs within this category due to negative same-store sales.

Rent

Rent expense decreased by $7.1 million during fiscal year 2013 due to salon closures, primarily within our North American segment. The 50 basis point increase in rent expense as a percent of consolidated revenues during fiscal year 2013 was primarily due to negative leverage associated with this fixed cost category.

The 30 basis point increase in rent expense as a percent of consolidated revenues during fiscal year 2012 was primarily due to negative leverage in this fixed cost category due to negative same-store sales, partially offset by favorable common area maintenance adjustments from landlords and salon closures.

The 20 basis point increase in rent expense as a percent of consolidated revenues during fiscal year 2011 was primarily due to negative leverage in this fixed cost category due to negative same-store sales, partially offset by a favorable reduction to our common area maintenance expenses.

Depreciation and Amortization

The 40 basis point decrease in depreciation and amortization (D&A) as a percent of consolidated revenues during fiscal year 2013 was primarily due to our lapping $16.2 million of accelerated amortization associated with the adjustment to the useful life of the Company's previously internally developed POS system. Partially offsetting the 40 basis point improvement was $1.9 million of accelerated depreciation expense in the current year associated with a leased building in conjunction with consolidating the Company's headquarters and negative leverage from the decrease in same-store sales.

The 70 basis point increase in D&A as a percent of consolidated revenues during fiscal year 2012 was primarily due to $16.2 million ($10.2 million net of tax or $0.18 per diluted share) of accelerated amortization expense in the current year resulting from the useful life adjustment of the Company's internally developed POS system and negative leverage from the decrease in same-store sales. Partially offsetting the basis point increase was the continuation of a decrease in depreciation expense from the reduction in salon construction beginning in fiscal year 2009 as compared to historical levels prior to fiscal year 2009.

Table of Contents

The 20 basis point decrease in D&A as a percent of consolidated revenues during fiscal year 2011 was primarily due to a decrease in depreciation expense from a reduction in salon construction beginning in fiscal year 2009 as compared to historical levels prior to fiscal year 2009. The basis point decrease was partially offset by negative leverage from the decrease in same-store sales.

Goodwill Impairment

The Company did not record a goodwill impairment charge in 2013.

The Company recorded a goodwill impairment charge of $67.7 million related to the Regis salon concept during fiscal year 2012. Due to the continuation of decreased same-store sales, the estimated fair value of the Regis salon operations was less than the carrying value of this concept's net assets, including goodwill. The $67.7 million impairment charge was the excess of the carrying value of goodwill over the implied fair value of goodwill for the Regis salon concept.

The Company recorded a $74.1 million goodwill impairment charge related to the Promenade salon concept during fiscal year 2011. Due to lower than expected earnings and same-store sales, the estimated fair value of the Promenade salon operations was less than the carrying value of this concept's net assets, including goodwill. The $74.1 million impairment charge was the excess of the carrying value of goodwill over the implied fair value of goodwill for the Promenade salon concept.

Interest Expense

Interest expense increased by $9.3 million during fiscal year 2013 primarily due to a $10.6 million make-whole payment associated with the prepayment of private placement debt in June 2013, partially offset by decreased debt levels as compared to fiscal year 2012.

The 30 basis point improvement in interest as a percent of consolidated revenues during fiscal year 2012 was primarily due to decreased debt levels as compared to fiscal year 2011.

The 90 basis point improvement in interest as a percent of consolidated revenues during fiscal year 2011 was primarily due to a reduction in interest expense due to fiscal year 2010 including $18.0 million of make-whole payments and other fees associated with the repayment of private placement debt, and decreased debt levels during fiscal year 2011.

Interest Income and Other, net

The 160 basis point increase in interest income and other, net as a percent of consolidated revenues during fiscal year 2013 was primarily due to the recognition of a $33.8 million foreign currency translation gain in connection with the sale of Provalliance, partially offset by fiscal year 2012 including a favorable legal settlement and the foreign currency impact on the Company's investment in MY Style.

Interest income and other, net as a percent of consolidated revenues during fiscal year 2012, was consistent with the comparable prior period as there was a favorable foreign currency impact related to the Company's investment in MY Style and a favorable legal settlement during fiscal year 2012 that were offset by the prior year comparable period including higher fees received for warehousing services provided to the purchaser of Trade Secret.

The 30 basis point decrease in the interest income and other, net as a percent of consolidated revenues during fiscal year 2011 was primarily due to the foreign currency impact of the Company's investment in MY Style, $1.9 million received from the purchaser of Trade Secret in the comparable prior period for administrative services, and $1.9 million in interest income recorded in the comparable prior period on the outstanding note receivable due from the purchaser of Trade Secret.

Table of Contents

Income Taxes

During fiscal year 2013, the Company recognized an income tax benefit of $10.0 million on $10.1 million of income from continuing operations before income taxes and equity in loss of affiliated companies, for an effective tax rate of (99.3)%. The larger than expected effective tax rate benefit was because the $33.8 million foreign currency translation gain recognized at the time of the sale of Provalliance was primarily non-taxable, and the Company benefitted from Work Opportunity Tax Credits.

During fiscal year 2012, the Company recognized an income tax benefit of $4.4 million on $25.3 million of losses from continuing operations before income taxes and equity in loss of affiliated companies, for an effective tax rate of 17.5%. The smaller than expected effective tax rate was primarily because the $67.7 million Regis salon concept impairment charge was partially nondeductible for tax purposes.

During fiscal year 2011, the Company recognized an income tax benefit of $16.3 million on $43.9 million of loss from continuing operations before income taxes and equity in income of affiliated companies, for an effective tax rate of 37.2%. Significant items impacting the effective tax rate were the $74.1 million Promenade salon concept impairment charge which was partially nondeductible for tax purposes and the Company benefited from Work Opportunity Tax Credits.

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

The loss in affiliated companies, net of taxes for fiscal year 2013 was primarily due to the Company's $17.9 million other than temporary impairment charge recorded on its investment in EEG, partially offset by the Company's share of EEG's net income and a $0.6 million gain on the Provalliance equity put that automatically terminated as a result of the sale of the Company's investment in Provalliance. See Note 5 to the Consolidated Financial Statements for further discussion of each respective affiliated company.

The loss in affiliated companies, net of taxes for fiscal year 2012 was primarily due to the impairment losses of $17.2 and $19.4 million recorded on our investments in Provalliance and EEG, respectively. In conjunction with entering into a purchase agreement to sell Provalliance, the Company recorded a $37.4 million other than temporary impairment charge on its investment in Provalliance and $20.2 million reduction in the fair value of the Equity Put, resulting in a net impairment charge of $17.2 million. The Company recorded a $19.4 million other than temporary impairment charge for the excess of the carrying value of its investment in EEG over the fair value. The Company also recorded its $8.7 million share of an intangible asset impairment recorded directly by EEG. These impairments recorded during fiscal year 2012 were partially offset by our share of earnings of $9.7 and $4.7 million recorded for our investments in Provalliance and EEG, respectively.

Equity in income of affiliated companies, net of taxes for fiscal year 2011 was due to equity in income of $7.8 and $5.5 million recorded for our investments in Provalliance and EEG, respectively. In addition, the Company recorded a $9.0 million impairment loss related to the Company's investment in MY Style. The impairment charge was based on the decline in equity value of MY Style as a result of changes in projected revenue growth after the natural disasters that occurred in Japan during March 2011. The Company also recorded a $2.4 million net gain related to the settlement of a portion of the Company's equity put liability and additional ownership of the Frank Provost Group in Provalliance.

Income from Discontinued Operations, net of Taxes

During fiscal year 2013, the Company recognized $25.0 million of income, net of taxes from discontinued operations, primarily from an after-tax gain of $17.8 million realized upon the sale of Hair Club and $12.6 million of income from Hair Club operations, net of taxes, partially offset by

Table of Contents

$5.4 million of expense, net of taxes associated with professional and transaction fees. See Note 2 to the Consolidated Financial Statements for further discussion on discontinued operations.

During fiscal year 2012, the Company recognized $62.4 million of loss, net of taxes from discontinued operations, primarily from a $61.9 million loss, net of taxes from Hair Club operations, as a result of the $78.4 million goodwill impairment charge, and $1.6 million of expense, net of taxes associated with professional and transaction fees, partially offset by $1.1 million tax benefit related to the release of tax reserves associated with the disposition of our Trade Secret salon concept.

During fiscal year 2011, the Company recognized $12.0 of income, net of taxes, from Hair Club operations.

Recent Developments

First Quarter-to-Date Fiscal 2014 Sales Trends

As of August 25, 2013, first quarter-to-date same store service sales and product sales were down 3.4% and 14.9%, respectively. The Company believes these declines are short-term in nature, and we have seen improvement in August same-store service sales which are down 2.4%, a 180 basis point improvement since July. We expect these trends to further improve as our new field teams transition from reorganizing and hiring activities to focusing on their salons, and as we become more comfortable with and optimize our use of the new POS system. The Company has taken a number of steps to reverse this short-term trend, including providing an incentive for stylists to gain traction on our first quarter promotion and accelerating by two weeks the delivery of items within our new product assortment so that salon shelves could be reset sooner. Since salon resets were just completed several weeks ago, product sales trends have yet to show improvement.

Field Reorganization Financial Statement Expense Classification

Beginning in the first quarter of fiscal year 2014, the field reorganization, excluding salons within the mass premium category, will result in a change in expense classifications on our Statement of Operations. Previously, field leaders did not work on the salon floor daily. As reorganized, field leaders will spend most of their time on the salon floor leading, mentoring and serving guests. Accordingly, field leader costs, including their labor and travel costs, will directly arise from the management of salon operations. As a result, district and senior district leader labor costs will be reported within Cost of Service rather than General and Administrative expenses, and their travel costs will be reported within Site Operating expenses rather than General and Administrative expenses. This expense classification will have no financial impact on the Company's reported operating income (loss), reported net income (loss) or cash flows from operations.

Recent Accounting Pronouncements

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

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents, and our revolving credit facility are our most significant sources of liquidity. We believe our sources of liquidity will be sufficient to sustain operations and to finance strategic initiatives. We also anticipate having access to long-term financing. However, in the event our liquidity is insufficient and we are not able to access long-term financing, we may be required to limit or delay our strategic initiatives. There can be no assurance that we will continue to generate cash flows at or above current levels.

Table of Contents

As of June 30, 2013, cash and cash equivalents were $200.5 million, with $176.4, $11.7 and $12.4 million in the United States, Canada, and Europe, respectively. As of June 30, 2013, the Company has a $33.3 million income tax receivable of which approximately $11 million is expected to be collected during the first quarter of fiscal year 2014.

We have a $400.0 million five-year senior unsecured revolving credit facility with a syndicate of banks that expires in June 2018. As of June 30, 2013, the Company had no outstanding borrowings under the facility, and had outstanding standby letters of credit under the facility of $2.2 million, primarily related to its self-insurance program. Accordingly, unused available credit under the facility at June 30, 2013 was $397.8 million. The credit under this facility could be used to fund the convertible senior term notes should the Company choose to settle these notes in cash. Refer to additional discussion under financing arrangements.

Our ability to access our revolving credit facility is subject to our compliance with the terms and conditions of such facility, including a maximum leverage ratio, a minimum fixed charge ratio and other covenants and requirements. At June 30, 2013, we were in compliance with all covenants and other requirements of our credit agreement and senior notes.

Cash Flows

Cash Flows from Operating Activities

Fiscal year 2013 cash provided by operating activities of $69.1 million declined by $84.6 million compared to the previous fiscal year. Despite higher earnings in the current year, the decrease is attributable to decreases in revenues and increased cost of service and product resulting in changes in working capital. Cash payments of deferred compensation and income taxes also contributed to declines in cash provided by operating activities.

Fiscal year 2012 cash provided by operating activities of $153.7 million declined by $75.5 million compared to the previous fiscal year, $51.8 million of this decrease related to the timing of accruals and a reduction in the amount received for income taxes, as fiscal year 2011 included a tax refund related to the fiscal year 2009 loss on discontinued operations. Cash provided by operating activities was also lower due to a decrease of $6.0 million in dividends received from affiliated companies.

Fiscal year 2011 cash provided by operating activities of $229.2 million increased by $37.0 million mainly due to an increase of $7.6 million in dividends received from affiliated companies and a $23.9 million reduction in income tax receivables.

Cash Flows from Investing Activities

Cash provided by investing activities during fiscal year 2013 of $165.1 million was greater than the $90.9 million use of cash in fiscal year 2012. In fiscal year 2013, we received $266.2 million from the sales of Hair Club and Provalliance and $26.4 million from EEG related to principal payments on the outstanding note receivable and revolving line of credit. These were partially offset by the Company placing $24.5 million into restricted cash to collateralize its self-insurance program, enabling the Company to reduce fees associated with previously utilized standby letters of credit, and increased capital expenditures primarily related to the Company's POS system implementation.

Cash used by investing activities of $90.9 million during fiscal year 2012 was less than fiscal year 2011 of $144.3 million due to the comparable prior period including the acquisition of approximately 17 percent additional equity interest in Provalliance for $57.3 million, a decrease in the amount of cash paid for acquisitions during fiscal year 2012, partially offset by an increase in capital expenditures during fiscal year 2012 for a POS system and new salon construction.

Table of Contents

Cash used by investing activities of $144.3 million during fiscal year 2011 was greater compared to fiscal year 2010 of $44.6 million due to the acquisition of approximately 17 percent additional equity interest in Provalliance for $57.3 million, a disbursement of $15.0 million on the revolving credit facility with EEG and planned increases in acquisitions and capital expenditures.

Cash Flows from Financing Activities

During fiscal years 2013, 2012 and 2011, the primary use of cash within financing activities was for repayments of long-term debt of $118.2, $29.7 and $137.7 million, respectively and dividends of $13.7, $13.9 and $11.5 million, respectively. During fiscal year 2013 the Company used $14.9 million to repurchase common stock under its share repurchase program and prepaid $89.3 million in private placement debt.

Financing Arrangements

Financing activities are discussed in Note 7 to the Consolidated Financial Statements in Part II, Item 8. Derivative activities are discussed in Note 1 to the Consolidated Financial Statements in Part II, Item 8 and Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk."

Management believes that cash generated from operations and amounts available under existing debt facilities will be sufficient to fund its anticipated capital expenditures and required debt repayments for the foreseeable future. As of June 30, 2013, we have $397.8 million available under our existing revolving credit facility.

The Company's financing arrangements consists of the following:

		Interest rate %			
		Fiscal Years		June 30,	
	Maturity Dates	2013	2012	2013	2012
	(fiscal year)			(Dollars in thousands)	
Senior term notes	2013	6.69 - 8.50%	6.69 - 8.50%	$	$ 111,429
Convertible senior notes(1)	2015	5.00	5.00	166,454	161,134
Revolving credit facility	2018				
Equipment and leasehold notes payable	2015 - 2016	4.90 - 8.75	4.90 - 8.75	8,316	14,780
Other notes payable	2013	5.75 - 8.00	5.75 - 8.00		331
				174,770	287,674
Less current portion(1)				(173,515)	(28,937)
Long-term portion				$ 1,255	$ 258,737

(1) On or after April 15, 2014, holders may convert each of their senior convertible notes at their option at any time prior to the July 10, 2014 maturity date. As a result, the Company has included the convertible senior notes within long-term debt, current portion on the Consolidated Balance Sheet.

In June 2013, the Company entered into a Sixth Amended and Restated Credit Agreement (Credit Agreement), which amended and restated in its entirety, the Company's existing Fifth Amended and Restated Credit Agreement that was entered into during fiscal year 2011. The Credit Agreement provides for a $400.0 million unsecured five-year revolving credit facility that expires in June 2018 and includes, among other things, a maximum leverage ratio covenant, a minimum fixed charge coverage ratio covenant, and certain restrictions on liens, liquidity and other indebtedness. The Company may request an increase in revolving credit commitments under the facility of up to $200.0 million under certain circumstances. Events of default under the Credit Agreement include a change of control of the Company. We were in compliance with all covenants and other requirements of our credit agreement and senior notes as of June 30, 2013.

During June 2013, the Company prepaid $89.3 million of unsecured, fixed rate, senior term notes outstanding under a private shelf agreement.

Beginning in April 2014, the holders of our convertible senior term notes may convert their notes at their option. The Company has the choice of net-cash settlement, settlement in its own shares or a combination of both. As of June 30, 2013, the notes are convertible at a conversion rate of 65.4357 shares of the Company's common stock per $1,000 principal amount of notes, representing a conversion price of approximately $15.28 per share of the Company's common stock.

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

As of June 30,	**Debt to Capitalization**	**Basis Point (Decrease) Increase(1)**
2013	16.9%	(750)
2012	24.4	110
2011	23.3	(700)

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

The basis point improvement in the debt to capitalization ratio as of June 30, 2013 compared to June 30, 2012 was primarily due to the prepayment of $89.3 million in private placement debt.

The basis point increase in the debt to capitalization ratio as of June 30, 2012 compared to June 30, 2011 was primarily due to the decrease in shareholders' equity as a result of the non-cash goodwill impairment charges related to the Regis salon concept and Hair Restoration Centers reporting unit and a $36.6 million net impairment charge associated with our investments in Provalliance and EEG. Partially offsetting the impact of the decrease in shareholders' equity was a decrease in debt levels.

The basis point improvement in the debt to capitalization ratio as of June 30, 2011 compared to June 30, 2010 was primarily due to the repayment of an $85.0 million term loan during fiscal year 2011 and foreign currency translation adjustments due to the weakening of the United States dollar against the Canadian dollar and British Pound.

Table of Contents

Contractual Obligations and Commercial Commitments

The following table reflects a summary of obligations and commitments outstanding by payment date as of June 30, 2013:

	Payments due by period				
Contractual Obligations	Within 1 years	1 - 3 years	3 - 5 years	More than 5 years	Total
	(Dollars in thousands)				
On-balance sheet:					
Debt obligations	$ 166,454	$	$	$	$ 166,454
Capital lease obligations	7,061	1,255			8,316
Other long-term liabilities	4,651	4,958	3,266	7,870	20,745
Total on-balance sheet	178,166	6,213	3,266	7,870	195,515
Off-balance sheet(a):					
Operating lease obligations	297,328	412,332	181,277	65,992	956,929
Interest on long-term debt and capital lease obligations	9,035	422			9,457
Total off-balance sheet	306,363	412,754	181,277	65,992	966,386
Total	$ 484,529	$ 418,967	$ 184,543	$ 73,862	$ 1,161,901

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

On-Balance Sheet Obligations

Our long-term obligations are composed primarily of convertible debt. There were no outstanding borrowings under our revolving credit facility at June 30, 2013. Interest payments on long-term debt and capital lease obligations are estimated based on each debt obligation's agreed upon rate as of June 30, 2013 and scheduled contractual repayments.

Other long-term liabilities of $20.8 million include $14.5 million related to the Executive Profit Sharing Plan and a salary deferral program $6.3 million (including $0.1 million in interest) related to established contractual payment obligations under retirement and severance payment agreements for a small number of retired employees.

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

The Company has unfunded deferred compensation contracts covering certain management and executive personnel. The deferred compensation contracts are offered to key executives based on their performance within the Company. Because we cannot predict the timing or amount of our future payments related to these contracts, such amounts were not included in the table above. Related obligations totaled $3.5 and $9.5 million and are included in accrued liabilities and other noncurrent liabilities, respectively, in the Consolidated Balance Sheet at June 30, 2013. Refer to Note 10 to the Consolidated Financial Statements for additional information.

Table of Contents

As of June 30, 2013, we have liabilities for uncertain tax positions. We are not able to reasonably estimate the amount by which the liabilities will increase or decrease over time; however, at this time, we do not expect a significant payment related to these obligations within the next fiscal year. See Note 9 to the Consolidated Financial Statements for more information on our uncertain tax positions.

Off-Balance Sheet Arrangements

Operating leases primarily represent long-term obligations for the rental of salons, including leases for company-owned locations, as well as future salon franchisee lease payments of approximately $160.2 million, which are reimbursed to the Company by franchisees, and the guarantee of operating leases of salons operated by the purchaser of Trade Secret with future minimum lease payments of less than $3.0 million. Regarding franchisee subleases, we generally retain the right to the related salon assets, net of any outstanding obligations, in the event of a default by a franchise owner. Management has not experienced and does not expect any material loss to result from these arrangements.

We are a party to a variety of contractual agreements under which we may be obligated to indemnify the other party for certain matters, which indemnities may be secured by operation of law or otherwise, in the ordinary course of business. These contracts primarily relate to our commercial contracts, operating leases and other real estate contracts, financial agreements, agreements to provide services, and agreements to indemnify officers, directors and employees in the performance of their work. While our aggregate indemnification obligation could result in a material liability, we are not aware of any current matter that we expect to result in a material liability.

We do not have other unconditional purchase obligations or significant other commercial commitments such as commitments under lines of credit and standby repurchase obligations or other commercial commitments.

We continue to negotiate and enter into leases and commitments for the acquisition of equipment and leasehold improvements related to future salon locations.

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet financial arrangements or other contractually narrow or limited purposes at June 30, 2013. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Dividends

We paid dividends of $0.24 per share during fiscal years 2013 and 2012 and $0.20 per share during fiscal year 2011. On August 20, 2013, the Board of Directors of the Company declared a $0.06 per share quarterly dividend payable September 17, 2013 to shareholders of record on September 3, 2013.

Share Repurchase Program

In May 2000, the Company's Board of Directors (BOD) approved a stock repurchase program. Originally, the program authorized up to $50.0 million to be expended for the repurchase of the Company's stock. The BOD elected to increase this maximum to $100.0 million in August 2003, to $200.0 million on May 3, 2005, and to $300.0 million on April 26, 2007. The timing and amounts of any repurchases will depend on many factors, including the market price of the common stock and overall market conditions. Historically, the repurchases to date have been made primarily to eliminate the dilutive effect of shares issued in conjunction with acquisitions, restricted stock grants and stock option exercises. All repurchased shares become authorized but unissued shares of the Company. This repurchase program has no stated expiration date. The Company repurchased 909,175 shares of common stock through its share repurchase program during fiscal year 2013 for $14.9 million. The Company did not repurchase any shares during fiscal year 2012 or 2011. As of June 30, 2013 a total accumulated 7.7 million shares have been repurchased for $241.3 million. As of June 30, 2013, $58.7 million remains outstanding under the approved stock repurchase program.

Table of Contents

CRITICAL ACCOUNTING POLICIES

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

Our significant accounting policies can be found in Note 1 to the Consolidated Financial Statements contained in Part II, Item 8 of this Form 10-K. We believe the following accounting policies are most critical to aid in fully understanding and evaluating our reported financial condition and results of operations.

Investment In and Loans to Affiliates

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

During fiscal years 2013 and 2012, we recorded noncash impairments of $17.9 and $19.4 million related to our investment in EEG. Due to economic, regulatory and other factors, we may be required to take additional noncash impairment charges related to our investments and such noncash impairments could be material to our consolidated balance sheet and results of operations. In addition, our joint venture partners may be required to take noncash impairment charges related to long-lived assets and goodwill, and our share of such noncash impairment charges could be material to our consolidated balance sheet and results of operations. Our share of EEG's goodwill balances as of June 30, 2013 is approximately $16 million.

Goodwill

Goodwill is tested for impairment annually or at the time of a triggering event. In evaluating whether goodwill is impaired, the Company compares the carrying value of each reporting unit, including goodwill, to the estimated fair value of the reporting unit. The carrying value of each reporting unit is based on the assets and liabilities associated with the operations of the reporting unit, including allocation of shared or corporate balances among reporting units. Allocations are generally based on the number of salons in each reporting unit as a percent of total company-owned salons.

The Company calculates the estimated fair value of the reporting units based on discounted future cash flows that utilize estimates in annual revenue, gross margins, fixed expense rates, allocated corporate overhead, and long-term growth rates for determining terminal value. Where available and as appropriate, comparative market multiples are used in conjunction with the results of the discounted cash flows. The Company considers its various concepts to be reporting units when testing for goodwill impairment because that is where the goodwill resides. The Company periodically engages third-party valuation consultants to assist in evaluation of the Company's estimated fair value calculations.

Table of Contents

In situations where a reporting unit's carrying value exceeds its estimated fair value, the amount of the impairment loss must be measured. The measurement of impairment is calculated by determining the implied fair value of a reporting unit's goodwill. In calculating the implied fair value of goodwill, the fair value of the reporting unit is allocated to all other assets and liabilities of that unit based on the relative fair values under the assumption of a taxable transaction. The excess of the fair value of the reporting unit over the amount assigned to its assets and liabilities is the implied fair value of goodwill. The goodwill impairment is measured as the excess of the carrying value of goodwill over its implied fair value.

No goodwill impairment charges were recorded during fiscal year 2013. We impaired $67.7 and $74.1 million of goodwill associated with our Regis and Promenade salon concepts during fiscal year 2012 and 2011, respectively.

For the fiscal year 2013 annual impairment testing of goodwill, the estimated fair value of the Regis salon concept exceeded its respective carrying value by approximately 9.0 percent. As it is reasonably likely that there could be 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 fiscal year 2013 annual impairment test of the Regis salon concept are outlined below:

Annual revenue growth. Annual revenue growth is primarily driven by assumed same-store sales rates of approximately negative 2.0 to positive 3.0 percent. Other considerations include anticipated economic conditions and moderate new salon growth.

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

Fixed expense rates. Fixed expense rate increases of approximately 1.0 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 and business plans.

Discount rate. A discount rate of 13.5 percent based on 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, risk adjusted for the Regis salon concept.

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):

Critical Assumptions	**Increase (Decrease)**	**Approximate Decrease in Fair Value**
		(In thousands)
Discount Rate	1.0%	$ 4,500
Same-Store Sales	(1.0)	500

Table of Contents

The respective fair values of the Company's remaining reporting units exceeded fair value by greater than 20.0 percent at June 30, 2013. While the Company has determined the estimated fair values of Regis to be appropriate based on the historical level of revenue growth, operating income and cash flows, it is reasonably likely that Regis may experience additional impairment in future periods. The term "reasonably likely" refers to an occurrence that is more than remote but less than probable in the judgment of the Company. Because some of the inherent assumptions and estimates used in determining the fair value of the reportable segment are outside the control of management, changes in these underlying assumptions can adversely impact fair value. Potential impairment of a portion or all of the carrying value of goodwill for the Regis reporting unit is dependent on many factors and cannot be predicted with certainty.

As of June 30, 2013, the Company's estimated fair value, as determined by the sum of our reporting units' fair value reconciled to within a reasonable range of our market capitalization which included an assumed control premium.

A summary of the Company's goodwill balance by reporting unit is as follows:

Reporting Unit	June 30, 2013	June 30, 2012
	(Dollars in thousands)	
Regis	$ 34,953	$ 34,992
MasterCuts	4,652	4,652
SmartStyle	49,286	49,476
Supercuts	129,610	129,621
Promenade	242,384	243,538
Total	$ 460,885	$ 462,279

Long-Lived Assets, Excluding Goodwill

We assess the impairment of long-lived assets when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. Our impairment analysis on salon property and equipment is performed on a salon by salon basis. The Company's test for impairment is performed at a salon level as this is the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Factors considered in deciding when to perform an impairment review include significant under-performance of an individual salon in relation to expectations, significant economic or geographic trends, and significant changes or planned changes in our use of the assets. Impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use of the related salon assets that does not recover the carrying value of the salon assets. The fair value estimate is based on the best information available, including market data.

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

During fiscal years 2013, 2012 and 2011, $8.2, $6.6 and $6.5 million, respectively, of impairments were recorded within depreciation and amortization in the Consolidated Statement of Operations.

Table of Contents

Income Taxes

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the Consolidated Financial Statements or income tax returns. Deferred income tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using currently enacted tax rates in effect for the years in which the differences are expected to reverse. In the United States, after excluding certain deferred tax liabilities related to assets with indefinite lives, the Company has net deferred tax assets of approximately $56.3 million. Realization of deferred tax assets is ultimately dependent upon future taxable income. We assess the likelihood that deferred tax assets will be recovered. If recovery is not likely, we must increase our provision for income taxes by recording a reserve, in the form of a valuation allowance, for the deferred tax assets that will not ultimately be recoverable. Should the Company's present financial trends continue, it is reasonably possible that the Company could determine that a valuation allowance against the United States deferred tax assets will be required. We recognize a reserve for potential liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on our estimate of whether additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary. If our estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result. Inherent in the measurement of deferred balances are certain judgments and interpretations of tax laws and published guidance with respect to the Company's operations. Income tax expense is primarily the current tax payable for the period and the change during the period in certain deferred tax assets and liabilities.

Contingencies

We are involved in various lawsuits and claims that arise from time to time in the ordinary course of our business. Accruals are recorded for such contingencies based on our assessment that the occurrence is probable and can be reasonably estimated. Management considers many factors in making these assessments including past history and the specifics of each case. However, litigation is inherently unpredictable and excessive verdicts do occur, which could have a material impact on our Consolidated Financial Statements.

During fiscal year 2013, the Company incurred $1.2 million of expense in conjunction with the derivative shareholder action. During fiscal year 2012, the Company was awarded $1.1 million in conjunction with a class-action lawsuit. During fiscal year 2011, the Company settled a legal claim with the former owner of Hair Club for $1.7 million.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk:

The Company has established an interest rate management policy that attempts to minimize its overall cost of debt, while taking into consideration earnings implications associated with volatility in

Table of Contents

short-term interest rates. On occasion, the Company uses interest rate swaps to further mitigate the risk associated with changing interest rates and to maintain its desired balances of fixed and floating rate debt. In addition, access to variable rate debt is available through the Company's revolving credit facility. The Company reviews its policy and interest rate risk management quarterly and makes adjustments in accordance with market conditions and the Company's short and long-term borrowing needs. As of June 30, 2013, the Company did not have any outstanding variable rate debt as there were no amounts outstanding on the revolving credit facility. The Company had outstanding fixed rate debt balances of $174.8 and $287.7 million at June 30, 2013 and June 30, 2012, respectively.

Foreign Currency Exchange Risk:

Over 85% of the Company's revenue, expense and capital purchasing activities are transacted in United States dollars. However, because a portion of the Company's operations consists of activities outside of the United States, the Company has transactions in other currencies, primarily the Canadian dollar and British pound. In preparing the Consolidated Financial Statements, the Company is required to translate the financial statements of its foreign subsidiaries from the currency in which they keep their accounting records, generally the local currency, into United States dollars. Different exchange rates from period to period impact the amounts of reported income and the amount of foreign currency translation recorded in accumulated other comprehensive income (AOCI). As part of its risk management strategy, the Company frequently evaluates its foreign currency exchange risk by monitoring market data and external factors that may influence exchange rate fluctuations. As a result, the Company may engage in transactions involving various derivative instruments to hedge assets, liabilities and purchases denominated in foreign currencies. As of June 30, 2013, the Company did not have any derivative instruments to manage its foreign currency risk.

During fiscal years 2013, 2012, and 2011 the foreign currency gain (loss) included in net income was $33.4, $0.4, and ($1.5) million, respectively. During fiscal year 2013, Company recognized a $33.8 million foreign currency translation gain in connection with the sale of Provalliance and subsequent liquidation of all foreign entities with Euro denominated operations.

Table of Contents

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements:

Table of Contents

Management's Statement of Responsibility for Financial Statements and Report on Internal Control over Financial Reporting

Financial Statements

Management is responsible for preparation of the consolidated financial statements and other related financial information included in this annual report on Form 10-K. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, incorporating management's reasonable estimates and judgments, where applicable.

Management's Report on Internal Control over Financial Reporting

This report is provided by management pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and the SEC rules promulgated thereunder. Management, including the chief executive officer and chief financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting and for assessing effectiveness of internal control over financial reporting.

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

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

Management has assessed the Company's internal control over financial reporting as of June 30, 2013, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment of the Company's internal control over financial reporting, management has concluded that, as of June 30, 2013, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of the Company's internal control over financial reporting as of June 30, 2013, as stated in their report which follows in Item 8 of this Form 10-K.

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Regis Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Regis Corporation and its subsidiaries at June 30, 2013 and June 30, 2012, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2013, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Statement of Responsibility for Financial Statements and Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
August 27, 2013

Table of Contents

REGIS CORPORATION

CONSOLIDATED BALANCE SHEET

(Dollars in thousands, except per share data)

	June 30, 2013	June 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 200,488	$ 111,943
Receivables, net	33,062	28,954
Inventories	139,607	142,276
Deferred income taxes	24,145	14,503
Income tax receivable	33,346	14,098
Other current assets	57,898	55,903
Current assets held for sale (Note 2)		17,000
Total current assets	488,546	384,677
Property and equipment, net	313,460	305,799
Goodwill	460,885	462,279
Other intangibles, net	21,496	23,395
Investment in and loans to affiliates	43,319	160,987
Other assets	62,786	59,488
Long-term assets held for sale (Note 2)		175,221
Total assets	$ 1,390,492	$ 1,571,846
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Long-term debt, current portion	$ 173,515	$ 28,937
Accounts payable	66,071	47,890
Accrued expenses	137,226	157,026
Current liabilities related to assets held for sale (Note 2)		18,120
Total current liabilities	376,812	251,973
Long-term debt and capital lease obligations	1,255	258,737
Other noncurrent liabilities	155,011	143,972
Long-term liabilities related to assets held for sale (Note 2)		28,007
Total liabilities	533,078	682,689
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Common stock, $0.05 par value; issued and outstanding, 56,630,926 and 57,415,241 common shares at June 30, 2013 and 2012, respectively	2,832	2,871
Additional paid-in capital	334,266	346,943
Accumulated other comprehensive income	20,556	55,114
Retained earnings	499,760	484,229
Total shareholders' equity	857,414	889,157
Total liabilities and shareholders' equity	$ 1,390,492	$ 1,571,846

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

Table of Contents

REGIS CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except per share data)

	Fiscal Years		
	2013	**2012**	**2011**
Revenues:			
Service	$ 1,563,890	$ 1,643,891	$ 1,695,424
Product	415,707	440,048	447,465
Royalties and fees	39,116	38,288	37,292
	2,018,713	2,122,227	2,180,181
Operating expenses:			
Cost of service	930,687	941,671	972,894
Cost of product	228,577	221,635	225,191
Site operating expenses	203,912	207,031	211,223
General and administrative	226,740	249,634	285,845
Rent	324,716	331,769	333,059
Depreciation and amortization	91,755	104,970	92,151
Goodwill impairment		67,684	74,100
Total operating expenses	2,006,387	2,124,394	2,194,463
Operating income (loss)	12,326	(2,167)	(14,282)
Other income (expense):			
Interest expense	(37,594)	(28,245)	(34,374)
Interest income and other, net	35,366	5,098	4,723
Income (loss) from continuing operations before income taxes and equity in (loss) income of affiliated companies	10,098	(25,314)	(43,933)
Income taxes	10,024	4,430	16,333
Equity in (loss) income of affiliated companies, net of income taxes	(15,956)	(30,859)	6,661
Income (loss) from continuing operations	4,166	(51,743)	(20,939)
Income (loss) from discontinued operations, net of taxes (Note 2)	25,028	(62,350)	12,034
Net income (loss)	$ 29,194	$ (114,093)	$ (8,905)
Net income (loss) income per share:			
Basic:			
Income (loss) from continuing operations	0.07	(0.91)	(0.37)
Income (loss) from discontinued operations	0.44	(1.09)	0.21
Net income (loss) per share, basic	$ 0.51	$ (2.00)	$ (0.16)
Diluted:			
Income (loss) from continuing operations	0.07	(0.91)	(0.37)
Income (loss) from discontinued operations	0.44	(1.09)	0.21
Net income (loss) per share, diluted	$ 0.51	$ (2.00)	$ (0.16)

Weighted average common and common equivalent shares outstanding:						
Basic		56,704		57,137		56,704
Diluted		56,846		57,137		56,704
Cash dividends declared per common share	$	0.24	$	0.24	$	0.20

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

Table of Contents

REGIS CORPORATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME

(Dollars in thousands)

	Fiscal Years		
	2013	**2012**	**2011**
Net income (loss)	$ 29,194	$ (114,093)	$ (8,905)
Other comprehensive loss:			
Foreign currency translation adjustments:			
Foreign currency translation adjustments during the period	(1,349)	(24,254)	30,405
Reclassification adjustments for gains included in net income (loss)	(33,842)		
Net current period foreign currency translation adjustments	(35,191)	(24,254)	30,405
Recognition of deferred compensation and other, net of tax expense of $411, $644, and $232, respectively	656	1,029	377
Change in fair market value of financial instruments designated as cash flow hedges, net of tax (benefit) expense of $(12), $210 and $86, respectively	(23)	393	132
Other comprehensive (loss) income	(34,558)	(22,832)	30,914
Comprehensive (loss) income	$ (5,364)	$ (136,925)	$ 22,009

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

Table of Contents

REGIS CORPORATION

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Dollars in thousands, except share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance, June 30, 2010	57,561,180	$ 2,878	$ 332,372	$ 47,032	$ 631,011	$ 1,013,293
Net loss					(8,905)	(8,905)
Foreign currency translation adjustments				30,405		30,405
Proceeds from exercise of SARs & stock options	45,933	2	680			682
Stock-based compensation			9,596			9,596
Shares issued through franchise stock incentive program	24,472	1	397			398
Recognition of deferred compensation and other, net of taxes (Note 10)				509		509
Tax benefit realized upon exercise of stock options			67			67
Net restricted stock activity	79,226	5	(1,795)			(1,790)
Vested stock option expirations			(127)			(127)
Dividends					(11,509)	(11,509)
Balance, June 30, 2011	57,710,811	2,886	341,190	77,946	610,597	1,032,619
Net loss					(114,093)	(114,093)
Foreign currency translation adjustments				(24,254)		(24,254)
Proceeds from exercise of SARs& stock options	60					
Stock-based compensation			7,597			7,597
Shares issued through franchise stock incentive program	18,844	1	305			306
Recognition of deferred compensation and other, net of taxes (Note 10)				1,422		1,422
Net restricted stock activity	(314,474)	(16)	(1,426)			(1,442)
Vested stock option expirations			(723)			(723)
Cumulative minority interest (Note 1)					1,580	1,580
Dividends					(13,855)	(13,855)
Balance, June 30, 2012	57,415,241	2,871	346,943	55,114	484,229	889,157
Net income					29,194	29,194
Foreign currency translation adjustments				(35,191)		(35,191)
Stock repurchase plan	(909,175)	(45)	(14,823)			(14,868)
Proceeds from exercise of SARs & stock options	3,051		41			41
Stock-based compensation			5,881			5,881
Shares issued through franchise stock incentive program	19,583	1	356			357
Recognition of deferred compensation and other, net of taxes (Note 10)				633		633
Net restricted stock activity	102,226	5	(2,728)			(2,723)
Vested stock option expirations			(1,404)			(1,404)
Minority interest (Note 1)					45	45
Dividends					(13,708)	(13,708)

Balance, June 30, 2013	56,630,926	$ 2,832	$ 334,266	$ 20,556	$ 499,760	$ 857,414

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

Table of Contents

REGIS CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in thousands)

	Fiscal Years		
	2013	**2012**	**2011**
Cash flows from operating activities:			
Net income (loss)	$ 29,194	$ (114,093)	$ (8,905)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	84,018	111,435	98,428
Equity in loss (income) of affiliated companies	15,328	30,043	(7,228)
Dividends received from affiliated companies	1,095	4,047	10,023
Deferred income taxes	10,322	(14,171)	(14,711)
Accumulated other comprehensive income reclassification adjustments (Note 5)	(33,842)		
Gain on from sale of discontinued operations	(17,827)		
Loss on write down of inventories	12,557		
Goodwill impairment		146,110	74,100
Salon asset impairments	8,224	6,636	6,681
Note receivable bad debt (recovery) expense	(333)	(805)	31,227
Stock-based compensation	5,881	7,597	9,596
Amortization of debt discount and financing costs	7,346	6,696	6,469
Other noncash items affecting earnings	394	31	1,511
Changes in operating assets and liabilities(1):			
Receivables	(4,332)	(4,502)	(2,358)
Inventories	(10,745)	2,644	4,629
Income tax receivable	(23,421)	2,809	23,855
Other current assets	(8,064)	(5,272)	4,725
Other assets	239	(841)	(11,050)
Accounts payable	19,086	(4,856)	(2,973)
Accrued expenses	(26,431)	(8,657)	3,341
Other noncurrent liabilities	459	(11,151)	1,818
Net cash provided by operating activities	69,148	153,700	229,178
Cash flows from investing activities:			
Capital expenditures	(105,857)	(85,769)	(71,469)
Proceeds from sale of assets	163,916	502	626
Asset acquisitions, net of cash acquired		(2,587)	(17,990)
Proceeds from loans and investments	131,581	11,995	16,804
Disbursements for loans and investments		(15,000)	(72,301)
Change in restricted cash	(24,500)		
Net cash provided by (used in) investing activities	165,140	(90,859)	(144,330)
Cash flows from financing activities:			
Borrowings on revolving credit facilities	5,200	471,500	
Payments on revolving credit facilities	(5,200)	(471,500)	
Repayments of long-term debt and capital lease obligations	(118,223)	(29,693)	(137,671)
Repurchase of common stock	(14,868)		
Proceeds from issuance of common stock			749
Dividends paid	(13,708)	(13,855)	(11,509)
Net cash used in financing activities	(146,799)	(43,548)	(148,431)
Effect of exchange rate changes on cash and cash equivalents	1,056	(3,613)	7,975
Increase (decrease) in cash and cash equivalents	88,545	15,680	(55,608)
Cash and cash equivalents:			

Beginning of year	111,943	96,263	151,871
End of year	$ 200,488	$ 111,943	$ 96,263

(1) Changes in operating assets and liabilities exclude assets acquired and liabilities assumed through acquisitions.

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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description:

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

Based on the way the Company manages its business, it has two reportable segments: North American and international salons.

Consolidation:

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

Variable Interest Entities:

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

As of June 30, 2013, the Company has one VIE, Roosters, where the Company is the primary beneficiary. The Company owns a 60.0% ownership interest in Roosters. As of June 30, 2013, total assets, total liabilities, and total shareholders' equity of Roosters were $6.2, $2.1, and $4.1 million, respectively. Net income attributable to the non-controlling interest in Roosters was immaterial for fiscal years 2013 and 2012. Shareholders' equity attributable to the non-controlling interest in Roosters was $1.6 million as of June 30, 2013 and 2012, and recorded within retained earnings on the Consolidated Balance Sheet.

Reclassifications:

Beginning in the first quarter of fiscal year 2013, salon marketing and advertising expenses that were presented within cost of service and general and administrative operating expense line items in prior filings were reclassified to site operating expenses within the Consolidated Statement of Operations. Reclassifications were made to better present how management of the Company views the respective salon marketing and advertising expenses. Prior period amounts have been reclassified to

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

conform to the current year presentation. These reclassifications had no impact on operating income, net income or cash flows from operations. The tables below presents the impact of the reclassification:

	Fiscal Year 2012		
	Prior Presentation(1)	Reclassification	As Presented
	(Dollars in thousands)		
Cost of service	$ 942,461	$ (790)	$ 941,671
Site operating expenses	192,246	14,785	207,031
General and administrative	263,629	(13,995)	249,634

	Fiscal Year 2011		
	Prior Presentation(1)	Reclassification	As Presented
	(Dollars in thousands)		
Cost of service	$ 973,739	$ (845)	$ 972,894
Site operating expenses	193,404	17,819	211,223
General and administrative	302,819	(16,974)	285,845

(1) Excludes amounts related to discontinued operations. See Note 2 to the Consolidated Statement of Operations.

In addition, expenses associated with our distribution centers were reclassified from Corporate to North America reportable segment. Reclassifications were made to better present how management of the Company views the respective distribution centers expenses. This reclassification had no impact on our Consolidated Statement of Operations and Consolidated Statement of Cash Flows. Prior period amounts have been reclassified to conform to the current year presentation. The table below presents the impact of the reclassification of depreciation and amortization expenses and operating income (loss) between the Company's Corporate and North America reportable segments:

	Fiscal Year 2012					
	North America			Unallocated Corporate		
	Prior Presentation	Reclassification	As Presented(2)	Prior Presentation(1)	Reclassification	As Presented(2)
	(Dollars in thousands)					
Depreciation and amortization	$ 68,983	$ 2,270	$ 71,253	$ 30,690	$ (2,270)	$ 28,420
Operating income (loss)	165,368	(25,394)	139,974	(170,040)	25,394	(144,646)

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	Fiscal Year 2011					
	North America			Unallocated Corporate		
	Prior Presentation	Reclassification	As Presented(2)	Prior Presentation	Reclassification	As Presented(2)
	(Dollars in thousands)					
Depreciation and amortization	$ 69,763	$ 2,444	$ 72,207	$ 17,638	$ (2,444)	$ 15,194
Operating income (loss)	166,683	(26,726)	139,957	(187,703)	26,726	(160,977)

(1) Excludes amounts related to discontinued operations. See Note 2 to the Consolidated Statement of Operations.

(2) See Note 14 to the Consolidated Statement of Operations for presentation of segment information.

Use of Estimates:

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

Cash and Cash Equivalents:

Cash equivalents consist of investments in short-term, highly liquid securities having original maturities of three months or less, which are made as a part of the Company's cash management activity. The carrying values of these assets approximate their fair market values. The Company primarily utilizes a cash management system with a series of separate accounts consisting of lockbox accounts for receiving cash, concentration accounts that funds are moved to, and several "zero balance" disbursement accounts for funding of payroll and accounts payable. As a result of the Company's cash management system, checks issued, but not presented to the banks for payment, may create negative book cash balances. There were no checks outstanding in excess of related book cash balances at June 30, 2013 and 2012.

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

Receivables and Allowance for Doubtful Accounts:

The receivable balance on the Company's Consolidated Balance Sheet primarily includes credit card receivables and accounts and notes receivable from franchisees. The balance is presented net of an allowance for expected losses (i.e., doubtful accounts), primarily related to receivables from the Company's franchisees. The Company monitors the financial condition of its franchisees and records provisions for estimated losses on receivables when it believes franchisees are unable to make their required payments based on factors such as delinquencies and aging trends.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses related to existing accounts and notes receivables. As of June 30, 2013, and 2012 the allowance for doubtful accounts was $0.6 and $0.7 million, respectively.

Inventories:

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

Physical inventory counts are performed annually. Product and service inventories are adjusted based on the results of the physical inventory counts. Between the physical inventory counts, cost of retail product sold to salon guests is determined based on the weighted average cost of product sold, adjusted for an estimated shrinkage factor, and the cost of product used in salon services is determined by applying estimated percentage of total cost of service and product to service revenues. The estimated percentage related to service inventories are updated quarterly based on the results of cycle counts and other factors that could impact the Company's margin rate estimates such as mix of service sales, discounting and special promotions. Actual results for the estimated percentage as compared to the quarterly estimates have not historically resulted in material adjustments to our Statement of Operations.

The Company has inventory valuation reserves for excess, obsolescence or other factors that may render inventories unmarketable at their historical costs. Estimates of the future demand for the Company's inventory and anticipated changes in formulas and packaging are some of the other factors used by management in assessing the net realizable value of inventories. During fiscal year 2013, the Company recorded an inventory reserve of $12.6 million associated with standardizing plan-o-grams and eliminating retail products and consolidating its four private label brands to one.

Property and Equipment:

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation of property and equipment is computed using the straight-line method over their estimated useful asset lives (30 to 39 years for buildings, 10 years for improvements and three to ten years for equipment, furniture and software). Depreciation expense was $81.8, $96.4, and $83.5 million in fiscal years 2013, 2012, and 2011, respectively.

The Company capitalizes both internal and external costs of developing or obtaining computer software for internal use. Costs incurred to develop internal-use software during the application development stage are capitalized, while data conversion, training and maintenance costs associated with internal-use software are expensed as incurred. Amortization expense related to capitalized software was $6.8, $22.3, and $8.4 million in fiscal years 2013, 2012, and 2011, respectively, which has been determined based on an estimated useful lives ranging from five to seven years.

The Company implemented a third party point-of-sale (POS) information system in fiscal year 2013. The Company recorded $16.2 million of accelerated amortization expense in fiscal year 2012 associated with a previously developed POS system that became fully depreciated as of June 30, 2012.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Lived Asset Impairment Assessments, Excluding Goodwill:

The Company assessed the impairment of long-lived assets when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. The Company's impairment analysis on salon property and equipment is performed on a salon by salon basis. The Company's test for impairment is performed at a salon level as this is the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Factors considered in deciding when to perform an impairment review include significant under-performance of an individual salon in relation to expectations, significant economic or geographic trends, and significant changes or planned changes in our use of the assets. Impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use of the related salon assets that does not recover the carrying value of the salon assets. The fair value estimate is based on the best information available, including market data.

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

During fiscal years 2013, 2012 and 2011, $8.2, $6.6 and $6.5 million, respectively, of impairments were recorded within depreciation and amortization in the Consolidated Statement of Operations.

Goodwill:

Goodwill is tested for impairment annually or at the time of a triggering event. In evaluating whether goodwill is impaired, the Company compares the carrying value of each reporting unit, including goodwill, to the estimated fair value of the reporting unit. The carrying value of each reporting unit is based on the assets and liabilities associated with the operations of the reporting unit, including allocation of shared or corporate balances among reporting units. Allocations are generally based on the number of salons in each reporting unit as a percent of total company-owned salons.

The Company calculates the estimated fair value of the reporting units based on discounted future cash flows that utilize estimates in annual revenue, gross margins, fixed expense rates, allocated corporate overhead, long-term growth rates for determining terminal value, and a discount rate based on the weighted average cost of capital. Where available and as appropriate, comparative market multiples are used in conjunction with the results of the discounted cash flows. The Company considers its various concepts to be reporting units when testing for goodwill impairment because that is where the goodwill resides. The Company periodically engages third-party valuation consultants to assist in evaluation of the Company's estimated fair value calculations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In situations where a reporting unit's carrying value exceeds its estimated fair value, the amount of the impairment loss must be measured. The measurement of impairment is calculated by determining the implied fair value of a reporting unit's goodwill. In calculating the implied fair value of goodwill, the fair value of the reporting unit is allocated to all other assets and liabilities of that unit based on the relative fair values under the assumption of a taxable transaction. The excess of the fair value of the reporting unit over the amount assigned to its assets and liabilities is the implied fair value of goodwill. The goodwill impairment is measured as the excess of the carrying value of goodwill over its implied fair value.

For the fiscal year 2013 annual impairment testing of goodwill, the estimated fair value of the Regis salon concept reporting unit exceeded the carrying value by approximately 9.0 percent. The respective fair values of the Company's remaining reporting units exceeded carrying value by greater than 20.0 percent at June 30, 2013. While the Company has determined the estimated fair value of Regis to be appropriate based on the historical level of revenue growth, operating income and cash flows, it is reasonably likely that Regis may experience additional impairment in future periods. The term "reasonably likely" refers to an occurrence that is more than remote but less than probable in the judgment of the Company. Because some of the inherent assumptions and estimates used in determining the fair value of the reportable segment are outside the control of management, changes in these underlying assumptions can adversely impact fair value. Potential impairment of a portion or all of the carrying value of goodwill for the Regis salon concept reporting unit is dependent on many factors and cannot be predicted with certainty.

As of June 30, 2013, the Company's estimated fair value, as determined by the sum of our reporting units' fair value reconciled to within a reasonable range of our market capitalization which included an assumed control premium.

A summary of the Company's goodwill balance by reporting unit is as follows:

Reporting Unit	June 30, 2013	June 30, 2012
	(Dollars in thousands)	
Regis	$ 34,953	$ 34,992
MasterCuts	4,652	4,652
SmartStyle	49,286	49,476
Supercuts	129,610	129,621
Promenade	242,384	243,538
Total	$ 460,885	$ 462,279

No goodwill impairment charges were recorded during fiscal year 2013. As a result of the goodwill impairment analyses performed in fiscal years 2012 and 2011, the Company recorded $67.7 and $74.1 million, respectively, of impairment charges within continuing operations for the excess of the carrying value of goodwill over the implied fair value of goodwill for the Regis salon concept in fiscal year 2012 and the Promenade salon concept in fiscal year 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment In and Loans to Affiliates:

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

Self-Insurance Accruals:

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

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

Although the Company does not expect the amounts ultimately paid to differ significantly from the estimates, self-insurance accruals could be affected if future claims experience differs significantly from historical trends and actuarial assumptions. For fiscal years 2013, 2012 and 2011, the Company recorded (decreases) increases in expense from changes in estimates related to prior year open policy periods of ($1.1), $0.9 and $1.4 million, respectively. A 10.0% change in the self-insurance reserve would affect income (loss) from continuing operations before income taxes and equity in (loss) income of affiliated companies by $4.7, $4.8 and $4.6 million for fiscal years 2013, 2012 and 2011, respectively. The Company updates loss projections twice each year and adjusts its recorded liability to reflect the current projections. The updated loss projections consider new claims and developments associated with existing claims for each open policy period. As certain claims can take years to settle, the Company has multiple policy periods open at any point in time.

As of June 30, 2013, the Company had $14.8 and $32.4 million recorded in current liabilities and noncurrent liabilities, respectively, related to the Company's self-insurance accruals. As of June 30, 2012, the Company had $15.5 and $32.5 million recorded in current liabilities and noncurrent liabilities, respectively, related to the Company's self-insurance accruals.

Deferred Rent and Rent Expense:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Revenue Recognition and Deferred Revenue:

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

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

Franchise revenues primarily include royalties, initial franchise fees and net rental income (see Note 8). Royalties are recognized as revenue in the month in which franchisee services are rendered. The Company recognizes revenue from initial franchise fees at the time franchise locations are opened, as this is generally when the Company has performed all initial services required under the franchise agreement.

Classification of Expenses:

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

Cost of service labor costs related to salon employees and the cost of product used in providing service.

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

Site Operating direct costs incurred by the Company's salons, such as advertising, workers' compensation, insurance, utilities, and janitorial costs.

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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consideration Received from Vendors:

The Company receives consideration for a variety of vendor-sponsored programs. These programs primarily include volume rebates and promotion and advertising reimbursements. Promotion and advertising reimbursements are discussed under Advertising within this Note 1 to the Consolidated Financial Statements.

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

Shipping and Handling Costs:

Shipping and handling costs are incurred to store, move and ship product from the Company's distribution centers to company-owned and franchise locations, and include an allocation of internal overhead. Such shipping and handling costs related to product shipped to company-owned locations are included in site operating expenses in the Consolidated Statement of Operations. Shipping and handling costs related to shipping product to franchise locations totaled $3.6, $3.8, and $3.5 million during fiscal years 2013, 2012, and 2011, respectively, and are included within general and administrative expenses on the Consolidated Statement of Operations. Any amounts billed to franchisees for shipping and handling are included in product revenues within the Consolidated Statement of Operations.

Advertising:

Advertising costs, including salon collateral material, are expensed as incurred. Advertising costs expensed and included in continuing operations in fiscal years 2013, 2012 and 2011 was $39.2, $42.1, and $45.1 million, respectively.

The Company participates in cooperative advertising programs under which vendors reimburse the Company for costs related to advertising its products. The Company records such reimbursements as a reduction of advertising expense when the expense is incurred. During fiscal years 2013, 2012, and 2011, no amounts were received in excess of the Company's related expense.

Advertising Funds:

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

The Company records advertising expense in the period the company-owned salon makes contributions to the respective advertising fund. During fiscal years 2013, 2012, and 2011, total contributions to the franchise advertising funds totaled $19.0, $19.2, and $18.3, million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company records all advertising funds as assets and liabilities within the Company's Consolidated Balance Sheet. As of June 30, 2013 and 2012, approximately $20.8 and $15.3 million, respectively, representing the advertising funds' assets and liabilities were recorded within total assets and total liabilities in the Company's Consolidated Balance Sheet.

Stock-Based Employee Compensation Plans:

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

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

Preopening Expenses:

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

Sales Taxes:

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

Income Taxes:

In determining income for financial statement purposes, management must make certain estimates and judgments. These estimates and judgments occur in the calculation of certain tax liabilities and in the determination of the recoverability of certain deferred tax assets which arise from temporary differences between the tax and financial statement recognition of revenue and expense.

Management must assess the likelihood that deferred tax assets will be recovered. If recovery is not likely, we must increase our provision for income taxes by recording a reserve, in the form of a valuation allowance, for the deferred tax assets that will not ultimately be recoverable.

In addition, the calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. Management recognizes a reserve for potential liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on our estimate of whether additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary. If our estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the Consolidated Financial Statements or income tax returns.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using currently enacted tax rates in effect for the years in which the differences are expected to reverse. Realization of deferred tax assets is ultimately dependent upon future taxable income. Inherent in the measurement of deferred balances are certain judgments and interpretations of tax laws and published guidance with respect to the Company's operations. Income tax expense is primarily the current tax payable for the period and the change during the period in certain deferred tax assets and liabilities.

Net Income (Loss) Per Share:

The Company's basic earnings per share is calculated as net income (loss) divided by weighted average common shares outstanding, excluding unvested outstanding restricted stock awards and restricted stock units. The Company's dilutive earnings per share is calculated as net income (loss) divided by weighted average common shares and common share equivalents outstanding, which includes shares issuable under the Company's stock option plan and long-term incentive plan, and dilutive securities. Stock-based awards with exercise prices greater than the average market value of the Company's common stock are excluded from the computation of diluted earnings per share. The Company's diluted earnings per share will also reflect the assumed conversion under the Company's convertible debt if the impact is dilutive, along with the exclusion of related interest expense, net of taxes. The impact of the convertible debt is excluded from the computation of diluted earnings per share when interest expense per common share obtainable upon conversion is greater than basic earnings per share.

Comprehensive (Loss) Income:

Components of comprehensive (loss) income include net income (loss), foreign currency translation adjustments, changes in fair value of derivative instruments, recognition of deferred compensation, and reclassification adjustments, net of tax within shareholders' equity.

Foreign Currency Translation:

Financial position, results of operations and cash flows of the Company's international subsidiaries are measured using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rates in effect at each fiscal year end. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive income within shareholders' equity. Statement of Operations accounts are translated at the average rates of exchange prevailing during the year. During fiscal years 2013, 2012, and 2011, the foreign currency gain (loss) recorded within interest income and other, net in the Consolidated Statement of Operations was $33.4, $0.4, and ($1.5) million, respectively. During fiscal year 2013, Company recognized a $33.8 million foreign currency translation gain in connection with the sale of Provalliance and subsequent liquidation of all foreign entities with Euro denominated operations within interest income and other, net in the Consolidated Statement of Operations.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments:

As of June 30, 2013, the Company did not have any outstanding derivative instruments. As of June 30, 2012, the fair value of the Company's derivative instruments designated as a cash flow hedge was less than $0.1 million.

During fiscal years 2012 and 2011, the Company reclassified less than $0.1 million of gain on the Company's derivative instruments designated as hedging instruments from AOCI into the respective fiscal year's earnings.

During fiscal years 2012 and 2011, the Company recorded (loss) gain of ($0.1) and $0.6 million, respectively, on derivative instruments not designated as hedging instruments within interest income and other, net in the Consolidated Statement of Operations.

Recent Accounting Standards Adopted by the Company:

Comprehensive Income

In June 2011, and as subsequently amended in December 2011, the FASB issued final guidance on the presentation of comprehensive income. Under this guidance, net income and comprehensive income may only be presented either as one continuous statement or in two separate, but consecutive statements. The Company retrospectively adopted this guidance in the first quarter of fiscal year 2013, with comprehensive income shown as a separate statement immediately following the Consolidated Statements of Operations. Since the new guidance relates only to presentation, its adoption did not impact the Company's balance sheet, results of operations or cash flows.

Reclassifications Out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued guidance on the reporting of reclassifications out of accumulated other comprehensive income. The updated accounting guidance requires an entity to provide information about the amounts reclassified out of accumulated comprehensive income by component. The Company adopted this guidance in the third quarter of fiscal year 2013 by disclosing the components reclassified out of accumulated comprehensive income on the Consolidated Statement of Comprehensive (Loss) Income.

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

Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB updated the accounting guidance related to annual and interim indefinite-lived intangible asset impairment testing. The updated accounting guidance allows entities to first assess qualitative factors before performing a quantitative assessment of the fair value of indefinite-lived intangible assets. If it is determined on the basis of qualitative factors that the fair value of indefinite-lived intangible assets is more likely than not less than the carrying amount, the existing quantitative impairment test is required. Otherwise, no further impairment testing is required. The updated guidance is effective for the Company beginning in the first quarter of fiscal year 2014. The Company does not expect the adoption of this update to have a material impact on the Company's consolidated financial statements.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Cumulative Translation Adjustment upon Derecognition of Foreign Entities

In March 2013, the FASB updated the accounting guidance related to the release of cumulative translation adjustments (CTA) recorded in AOCI associated with a foreign entity. The updated accounting guidance clarified when to release cumulative translation adjustments into net income. The updated guidance is effective for the Company beginning in the first quarter of fiscal year 2015 with early adoption permitted. The Company does not expect the adoption of this update to have a material impact on the Company's consolidated financial statements.

2. DISCONTINUED OPERATIONS

Hair Restoration Centers

On April 9, 2013, the Company sold its Hair Club for Men and Women business (Hair Club), a provider of hair restoration services. The sale included the Company's 50.0 percent interest in Hair Club for Men, Ltd., which was previously accounted for under the equity method. The Company received $162.8 million, which represented the purchase price of $163.5 million adjusted for the preliminary working capital provision. The Company has since recorded a receivable of $2.0 million as of June 30, 2013 based upon the final working capital provision that increased the purchase price to approximately $165 million. The Company recorded an after-tax gain of $17.8 million upon the sale of Hair Club and incurred $5.4 million in professional and transaction fees during fiscal year 2013 associated with the sale.

Hair Club has been presented as discontinued operations for all periods presented in the Consolidated Statement of Operations. The assets and liabilities have been aggregated and reported as current assets held for sale, long-term assets held for sale, current liabilities related to assets held for sale and long-term liabilities related to assets held for sale in the Consolidated Balance Sheet for all periods presented. Long-term assets held for sale as of June 30, 2012, included $74.4 million of goodwill related to Hair Club. In addition, there will be no significant continuing involvement by the Company in the operations of Hair Club after the disposal.

The Company also reclassified professional fees of $2.5 million in fiscal year 2012 related to the sale of Hair Club, which were previously included in unallocated corporate costs, to discontinued operations.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. DISCONTINUED OPERATIONS (Continued)

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

	Fiscal Years		
	2013	2012	2011
	(Dollars in thousands)		
Revenues	$ 115,734	$ 151,552	$ 145,688
Income (loss) from discontinued operations, before income taxes	28,643	(65,114)	18,304
Income tax (provision) benefit on discontinued operations	(4,242)	849	(6,837)
Equity in income of affiliated companies, net of tax	627	816	567
Income (loss) from discontinued operations, net of income taxes	$ 25,028	$ (63,449)	$ 12,034

Income taxes have been allocated to continuing and discontinued operations based on the methodology required by accounting for income taxes guidance. Depreciation and amortization ceased during fiscal year 2013 in accordance with accounting for discontinued operations. Hair Club depreciation and amortization expense for fiscal years 2012 and 2011 was $13.1 and $12.8 million, respectively. During the three months ended December 31, 2011, the Company performed an interim impairment test of goodwill related to Hair Club and recorded a $78.4 million impairment charge for the excess of the carrying value of goodwill over the implied fair value.

Trade Secret

On February 16, 2009, the Company sold its Trade Secret salon concept (Trade Secret). The Company reported Trade Secret as a discontinued operation. During the fiscal year 2012, the Company recorded a $1.1 million tax benefit in discontinued operations related to the release of tax reserves associated with the disposition of the Trade Secret.

The Company has a note receivable agreement with the purchaser of Trade Secret. The Company recorded a valuation reserve of $31.2 million during fiscal year 2011. As of June 30, 2013 the carrying value of the note receivable continues to be fully reserved.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. OTHER FINANCIAL STATEMENT DATA

The following provides additional information concerning selected balance sheet accounts:

	June 30, 2013	June 30, 2012
	(Dollars in thousands)	
Other current assets:		
Prepaids	$ 29,629	$ 22,360
Restricted cash	27,500	4,500
Notes receivable	769	29,043
	$ 57,898	$ 55,903
Property and equipment:		
Land	$ 3,864	$ 3,864
Buildings and improvements	47,842	48,017
Equipment, furniture and leasehold improvements	789,737	756,051
Internal use software	118,093	106,264
Equipment, furniture and leasehold improvements under capital leases	81,489	84,757
	1,041,025	998,953
Less accumulated depreciation and amortization	(665,924)	(635,471)
Less amortization of equipment, furniture and leasehold improvements under capital leases	(61,641)	(57,683)
	$ 313,460	$ 305,799
Investment in and loans to affiliates:		
Equity-method investments	$ 43,098	$ 160,987
Cost method investment	221	
	$ 43,319	$ 160,987
Other assets:		
Notes receivable, net	$ 2,107	$ 1,584
Other noncurrent assets	60,679	57,904
	$ 62,786	$ 59,488
Accrued expenses:		
Payroll and payroll related costs	$ 74,940	$ 75,615
Insurance	19,035	19,410
Deferred compensation	4,881	26,055
Deferred revenues	2,147	2,503
Taxes payable	4,895	5,406
Other	31,328	28,037
	$ 137,226	$ 157,026
Other noncurrent liabilities:		
Deferred income taxes	$ 36,399	$ 13,497
Deferred rent	39,389	49,537
Deferred benefits	29,378	39,064

Insurance	32,435	32,459
Other	17,410	9,415
	$ 155,011	$ 143,972

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. OTHER FINANCIAL STATEMENT DATA (Continued)

The following provides additional information concerning other intangibles, net:

	June 30, 2013 Cost	2013 Accumulated Amortization	2013 Net	2012 Cost	2012 Accumulated Amortization	2012 Net
	(Dollars in thousands)					
Amortized intangible assets:						
Brand assets and trade names	$ 9,310	$ (3,226)	$ 6,084	$ 9,494	$ (2,960)	$ 6,534
Franchise agreements	11,187	(6,839)	4,348	11,398	(6,494)	4,904
Lease intangibles	14,754	(6,582)	8,172	14,796	(5,862)	8,934
Non-compete agreements	201	(147)	54	207	(117)	90
Other	4,614	(1,776)	2,838	4,533	(1,600)	2,933
	$ 40,066	$ (18,570)	$ 21,496	$ 40,428	$ (17,033)	$ 23,395

All intangible assets have been assigned an estimated finite useful life, and are amortized on a straight-line basis over the number of years that approximate their expected period of benefit (ranging from one to 40 years). The weighted average amortization periods, in total and by major intangible asset class, are as follows:

	June 30, 2013	June 30, 2012
	(In years)	
Amortized intangible assets:		
Brand assets and trade names	32	33
Franchise agreements	19	19
Lease intangibles	20	20
Non-compete agreements	6	6
Other	20	21
Total	22	23

Total amortization expense related to amortizable intangible assets during fiscal years 2013, 2012, and 2011 was approximately $1.8, $1.9, and $2.1 million, respectively. As of June 30, 2013, future estimated amortization expense related to amortizable intangible assets is estimated to be:

Fiscal Year	(Dollars in thousands)
2014	$ 1,714
2015	1,703
2016	1,640
2017	1,589
2018	1,577
Thereafter	13,273
Total	$ 21,496

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. OTHER FINANCIAL STATEMENT DATA (Continued)

The following provides supplemental disclosures of cash flow activity:

	Fiscal Years		
	2013	2012	2011
	(Dollars in thousands)		
Cash paid (received) during the year for:			
Interest	$ 38,990(1)	$ 28,448	$ 33,493
Income taxes, net	1,088	14,754	(15,083)

(1) Includes $10.6 million of cash paid for make-whole associated with prepayment of senior notes.

Significant non-cash investing and financing activities include the following:

The Company did not finance capital expenditures through capital leases during fiscal years 2013 and 2012. In fiscal year 2011, the Company financed capital expenditures totaling $6.0 million through capital leases.

4. GOODWILL

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

	June 30,					
	2013			2012		
	Gross Carrying Value	Accumulated Impairment(1)	Net	Gross Carrying Value	Accumulated Impairment(1)	Net
	(Dollars in thousands)					
Goodwill	$ 679,607	$ (218,722)	$ 460,885	$ 681,001	$ (218,722)	$ 462,279

(1) The table below contains additional information regarding the Company's $218.7 million accumulated impairment losses:

Fiscal Year	Impairment Charge	Reporting Unit
	(Dollars in thousands)	
2009	$ 41,661	International
2010	35,277	Regis
2011	74,100	Promenade
2012	67,684	Regis
2013		N/A
Total	$ 218,722	

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. GOODWILL (Continued)

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

	Consolidated(1)	
	(Dollars in thousands)	
Goodwill, net at June 30, 2011	$	527,716
Goodwill acquired		4,978
Translation rate adjustments		(2,731)
Goodwill impairment		(67,684)
Goodwill, net at June 30, 2012		462,279
Translation rate adjustments		(1,394)
Goodwill, net at June 30, 2013	$	460,885

(1) All goodwill relates to the Company's North American salons.

5. INVESTMENTS IN AND LOANS TO AFFILIATES

The table below presents the carrying amount of investments in and loans to affiliates:

	June 30,			
	2013		2012	
	(Dollars in thousands)			
Empire Education Group, Inc.	$	43,098	$	59,683
Provalliance				101,304
MY Style		221		
	$	43,319	$	160,987

The table below presents the notes receivable from affiliates recorded within other current assets on the Consolidated Balance Sheet:

	June 30,			
	2013		2012	
	(Dollars in thousands)			
Empire Education Group, Inc.	$		$	26,412
MY Style				2,251
	$		$	28,663

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. INVESTMENTS IN AND LOANS TO AFFILIATES (Continued)

The table below presents summarized financial information of equity method investees based on audited results.

	Greater Than 50 Percent Owned			Less Than 50 Percent Owned		
	2013	2012	2011	2013	2012	2011
	(Dollars in thousands)					
Summarized Balance Sheet Information:						
Current assets	$ 35,900	$ 56,516	$ 34,715	$	$ 84,700	$ 93,072
Noncurrent assets	91,847	96,639	113,249		316,282	313,508
Current liabilities	25,317	61,074	29,340		106,995	108,708
Noncurrent liabilities	21,560	13,947	33,658		78,815	98,269
Summarized Statement of Operations Information:						
Gross revenue	$ 170,964	$ 182,326	$ 192,864	$	$ 305,515	$ 271,747
Gross profit	58,457	67,201	73,068		132,647	116,354
Operating (loss) income	4,981	(1,335)	18,994		35,569	30,084
Net (loss) income	2,359	(7,211)	11,023		24,067	21,154

Investment in Empire Education Group, Inc.

As of June 30, 2013 and 2012, the Company's ownership interest in Empire Education Group, Inc. (EEG) was 55.1 percent. EEG operates accredited cosmetology schools and is overseen by the Empire Beauty School management team. The Company accounts for EEG as an equity investment under the voting interest model.

During fiscal years 2013 and 2012, the company recorded other than temporary impairment charges on its investment in EEG of $17.9 and $19.4 million, respectively, to reflect the negative business impacts associated with regulatory changes including declines in enrollment, revenue and profitability in the for-profit secondary educational market. The Company did not receive a tax benefit on these impairment charges. The Company did not record an impairment charge during the fiscal year 2011. In addition, during fiscal years 2013 and 2012 the Company recorded its share, $2.1 and $8.7 million, respectively, of fixed and intangible asset impairments recorded directly by EEG.

Due to economic, regulatory and other factors, the Company may be required to record additional noncash impairment charges related to its investment in EEG and such noncash impairments could be material to the Company's consolidated balance sheet and results of operations. In addition, EEG may be required to record noncash impairment charges related to long-lived assets and goodwill, and our share of such noncash impairment charges could be material to the Company's consolidated balance sheet and results of operations. The Company's share of EEG's goodwill balances as of June 30, 2013 is approximately $16 million. Based on the Company's work associated with the investment impairment recorded during the fiscal year 2013, the Company's estimate of EEG's fair value exceeds carrying value by approximately 5 percent. Any meaningful underperformance against plan or reduced outlook by EEG, changes to the carrying value of EEG or further erosion in valuations of the for-profit secondary educational market could lead to a goodwill impairment charge recorded by EEG for which the Company would record 55.1 percent of the impairment given the Company's present ownership.

During fiscal years 2013, 2012, and 2011, the Company recorded $1.3, $(4.0), and $5.5 million, respectively, of equity earnings (loss) related to its investment in EEG.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. INVESTMENTS IN AND LOANS TO AFFILIATES (Continued)

The Company previously provided EEG with a $15.0 million revolving credit facility and outstanding loan, both of which matured during fiscal year 2013. At June 30, 2012, there was $15.0 and $11.4 million outstanding on the revolving credit facility and loan outstanding, respectively. The Company received $15.0 million in payments on the revolving credit facility during the fiscal year 2013. The Company received $11.4 and $10.0 million in principal payments on the loan during the fiscal years 2013 and 2012, respectively. During fiscal years 2013, 2012, and 2011, the Company recorded less than $0.1, $0.5, and $0.7 million, respectively, of interest income related to the loan and revolving credit facility.

Investment in Provalliance

On September 27, 2012, the Company sold its 46.7 percent equity interest in Provalliance for $103.4 million. The Company previously had a right (Provalliance Equity Put), if exercised, would require the Company to purchase an additional ownership interest in Provalliance between specified dates in 2010 to 2018. During fiscal year 2013, the Company recorded a $0.6 million decrease in the fair value of the Provalliance Equity Put that automatically terminated upon the sale.

In connection with the sale of Provalliance, the Company recorded a $37.4 million other than temporary impairment charge during fiscal year 2012. In addition, the fair value of the Provalliance Equity Put decreased by $20.2 million to $0.6 million as of June 30, 2012. The other than temporary impairment charge and reduction in the fair value of the Provalliance Equity Put resulted in a net impairment charge of $17.2 million that is recorded within the equity in (loss) income of affiliated companies during fiscal year 2012. Regis did not receive a tax benefit on the net impairment charge.

During fiscal years 2012 and 2011, the Company recorded $9.8, and $7.8 million, respectively, of equity earnings related to its investment in Provalliance. During fiscal years 2012 and 2011, the Company received $2.8 and $4.8 million, of cash dividends.

Due to the sale of the Company's investment in Provalliance, the Company liquidated its foreign entities with Euro denominated operations. Amounts previously classified within accumulated other comprehensive income that were recognized in earnings were foreign currency translation rate gain adjustments of $43.4 million, a cumulative tax-effected net loss of $7.9 million associated with a cross-currency swap that was settled in fiscal year 2007 that hedged the Company's European operations, and a $1.7 million net loss associated with cash repatriation, which netted to $33.8 million for fiscal year 2013, recorded within interest income and other, net on the Consolidated Statement of Operations.

Investment in MY Style

The Company accounts for the 27.1 percent ownership interest in MY Style as a cost method investment. The Company previously had an outstanding note with MY Style, which matured during the fiscal year 2013. The Company recorded less than $0.1 million in interest income related to the note during fiscal years 2013, 2012, and 2011, respectively.

6. FAIR VALUE MEASUREMENTS

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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. FAIR VALUE MEASUREMENTS (Continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Equity put option Provalliance. The $0.6 million Provalliance Equity Put was classified as Level 3 as the fair value was determined based on unobservable inputs that could not be corroborated by observable market data. On September 27, 2012 the Company sold its interest in Provalliance and the Provalliance Equity Put automatically terminated upon closing of the sale.

Financial Instruments. In addition to the financial instruments listed above, the Company's financial instruments also include cash, cash equivalents, receivables, accounts payable and debt. The fair value of cash and cash equivalents, receivables, accounts payable, and debt approximated the carrying values as of June 30, 2013.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

The following tables present the fair values of our assets measured at fair value on a nonrecurring basis:

	Fiscal Year 2013	Level 1	Level 2	Level 3	Total Losses
			(Dollars in thousands)		
Assets					
Investment in affiliates EEG(1)	$ 41,997	$	$	$ 41,997	$ (17,899)
Total	$ 41,997	$	$	$ 41,997	$ (17,899)

(1) The Company's investment in EEG with a carrying value of $59.9 million was written down to its implied fair value of $42.0 million, resulting in an impairment charge of $17.9 million. See Note 5 to the Consolidated Financial Statements for further information.

	Fiscal Year 2012	Level 1	Level 2	Level 3	Total Losses
			(Dollars in thousands)		
Assets					
Goodwill Regis(1)	$ 35,083	$	$	$ 35,083	$ (67,684)
Investment in affiliates EEG(2)	59,683			59,683	(19,426)
Investment in affiliates Provalliance(3)	101,304			101,304	(37,383)
Total	$ 196,070	$	$	$ 196,070	$ (124,493)

(1) Goodwill of the Regis salon concept with a carrying value of $102.8 million was written down to its implied fair value, resulting in an impairment charge of $67.7 million. See Note 4 to the Consolidated Financial Statements for further information.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. FAIR VALUE MEASUREMENTS (Continued)

(2)
The Company's investment in EEG with a carrying value of $79.1 million was written down to its implied fair value of $59.7 million, resulting in an impairment charge of $19.4 million. See Note 5 to the Consolidated Financial Statements for further information.

(3)
The Company's investment in Provalliance was written down to its implied fair value, resulting in an impairment charge of $37.4 million. See Note 5 to the Consolidated Financial Statements for further information.

7. FINANCING ARRANGEMENTS

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

	Maturity Dates	Interest rate % Fiscal Years 2013	2012	June 30, 2013	2012
	(fiscal year)			(Dollars in thousands)	
Senior term notes	2013	6.69 - 8.50%	6.69 - 8.50%	$	$ 111,429
Convertible senior notes(1)	2015	5.00	5.00	166,454	161,134
Revolving credit facility	2018				
Equipment and leasehold notes payable	2015 - 2016	4.90 - 8.75	4.90 - 8.75	8,316	14,780
Other notes payable	2013	5.75 - 8.00	5.75 - 8.00		331
				174,770	287,674
Less current portion(1)				(173,515)	(28,937)
Long-term portion				$ 1,255	$ 258,737

(1)
On or after April 15, 2014, holders may convert each of their senior convertible notes at their option at any time prior to the July 10, 2014 maturity date. As a result, the Company has included the convertible senior notes within long-term debt, current portion on the Consolidated Balance Sheet.

The debt agreements contain covenants, including limitations on incurrence of debt, granting of liens, investments, merger or consolidation, and transactions with affiliates. In addition, the Company must adhere to specified fixed charge coverage and leverage ratios. The Company was in compliance with all covenants and other requirements of our financing arrangements as of June 30, 2013.

Aggregate maturities of long-term debt, including associated capital lease obligations of $8.3 million at June 30, 2013, are as follows:

Fiscal year	(Dollars in thousands)
2014	$ 173,515
2015	1,253
2016	2
2017	
2018	
Thereafter	
	$ 174,770

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. FINANCING ARRANGEMENTS (Continued)

Senior Term Notes

Private Shelf Agreement

During fiscal year 2013, the Company prepaid $89.3 million of unsecured, fixed rate, senior term notes outstanding under a private shelf agreement. As a result of the prepayment, the Company incurred a make-whole payment of $10.6 million that was recorded in interest expense within the Consolidated Statement of Operations.

Convertible Senior Notes

In July 2009, the Company issued $172.5 million aggregate principal amount of 5.0 percent convertible senior notes due July 2014. The notes are unsecured, senior obligations of the Company and interest is payable semi-annually in arrears on January 15 and July 15 of each year at a rate of 5.0 percent per year. As of June 30, 2013, the notes are convertible at a conversion rate of 65.4357 shares of the Company's common stock per $1,000 principal amount of notes, representing a conversion price of approximately $15.28 per share of the Company's common stock.

Holders may convert their notes at their option prior to April 15, 2014 if the Company's stock price meets certain price triggers or upon the occurrence of specified corporate events as defined in the convertible senior note agreement. On or after April 15, 2014, holders may convert each of their notes at their option at any time prior to the maturity date of the notes.

The Company has the choice of net-cash settlement, settlement in its own shares or a combination thereof and concluded the conversion option is indexed to its own stock. As a result, the Company allocated $24.7 million of the $172.5 million principal amount of the convertible senior notes to equity, which resulted in a $24.7 million debt discount. The $24.7 million debt discount is being amortized over the period the convertible senior notes are expected to be outstanding, which is five years, as additional non-cash interest expense. The combined debt discount amortization and the contractual interest coupon resulted in an effective interest rate on the convertible debt of 8.9 percent.

The following table provides equity and debt information for the convertible senior notes:

	June 30, 2013	June 30, 2012
	(Dollars in thousands)	
Principal amount on the convertible senior notes	$ 172,500	$ 172,500
Unamortized debt discount	(6,046)	(11,366)
Net carrying amount of convertible debt	$ 166,454	$ 161,134

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

		Fiscal Years 2013	Fiscal Years 2012
		(Dollars in thousands)	
Interest cost related to contractual interest coupon	5.0%	$ 8,625	$ 8,625
Interest cost related to amortization of the discount		5,320	4,886
Total interest cost		$ 13,945	$ 13,511

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. FINANCING ARRANGEMENTS (Continued)

Revolving Credit Facility

On June 11, 2013, the Company amended its $400.0 million unsecured revolving credit facility agreement, which now expires in June 2018. The revolving credit facility has rates tied to a LIBOR credit spread and a quarterly facility fee on the average daily amount of the facility (whether used or unused). Both the LIBOR credit spread and the facility fee are based on the Company's debt to EBITDA ratio at the end of each fiscal quarter. In addition, the Company may request an increase in revolving credit commitments under the facility of up to $200.0 million under certain circumstances. Events of default under the Credit Agreement include change of control of the Company and the Company's default with respect to other debt exceeding $10.0 million. As of June 30, 2013 and 2012, the Company had no outstanding borrowings under this revolving credit facility. Additionally, the Company had outstanding standby letters of credit under the revolving credit facility of $2.2 and $26.1 million at June 30, 2013 and 2012, respectively, primarily related to its self-insurance program. Unused available credit under the facility at June 30, 2013 and 2012 was $397.8 and $373.9 million, respectively. The decrease in the outstanding standby letters of credit was due to the Company using $24.5 million of restricted cash to collateralize its self-insurance program during the fiscal year 2013, enabling the Company to reduce fees associated with the standby letters of credit.

Equipment and Leasehold Notes Payable

The equipment and leasehold notes payable are primarily comprised of capital lease obligations. In September 2011, the Company entered into an agreement to refinance existing capital leases to a three year term with a contract rate of 4.9 percent. As of June 30, 2013 the capital lease balance was $8.3 million and will be amortized at the historical rate of 9.2 percent. There was no gain or loss recorded on the refinance. The Company entered into the refinancing to reduce cash interest payments.

Other Notes Payable

The Company had $0.3 million in unsecured outstanding notes at June 30, 2012, related to debt assumed in acquisitions.

8. COMMITMENTS AND CONTINGENCIES:

Operating Leases:

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

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

During fiscal year 2005, the Company entered into a lease agreement for a 102,448 square foot building, located in Edina, Minnesota. The original lease term ends in May 2016 and the aggregate amount of lease payments to be made over the remaining lease term are approximately $3.4 million. In

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. COMMITMENTS AND CONTINGENCIES: (Continued)

fiscal year 2013, the Company began consolidating its corporate headquarters and expects to exit this building during fiscal year 2014.

The Company also has guarantees associated with approximately 20 operating leases associated with the Company's former Trade Secret concept. As the Company has not experienced and does not expect any material loss to result from these arrangements, the Company has determined the exposure to the risk of loss on the guarantee of the operating leases to be immaterial to the financial statements.

Sublease income was $29.1, $28.3, and $28.4 million in fiscal years 2013, 2012 and 2011, respectively. Rent expense on premises subleased was $28.7, $27.9, and $27.9 million in fiscal years 2013, 2012 and 2011, respectively. Rent expense and related rental income on sublease arrangements with franchisees is netted within the rent expense line item on the Consolidated Statement of Operations. In most cases, the amount of rental income related to sublease arrangements with franchisees approximates the amount of rent expense from the primary lease, thereby having no net impact on rent expense or net income (loss). However, in limited cases, the Company charges a ten percent mark-up in its sublease arrangements. The net rental income resulting from such arrangements totaled $0.4, $0.4, and $0.5 million for fiscal year 2013, 2012 and 2011, respectively, and was classified in the royalties and fees caption of the Consolidated Statement of Operations.

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

	Fiscal Years		
	2013	2012	2011
	(Dollars in thousands)		
Minimum rent	$ 246,787	$ 250,487	$ 251,417
Percentage rent based on sales	7,566	8,938	9,225
Real estate taxes and other expenses	70,363	72,344	72,417
	$ 324,716	$ 331,769	$ 333,059

As of June 30, 2013, future minimum lease payments (excluding percentage rents based on sales) due under existing noncancelable operating leases with remaining terms of greater than one year are as follows:

Fiscal year	Corporate leases	Franchisee leases	Guaranteed leases
	(Dollars in thousands)		
2014	$ 248,458	$ 47,958	$ 912
2015	197,170	39,751	729
2016	143,330	30,798	554
2017	94,772	20,989	422
2018	53,569	11,304	221
Thereafter	56,431	9,436	125
Total minimum lease payments	$ 793,730	$ 160,236	$ 2,963

The Company continues to negotiate and enter into leases and commitments for the acquisition of equipment and leasehold improvements related to future salon locations.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. COMMITMENTS AND CONTINGENCIES: (Continued)

Contingencies:

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

Litigation and Settlements:

The Company is a defendant in various lawsuits and claims arising out of the normal course of business. Like certain other large retail employers, the Company has been faced with allegations of purported class-wide consumer and wage and hour violations. In addition, the Company is a nominal defendant, and nine current and former directors and officers of the Company are named defendants, in a shareholder derivative action in Minnesota state court. The derivative shareholder action alleges that the individual defendants breached their fiduciary duties to the Company in connection with their approval of certain executive compensation arrangements and certain related party transactions. The Board of Directors appointed a Special Litigation Committee to investigate the claims and allegations made in the derivative action, and to decide on behalf of the Company whether the claims and allegations should be pursued. The derivative action has been stayed by the court pending the decision of the Special Litigation Committee. We do not know when the Special Litigation Committee will complete its work, or what it will decide. Litigation is inherently unpredictable and the outcome of these matters cannot presently be determined. Although the actions are being vigorously defended, the Company could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations in any particular period.

During fiscal year 2013, the Company incurred $1.2 million of expense in conjunction with the derivative shareholder action.

During fiscal year 2012, the Company was awarded $1.1 million in conjunction with a class-action lawsuit.

During fiscal year 2011, the Company settled a legal claim with the former owner of Hair Club for $1.7 million.

9. INCOME TAXES

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

	Fiscal Years		
	2013	**2012**	**2011**
	(Dollars in thousands)		
Income (loss) before income taxes:			
U.S.	$ (25,177)	$ (35,430)	$ (49,669)
International	35,275	10,116	5,736
	$ 10,098	$ (25,314)	$ (43,933)

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. INCOME TAXES (Continued)

The (benefit) provision for income taxes consists of:

	Fiscal Years		
	2013	2012	2011
	(Dollars in thousands)		
Current:			
U.S.	$ (21,053)	$ (1,095)	$ (4,409)
International	707	2,261	1,106
Deferred:			
U.S.	10,405	(5,519)	(16,283)
International	(83)	(77)	3,253
	$ (10,024)	$ (4,430)	$ (16,333)

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

	Fiscal Years		
	2013	2012	2011
U.S. statutory rate (benefit)	35.0%	(35.0)%	(35.0)%
State income taxes, net of federal income tax benefit	3.6	3.5	(1.7)
Tax effect of goodwill impairment		47.7	6.5
Foreign income taxes at other than U.S. rates	4.1	(0.5)	4.7
Tax effect of foreign currency translation gain	(107.0)		
Work Opportunity and Welfare-to-Work Tax Credits	(42.8)	(19.4)	(8.8)
Other, net	7.8	(13.8)	(2.9)
	(99.3)%	(17.5)%	(37.2)%

The 7.8 percent of Other, net in fiscal year 2013 includes the rate impact of meals and entertainment expense disallowance, donated inventory, unrecognized tax benefits, and miscellaneous items of 4.9, (3.4), 5.5, and 0.8 percent, respectively.

The (13.8) percent of Other, net in fiscal year 2012 includes the rate impact of meals and entertainment expense disallowance, unrecognized tax benefits, and miscellaneous items of 2.1, (9.1), and (6.8) percent, respectively.

The (2.9) percent of Other, net in fiscal year 2011 includes the rate impact of unrecognized tax benefits and miscellaneous items of (1.8) and (1.1) percent, respectively.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. INCOME TAXES (Continued)

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

	June 30, 2013	June 30, 2012
	(Dollars in thousands)	
Deferred tax assets:		
Deferred rent	$ 12,953	$ 14,725
Payroll and payroll related costs	34,073	43,717
Net operating loss carryforwards	2,484	759
Tax credit carryforwards	4,366	
Salon asset impairment	720	5,038
Inventories	7,920	2,118
Federal and state benefit on uncertain tax positions	1,888	2,113
Allowance for doubtful accounts/notes	7,004	5,144
Insurance	6,106	6,439
Other	11,745	6,362
Total deferred tax assets	$ 89,259	$ 86,415
Deferred tax liabilities:		
Depreciation	$ (20,684)	$ (17,831)
Amortization of intangibles	(72,635)	(61,139)
Deferred debt issuance costs	(2,303)	(4,336)
Other	(4,903)	(2,102)
Total deferred tax liabilities	$ (100,525)	$ (85,408)
Net deferred tax (liability) asset	$ (11,266)	$ 1,007

At June 30, 2013, the Company has tax effected state and U.K. net operating loss carryforwards of approximately $1.8 million (net of $0.1 million of valuation allowance) and $0.7 million, respectively. The state loss carryforwards expire from 2016 to 2033. The U.K. loss carryforward has no expiration.

The Company's tax credit carryforward of $4.4 million will expire in 2033.

As of June 30, 2013, undistributed earnings of international subsidiaries of approximately $25.2 million were considered to have been reinvested indefinitely and, accordingly, the Company has not provided for U.S. income taxes on such earnings. It is not practicable for the Company to determine the amount of unrecognized deferred tax liabilities on these indefinitely reinvested earnings.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. INCOME TAXES (Continued)

The Company files tax returns and pays tax primarily in the U.S., Canada, the U.K., and Luxembourg as well as states, cities, and provinces within these jurisdictions. In the U.S., fiscal years 2010 and beyond remain open for federal tax audit. The Company's U.S. federal income tax returns for the fiscal years 2010 and 2011 are currently under examination by the Internal Revenue Service. 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 2009. However, the Company is under audit in a number of states in which the statute of limitations has been extended for fiscal years 2007 and forward. Internationally, including Canada, the statute of limitations for tax audits varies by jurisdiction, but generally ranges from three to five years. A rollforward of the unrecognized tax benefits is as follows:

	Fiscal Years		
	2013	2012	2011
	(Dollars in thousands)		
Balance at beginning of period	$ 4,381	$ 13,493	$ 16,856
Additions based on tax positions related to the current year	44	482	796
(Reductions)/additions based on tax positions of prior years	7,132	(7)	(759)
Reductions on tax positions related to the expiration of the statute of limitations	(1,403)	(1,571)	(2,718)
Settlements	(139)	(8,016)	(682)
Balance at end of period	$ 10,015	$ 4,381	$ 13,493

If the Company were to prevail on all unrecognized tax benefits recorded, a benefit of approximately $2.8 million would be recorded in the effective tax rate. Interest and penalties associated with unrecognized tax benefits are recorded within income tax expense. During the fiscal years 2013, 2012, and 2011 we recorded interest and penalties of approximately $0.7, $(1.2), and $(0.6) million, respectively, for the fiscal years additions to the accrual net of the respective reversal of previously accrued interest and penalties. As of June 30, 2013, the Company had accrued interest and penalties related to unrecognized tax benefits of $2.2 million. This amount is not included in the gross unrecognized tax benefits noted above.

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 fiscal year. However, an estimate of the amount or range of the change cannot be made at this time.

10. BENEFIT PLANS

Regis Retirement Savings Plan:

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

The 401(k) portion of the RRSP is cash or deferred arrangement intended to qualify under section 401(k) of the Code and under which eligible employees may elect to contribute a percentage of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. BENEFIT PLANS (Continued)

their eligible compensation. Employees who are 18 years of age or older and who were not highly compensated employees as defined by the Code during the preceding RRSP year are eligible to participate in the RRSP commencing with the first day of the month following their completion of one month of service.

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

Nonqualified Deferred Salary Plan:

The Company maintains a Nonqualified Deferred Salary Plan (Executive Plan), which covers Company officers, field supervisors, warehouse and corporate office employees who are highly compensated. The discretionary employer contribution portion of the Executive Plan is a profit sharing component in which a participants interest becomes 20.0 percent vested after completing two years of service with vesting increasing 20.0 percent for each additional year of service, and with participants becoming fully vested after six full years of service. Certain participants within the Executive Plan also receive a matching contribution from the Company.

Stock Purchase Plan:

The Company has an employee stock purchase plan (ESPP) available to qualifying employees. Under the terms of the ESPP, eligible employees may purchase the Company's common stock through payroll deductions. The Company contributes an amount equal to 15.0 percent of the purchase price of the stock to be purchased on the open market and pays all expenses of the ESPP and its administration, not to exceed an aggregate contribution of $11.8 million. As of June 30, 2013, the Company's cumulative contributions to the ESPP totaled $9.3 million.

Franchise Stock Purchase Plan:

The Company has a franchise stock purchase plan (FSPP) available to franchisee employees. Under the terms of the plan, eligible franchisees and their employees may purchase the Company's common stock. The Company contributes an amount equal to five percent of the purchase price of the stock to be purchased on the open market and pays all expenses of the plan and its administration, not to exceed an aggregate contribution of $0.7 million. As of June 30, 2013, the Company's cumulative contributions to the FSPP totaled $0.2 million.

Deferred Compensation Contracts:

The Company has unfunded deferred compensation contracts covering certain current and former key executives. Prior to June 30, 2012, deferred compensation benefits were based on the executive's years of service and compensation for the 60 months preceding the executive's termination date.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. BENEFIT PLANS (Continued)

Effective June 30, 2012, these contracts were amended and the benefits were frozen as of June 30, 2012.

Expense associated with the deferred compensation contracts included in general and administrative expenses on the Consolidated Statement of Operations totaled $1.6, $5.9 and $2.5 million for fiscal years 2013, 2012, and 2011, respectively. The projected benefit obligation of these deferred compensation contracts totaled $13.0 and $21.3 million at June 30, 2013 and 2012, respectively, in the Consolidated Balance Sheet. As of June 30, 2013 and 2012, $9.5 and $11.8 million is included in other noncurrent liabilities, respectively. As of June 30, 2013 and 2012, $3.5 and $9.5 million of the balance is included in accrued liabilities, respectively. The tax-affected accumulated other comprehensive income (loss) for the deferred compensation contracts, consisting of primarily unrecognized actuarial income (loss), was $0.1 and $(0.5) million at June 30, 2013 and 2012, respectively.

In connection with the former Chief Executive Officer's deferred compensation contract, the Company paid the former Chief Executive Officer $15.1 million in fiscal year 2013. Associated compensation expense included in general and administrative expenses on the Consolidated Statement of Operations totaled $3.7 and $1.8 million for fiscal years 2012 and 2011, respectively. As of June 30, 2012, $15.1 million of the balance is included in accrued liabilities.

The Company has agreed to pay the former Vice Chairman an annual amount of $0.6 million, adjusted for inflation to $0.9 million in fiscal years 2013 and 2012, for the remainder of his life. The former Vice Chairman has agreed that during the period in which payments are made, as provided in the agreement, he will not engage in any business competitive with the business conducted by the Company. Additionally, the Company has a survivor benefit plan for the former Vice Chairman's spouse, payable upon his death, at a rate of one half of his deferred compensation benefit, adjusted for inflation, for the remaining life of his spouse. Estimated associated costs included in general and administrative expenses on the Consolidated Statement of Operations totaled $0.7, $0.8 and $0.7 million for fiscal years 2013, 2012, and 2011, respectively. Related obligations totaled $5.7 and $5.8 million at June 30, 2013 and 2012, respectively, $0.9 million within accrued expenses and the remainder included in other noncurrent liabilities in the Consolidated Balance Sheet. The Company intends to fund all future obligations under this agreement through company-owned life insurance policies on the former Vice Chairman. Cash values of these policies totaled $4.9 and $4.5 million at June 30, 2013 and 2012, respectively, and are included in other assets in the Consolidated Balance Sheet.

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

	Fiscal Years		
	2013	**2012**	**2011**
	(Dollars in thousands)		
RRSP Plan profit sharing	$	$	$ 1,907
Executive Plan (including profit sharing)	311	394	933
ESPP	441	449	494
FSPP	7	9	8
Deferred compensation contracts	2,370	10,452	4,977

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. EARNINGS PER SHARE

The following table sets forth a reconciliation of the income (loss) from continuing operations available to common shareholders and the income (loss) from continuing operations for diluted earnings per share under the if-converted method:

	Fiscal Years		
	2013	2012	2011
	(Dollars in thousands)		
Income (loss) from continuing operations available to common shareholders	$ 4,166	$ (51,743)	$ (20,939)
Effect of dilutive securities:			
Interest on convertible debt(1)			
Income (loss) from continuing operations for diluted earnings per share	$ 4,166	$ (51,743)	$ (20,939)

(1) Interest on convertible debt was excluded from income (loss) from continuing operations for diluted earnings per share as the convertible debt was not dilutive.

The following table sets forth a reconciliation of shares used in the computation of basic and diluted earnings per share:

	Fiscal Years		
	2013	2012	2011
	(Shares in thousands)		
Weighted average shares for basic earnings per share	56,704	57,137	56,704
Effect of dilutive securities:			
Dilutive effect of convertible debt			
Dilutive effect of stock-based compensation(1)	142		
Weighted average shares for diluted earnings per share	56,846	57,137	56,704

(1) For fiscal year 2012 and 2011, 182,270 and 333,595 common stock equivalents of potentially dilutive common stock were not included in the diluted earnings per share calculation because to do so would have been anti-dilutive.

The computation of weighted average shares outstanding, assuming dilution, excluded 1,593,228, 1,987,784 and 2,553,642 of equity-based compensation awards during the fiscal years 2013, 2012, and 2011, respectively. These amounts were excluded because they were not dilutive under the treasury stock method. The computation of weighted average shares outstanding, assuming dilution also excluded 11,260,261, 11,208,552, and 11,163,056 of shares from convertible debt for fiscal years 2013, 2012, and 2011, respectively. These amounts were excluded as they were not dilutive.

12. STOCK-BASED COMPENSATION

The Company grants long-term equity-based awards under the 2004 Long Term Incentive Plan (the "2004 Plan"). The 2004 Plan provides for the granting of nonqualified stock options, equity-based stock appreciation rights (SARs), restricted stock awards (RSAs), restricted stock units (RSUs), and stock-settled performance share units (PSUs), as well as cash-based performance grants, to employees and non-employee directors of the Company. A maximum of 6,750,000 shares are available for issuance

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. STOCK-BASED COMPENSATION (Continued)

under the 2004 Plan. All unvested awards granted prior to July 1, 2012 are subject to forfeiture in the event of termination of employment. For awards granted subsequent to July 1, 2012, SAR and RSU awards generally include various acceleration terms for participants aged sixty-two years or older and employees aged fifty-five or older and have fifteen years of continuous service.

The Company also has outstanding stock options under the 2000 Stock Option Plan (the "2000 Plan), although the plan terminated in 2010 and no additional awards have since been or will be made under the 2000 Plan. The 2000 Plan allowed the Company to grant both incentive and nonqualified stock options and replaced the Company's 1991 Stock Option Plan.

Under the 2004 Plan and the 2000 Plan, stock-based awards are granted at an exercise price or initial value equal to the fair market value on the date of grant.

Using the fair value of each grant on the date of grant, the weighted average fair values per stock-based compensation award granted during fiscal years 2013, 2012 and 2011 were as follows:

	2013	2012	2011
Stock options & SARs	6.63	N/A	6.26
RSAs & RSUs	17.40	16.94	16.60
PSUs	18.33	N/A	N/A

The fair value of stock options and SARs granted is estimated on the date of grant using a lattice option valuation model. The fair value of market-based RSUs is estimated on the date of grant using a Monte Carlo simulation model. The significant assumptions used in determining the estimated fair value of stock options, SARs, and market-based RSUs granted during fiscal years 2013, 2012, and 2011 were as follows:

	2013	2012	2011
Risk-free interest rate	0.66 - 0.87%	N/A	2.29%
Expected term (in years)	6.00	N/A	5.50
Expected volatility	44.00 - 47.00%	N/A	44.00%
Expected dividend yield	1.33 - 1.46%	N/A	1.45%

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

Effective July 1, 2013, the Company changed from the lattice option valuation model to the Black-Scholes-Merton (BSM) option valuation model for valuing SARs. The Company elected to make the change in valuation methodology because the Company's historical grants of SARs lacked any complex vesting conditions or maximum payout limitations on the value of the awards. The Company does not expect a material difference in future valuations as a result of the change in models.

Shares issued under the 2004 Plan and 2000 Plan are issued from new shares. As of June 30, 2013 there were 4,620,934 shares available for grant under the 2004 Plan.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. STOCK-BASED COMPENSATION (Continued)

Stock-based compensation expense, recorded within General and Administrative expense in the Consolidated Statement of Operations, was as follows:

	2013	2012	2011
SARs & stock options	$ 1,986	$ 1,447	$ 2,283
RSAs, RSUs, & PSUs	3,895	6,150	7,313
Total stock-based compensation expense	5,881	7,597	9,596
Less: Income tax benefit	(2,235)	(2,898)	(3,670)
Total stock-based compensation expense, net of tax	$ 3,646	$ 4,699	$ 5,926

Stock Appreciation Rights & Stock Options:

SARs and stock options granted under the 2004 Plan and 2000 Plan generally vest ratably over a three to five year period on each of the annual grant date anniversaries and expire ten years from the grant date. SARs granted subsequent to fiscal year 2012 vest ratably over a three year period.

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

	Shares (in thousands)				
	SARs	Stock Options	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding balance at June 30, 2012	734	652	$ 29.08		
Granted	596		17.97		
Forfeited/Expired	(456)	(220)	26.84		
Exercised	(14)	(3)	17.69		
Outstanding balance at June 30, 2013	860	429	$ 25.26	5.6	
Exercisable at June 30, 2013	325	413	$ 30.68	3.2	
Unvested options, net of estimated forfeitures	494	15	$ 18.01	8.8	

The total intrinsic value, cash proceeds and income tax benefit associated with the exercise of SARs and stock options during fiscal years 2013, 2012 and 2011 were immaterial. As of June 30, 2013, there was $2.3 million of unrecognized expense related to SARs and stock options that is to be recognized over a weighted-average period of 2.1 years.

Restricted Stock Awards & Restricted Stock Units:

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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. STOCK-BASED COMPENSATION (Continued)

Activity for all of our RSAs and RSUs is as follows:

	Shares/Units (in thousands)		Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
	RSAs	RSUs		
Outstanding balance at June 30, 2012	403	257	$ 25.44	
Granted	118	232	17.40	
Forfeited	(84)	(23)	18.24	
Vested	(122)	(216)	32.77	
Outstanding balance at June 30, 2013	315	250	$ 17.46	$ 9,276
Vested at June 30, 2013		70	$ 17.70	$ 1,142
Unvested awards, net of estimated forfeitures	300	160	$ 17.43	$ 7,554

As of June 30, 2013, there was $6.5 million of unrecognized expense related to RSAs and RSUs that is expected to be recognized over a weighted-average period of 2.6 years.

Performance Share Units:

PSUs represent shares potentially issuable in the future. Issuance is based upon the relative achievement of the Company's performance goals. PSUs granted to employees under the 2004 Plan generally cliff vest after two years following a one year performance period.

For PSUs granted in the fiscal year 2013, the Company's performance goals related to achieving specified levels of same-store sales and earnings before interest, taxes, depreciation and amortization, as adjusted, for fiscal year 2013. As the Company did not achieve thresholds related to performance goals for fiscal year 2013, no PSUs were earned during fiscal year 2013. As of June 30, 2013 there was no unrecognized expense related to PSUs.

13. SHAREHOLDERS' EQUITY

Authorized Shares and Designation of Preferred Class:

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

In addition, 250,000 shares of authorized capital stock have been designated as Series A Junior Participating Preferred Stock (preferred stock). None of the preferred stock has been issued.

Shareholders' Rights Plan:

The Company has a shareholders' rights plan pursuant to which one preferred share purchase right is held by shareholders for each outstanding share of common stock. The rights become exercisable only following the acquisition by a person or group, without the prior consent of the Board of Directors, of 20.0 percent or more of the Company's voting stock, or following the announcement of a tender offer or exchange offer to acquire an interest of 20.0 percent or more. If the rights become exercisable, they entitle all holders, except the takeover bidder, to purchase one one-thousandth of a share of preferred stock at an exercise price of $140, subject to adjustment, or in lieu of purchasing the preferred stock, to purchase for the same exercise price common stock of the Company (or in certain cases common stock of an acquiring company) having a market value of twice the exercise price of a right.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. SHAREHOLDERS' EQUITY (Continued)

Share Repurchase Program:

In May 2000, the Company's Board of Directors (BOD) approved a stock repurchase program. Originally, the program authorized up to $50.0 million to be expended for the repurchase of the Company's stock. The BOD elected to increase this maximum to $100.0 million in August 2003, to $200.0 million on May 3, 2005, and to $300.0 million on April 26, 2007. The timing and amounts of any repurchases will depend on many factors, including the market price of the common stock and overall market conditions. Historically, the repurchases to date have been made primarily to eliminate the dilutive effect of shares issued in conjunction with acquisitions, restricted stock grants and stock option exercises. All repurchased shares become authorized but unissued shares of the Company. This repurchase program has no stated expiration date. As of June 30, 2013, a total accumulated 7.7 million shares have been repurchased for $241.3 million. As of June 30, 2013, $58.7 million remains outstanding under the approved stock repurchase program.

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income are as follows:

	June 30, 2013	June 30, 2012
	(Dollars in thousands)	
Foreign currency translation	$ 20,434	$ 55,628
Unrealized gains (losses) on derivatives		21
Unrealized gain (loss) on deferred compensation contracts	122	(535)
Accumulated other comprehensive income	$ 20,556	$ 55,114

14. SEGMENT INFORMATION

As of June 30, 2013, the Company owned, franchised, or held ownership interests in 9,763 locations worldwide. The Company's locations consisted of 9,166 North American salons, including 2,082 franchised salons (located in the United States, Canada and Puerto Rico), 351 international salons (located primarily in the United Kingdom), and approximately 246 locations in which the Company maintains an ownership interest through the Company's investment in affiliates. See Note 5 to the Consolidated Financial Statements for discussion of the Company's investment in affiliates.

Based on the way the Company manages its business, it has reported its North American salons and international salons as two separate reportable segments. The accounting policies of the reportable segments are the same as those described in Note 1 to the Consolidated Financial Statements.

The Company operates its North American salon operations through five primary concepts: SmartStyle, Supercuts, MasterCuts, Regis Salons, and Promenade salons. The concepts offer similar products and services, concentrate on the mass market 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 long-term 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 and have consistent distribution channels. All of the international salon concepts are

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. SEGMENT INFORMATION (Continued)

company-owned and are located in malls, leading department stores, and high-traffic locations. Individual salons display similar long-term economic characteristics. The salons share interdependencies and a common support base.

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

	Fiscal Years		
	2013	2012	2011
	(Dollars in thousands)		
Revenues(1):			
North American Salons	$ 1,889,401	$ 1,981,105	$ 2,029,944
International Salons	129,312	141,122	150,237
	$ 2,018,713	$ 2,122,227	$ 2,180,181
Depreciation and amortization expense(1):			
North American Salons	$ 72,257	$ 71,253	$ 72,207
International Salons	5,222	5,297	4,750
Total segment depreciation and amortization expense	77,479	76,550	76,957
Unallocated Corporate	14,276	28,420	15,194
	$ 91,755	$ 104,970	$ 92,151
Operating income (loss)(1):			
North American Salons(2)	$ 127,253	$ 139,974	$ 139,957
International Salons	(1,380)	2,505	6,738
Total segment operating income	125,873	142,479	146,695
Unallocated Corporate	(113,547)	(144,646)	(160,977)
Operating income (loss)(1)	$ 12,326	$ (2,167)	$ (14,282)
Interest expense	(37,594)	(28,245)	(34,374)
Interest income and other, net	35,366	5,098	4,723
Income (loss) from continuing operations before income taxes and equity in income (loss) of affiliated companies	$ 10,098	$ (25,314)	$ (43,933)

(1) See Note 2 to the Consolidated Financial Statements for discussion of the classification of the results of operations of Hair Club as discontinued operations.

(2) Included in the North American salons segments operating income for fiscal years 2012 and 2011 are goodwill impairment charges of $67.7 and $74.1 million, respectively.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. SEGMENT INFORMATION (Continued)

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

	June 30,					
	2013		2012		2011	
	Total Revenues	Property and Equipment, Net	Total Revenues	Property and Equipment, Net	Total Revenues	Property and Equipment, Net
	(Dollars in thousands)					
U.S.	$ 1,737,517	$ 285,111	$ 1,815,797	$ 274,711	$ 1,861,354	$ 296,622
Other countries	281,196	28,349	306,430	31,088	318,827	33,405
Total	$ 2,018,713	$ 313,460	$ 2,122,227	$ 305,799	$ 2,180,181	$ 330,027

15. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly data for fiscal years 2013 and 2012 follows:

	Quarter Ended				
	September 30(e)	December 31	March 31	June 30(f)	Year Ended
	(Dollars in thousands, except per share amounts)				
2013					
Revenues	$ 505,360	$ 506,165	$ 504,937	$ 502,251	$ 2,018,713
Cost of service and product revenues, excluding depreciation and amortization	285,660	289,329	287,597	296,678	1,159,264
Operating income (loss)(a)	9,273	8,723	3,308	(8,978)	12,326
Income (loss) from continuing operations(a)(b)	34,647	(16,119)	896	(15,258)	4,166
Income from discontinued operations(c)	3,777	3,853	1,465	15,933	25,028
Net income (loss)(a)(b)(c)	38,424	(12,266)	2,361	675	29,194
Income (loss) from continuing operations per share, basic	0.60	(0.28)	0.02	(0.27)	0.07
Income from discontinued operations per share, basic(d)	0.07	0.07	0.03	0.28	0.44
Net income (loss) per basic share(d)	0.67	(0.22)	0.04	0.01	0.51
Income (loss) from continuing operations per share, diluted(d)	0.54	(0.28)	0.02	(0.27)	0.07
Income from discontinued operations per share, diluted	0.06	0.07	0.03	0.28	0.44
Net income (loss) per diluted share(d)	0.59	(0.22)	0.04	0.01	0.51
Dividends declared per share	0.06	0.06	0.06	0.06	0.24

Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 in this Form 10-K for explanations of items, which impacted fiscal year 2013 revenues, operating and net income (loss).

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. QUARTERLY FINANCIAL DATA (UNAUDITED) (Continued)

	Quarter Ended				
	September 30	**December 31**	**March 31**	**June 30**	**Year Ended**
	(Dollars in thousands, except per share amounts)				
2012					
Revenues	$ 531,346	$ 526,138	$ 535,901	$ 528,842	$ 2,122,227
Cost of service and product revenues, excluding depreciation and amortization	288,688	288,399	296,277	289,942	1,163,306
Operating income (loss)(a)	9,004	11,936	22,950	(46,057)	(2,167)
Income (loss) from continuing operations(a)(b)	5,622	11,900	(3,878)	(65,387)	(51,743)
Income (loss) from discontinued operations(c)	2,715	(69,327)	2,509	1,753	(62,350)
Net income (loss)(a)(b)(c)	8,337	(57,427)	(1,369)	(63,634)	(114,093)
Income (loss) from continuing operations per share, basic	0.10	0.21	(0.07)	(1.14)	(0.91)
Income (loss) from discontinued operations per share, basic	0.05	(1.22)	0.04	0.03	(1.09)
Net income (loss) per basic share(d)	0.15	(1.01)	(0.02)	(1.11)	(2.00)
Income (loss) from continuing operations per share, diluted	0.10	0.20	(0.07)	(1.14)	(0.91)
Income (loss) from discontinued operations per share, diluted	0.05	(1.01)	0.04	0.03	(1.09)
Net income (loss) per diluted share(d)	0.15	(0.81)	(0.02)	(1.11)	(2.00)
Dividends declared per share	0.06	0.06	0.06	0.06	0.24

Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 in this Form 10-K for explanations of items, which impacted fiscal year 2012 revenues, operating and net income.

(a) During the fourth quarter of fiscal year 2013, the Company recorded a $12.6 million ($7.7 million net of tax) inventory reserve associated with the Company's implementation of standardized plan-o-grams in fiscal year 2014. During the fourth quarter of fiscal year 2012, the Company recorded a goodwill impairment charge of $67.7 million ($55.2 million net of tax).

(b) During the first quarter of fiscal year 2013, the Company recorded a $32.2 million net of tax foreign currency gain associated with the sale of Provalliance. During the second quarter of fiscal year 2013, the Company recorded a $17.9 million impairment charge net of tax related to the impairment of EEG. During the fourth quarter of fiscal year 2013, the Company incurred $6.7 million net of tax of expense for a make-whole payment associated with the prepayment of debt. Expense of $17.2 million net of tax was recorded during fiscal year 2012 related to the impairment of our investment in Provalliance. Expense of $19.4 million net of tax was recorded during fiscal year 2012 related to the impairment of our investment in EEG.

(c) During the fourth quarter of fiscal year 2013, the Company recorded a $15.4 million gain, net professional and transaction fees and taxes, associated with the disposition of Hair Club. During the second quarter of quarter of fiscal year 2012, the Company recorded a goodwill impairment charge of $72.6 million net of tax.

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

(e) As filed within the 10-Q/A for the period ended September 30, 2012.

(f)

During the fourth quarter of fiscal year 2013, the Company identified certain errors that related to prior periods. The errors related to an understatement of interest expense and certain uncertain tax positions in prior periods. Because these errors are not material to the Company's consolidated financial statements for any prior periods, the current year fourth quarter, or fiscal 2013, the Company recorded a cumulative adjustment to correct the errors during the fourth quarter of fiscal 2013. The impact of these items on the Company's Consolidated Statement of Operations increased interest expense by $0.4 million, increased income tax expense by $0.3 million and decreased net income by $0.7 million.

Table of Contents

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed 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 June 30, 2013. Based upon this evaluation, the chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

In Part II, Item 8 above, management provided a report on internal control over financial reporting, in which management concluded that the Company's internal control over financial reporting was effective as of June 30, 2013. In addition, PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, provided a report on the Company's effectiveness of internal control over financial reporting. The full text of management's report and PricewaterhouseCoopers' report appears on pages 44 and 45 herein.

Changes in Internal Controls

During the fourth quarter of fiscal year 2013, the Company made substantial progress with the implementation of a new POS system for our salon operations. The Company expects to complete this implementation over the course of the next fiscal year. Management has taken the necessary steps to monitor and maintain appropriate internal controls during this period of change and will continue to evaluate the operating effectiveness of related key controls during subsequent periods. With the exception of the implementation of the system described above, there were no other 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.

Item 9B. Other Information

None.

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding the Directors of the Company and Exchange Act Section 16(a) filings will be set forth in the sections titled "Item 1 Election of Directors", "Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's 2013 Proxy, and is incorporated herein by reference. The information required by Item 401 of Regulation S-K regarding the Company's executive officers is included under "Executive Officers" in Item 1 of this Annual Report on Form 10-K. Additionally, information regarding the Company's audit committee and audit committee financial expert, as well nominating committee functions, will be set forth in the section titled "Committees of the Board" and shareholder communications with directors will be set forth in the section titled "Communications with the Board" of the Company's 2013 Proxy Statement, and is incorporated herein by reference.

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

Item 11. Executive Compensation

Information about Executive and director compensation will be set forth in the section titled "Executive Compensation" of the Company's 2013 Proxy Statement, and is incorporated herein by reference.

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

Information regarding the Company's equity compensation plans will be set forth in the section titled "Equity Compensation Plan Information" of the Company's 2013 Proxy Statement, and is incorporated herein by reference.

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

Information regarding certain relationships and related transactions will be set forth in the section titled "Certain Relationships and Related Transactions" of the Company's 2013 Proxy Statement, and is incorporated herein by reference. Information regarding director independence will be set forth in the section titled "Corporate Governance Director Independence" of the Company's 2013 Proxy Statement, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

A description of the fees paid to the independent registered public accounting firm will be set forth in the section titled "Item 2 Ratification of Appointment of Independent Registered Public Accounting Firm" of the Company's 2013 Proxy Statement and is incorporated herein by reference.

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules

(b)

(1). All financial statements:

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

(c)

Exhibits:

The exhibits listed in the accompanying index are filed as part of this report. Except where otherwise indicated below, the SEC file number for each report and registration statement from which the exhibits are incorporated by reference is 1-12725.

Exhibit Number/Description

2(a)	Contribution Agreement, dated April 18, 2007, between the Company and Empire Beauty School Inc. (Incorporated by reference to Exhibit 2.1 of the Company's Report on Form 8-K filed on April 24, 2007.)
2(b)	Stock Purchase Agreement dated as of January 26, 2009 between Regis Corporation, Trade Secret, Inc. and Premier Salons Beauty Inc. (Incorporated by reference to Exhibit 2.1 to the Company's Report on Form 8-K filed on January 27, 2009.)
2(c)	Share Purchase Agreement, dated as of April 9, 2012, between Regis Merger S.A.R.L. and Mr. Yvon Provost, Mrs. Olivia Provost and Mr. Fabien Provost. (Incorporated by reference to Exhibit 2.1 of the Company's Report on Form 8-K filed on April 13, 2012.)
2(d)	Stock Purchase Agreement, dated as of July 13, 2012, between Regis Corporation and Aderans Co., Ltd. (Incorporated by reference to Exhibit 10.1 of the Company's Report on Form 8-K filed on July 17, 2012).
3(a)	Election of the Company to become governed by Minnesota Statutes Chapter 302A and Restated Articles of Incorporation of the Company, dated March 11, 1983; Articles of Amendment to Restated Articles of Incorporation, dated October 29, 1984; Articles of Amendment to Restated Articles of Incorporation, dated August 14, 1987; Articles of Amendment to Restated Articles of Incorporation, dated October 21, 1987; Articles of Amendment to Restated Articles of Incorporation, dated November 20, 1996; Articles of Amendment to Restated Articles of Incorporation, dated July 25, 2000. (Incorporated by reference to Exhibit 3(a) of the Company's Report on Form 10-Q filed on February 8, 2006, for the quarter ended December 31, 2005.)
3(b)	By-Laws of the Company. (Incorporated by reference to Exhibit 3.1 of the Company's Report on Form 8-K filed on October 31, 2006.)
3(c)	Certificate of the Voting Powers, Designations, Preferences and Relative Participating, Optional and Other Special Rights and Qualifications, Limitations or Restrictions of Series A Junior Participating Preferred Stock of the Company. (Attached as Exhibit A to the Rights Agreement dated December 26, 2006, and incorporated by reference to Exhibit 2 of the Company's Registration Statement on Form 8-A12B filed on December 26, 2006.)
4(a)	Shareholder Rights Agreement, dated December 23, 1996, between the Company and Norwest Bank Minnesota, N.A. as Rights Agent. (Incorporated by reference to Exhibit 4 of the Company's Report on Form 8-A12G filed on February 4, 1997.)

4(b)	Rights Agreement, dated December 26, 2006, between the Company and Wells Fargo Bank, N.A., as Rights Agent, and Form of Right Certificate attached as Exhibit B to the Rights Agreement. (Incorporated by reference to Exhibits 1 and 3 of the Company's Registration Statement on Form 8-A12B, filed on December 26, 2006.)
4(c)	Amendment No. 2, dated as of June 13, 2013, to Rights Agreement, dated December 26, 2006, between Regis Corporation and Wells Fargo Bank, N.A. (Incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form 8-A12B/A filed on June 19, 2013.)
4(d)	Form of Stock Certificate. (Incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-1 (Reg. No. 40142).)
4(e)	Indenture dated July 14, 2009 by and between the Company and Wells Fargo Bank, N.A, as Trustee (Incorporated by reference to Exhibit 4.1 of the Company's Report on Form 8-K filed July 17, 2009.)
10(a)	Lease Agreement commencing October 1, 2005, between the Company and France Edina, Property, LLP. (Incorporated by reference to Exhibit 99 of the Company's Report on Form 8-K filed on May 6, 2005.)
10(b)(*)	Amendment to Amended and Restated Compensation Agreement, dated December 23, 2008, between the Company, and Myron Kunin (Incorporated by reference to Exhibit 10(f) of the Company's Report on Form 10-Q filed February 9, 2009.)
10(c)(*)	Short Term Incentive Compensation Plan, effective August 19, 2009. (Incorporated by reference to Appendix A of the Company's Proxy Statement on Form 14A filed on September 15, 2009, for the year ended June 30, 2009.)
10(d)	Consulting Agreement, dated April 18, 2007, between the Company and Empire Beauty School Inc. (Incorporated by reference to Exhibit 10.1 of the Company's Report on Form 8-K filed on April 24, 2007.)
10(e)(*)	Regis Corporation Executive Retirement Savings Plan Adoption Agreement and Trust Agreement, dated November 15, 2008 between the Company and Fidelity Management Trust Company (The CORPORATE Plan for Retirement EXECUTIVE PLAN basic plan document is incorporated by reference to Exhibit 10(c) to the Company's Report on Form 10-K filed on August 29, 2007, for the year ended June 30, 2007). (Incorporated by reference to Exhibit 10(a) of the Company's Report on Form 10-Q filed February 9, 2009.)
10(f)(*)	Employment Agreement, dated August 31, 2012, between the Company and Daniel J. Hanrahan. (Incorporated by reference to Exhibit 10(a) of the Company's Report on Form 10-Q filed November 9 2012)
10(g)(*)	Employment Agreement, dated November 28, 2012, between the Company and Steven M. Spiegel. (Incorporated by reference to Exhibit 10(a) of the Company's Report on Form 10-Q filed February 4, 2013.)
10(h)(*)	Form of Amended and Restated Senior Officer Employment and Deferred Compensation Agreement, dated August 31, 2012, between the Company and certain senior executive officers. (Incorporated by reference to Exhibit 10(b) of the Company's Report on Form 10-Q filed November 9, 2012.)
10(i)(*)	2004 Long Term Incentive Plan as Amended and Restated, effective October 28, 2011, (Incorporated by reference to Appendix A of the Company's Report on Form DEF14A filed September 14, 2010.)

Table of Contents

10(j)	Sixth Amended and Restated Credit Agreement, dated June 11, 2013, among the Company, and various financial institutions party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Swing Line Lender, and Issuer, Bank of America, as Syndication Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., U.S. Bank National Association, and Wells Fargo Bank, N.A., as Documentation Agents (Incorporated by reference to Exhibit 10.1 of the Company's Report on Form 8-K filed June 14, 2013.)
21	List of Subsidiaries of Regis Corporation
23	Consent of PricewaterhouseCoopers LLP
31.1	Chief Executive Officer of the Company: Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Executive Vice President and Chief Financial Officer of the Company: Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Chief Executive Officer and Chief Financial Officer of the Company: Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS(**)	XBRL Instance Document
101.SCH(**)	XBRL Taxonomy Extension Schema
101.CAL(**)	XBRL Taxonomy Extension Calculation Linkbase
101.LAB(**)	XBRL Taxonomy Extension Label Linkbase
101.PRE(**)	XBRL Taxonomy Extension Presentation Linkbase
101.DEF(**)	XBRL Taxonomy Extension Definition Linkbase

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

(**) The XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Table of Contents

SIGNATURES

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

REGIS CORPORATION

By /s/ DANIEL J. HANRAHAN

Daniel J. Hanrahan,
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ STEVEN M. SPIEGEL

Steven M. Spiegel,
Executive Vice President,
Chief Financial Officer
(Principal Financial and Accounting Officer)

DATE: August 27, 2013

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

/s/ STEPHEN E. WATSON Stephen E. Watson, *Chairman of the Board of Directors*	Date: August 27, 2013
/s/ DANIEL J. HANRAHAN Daniel J. Hanrahan, *Director*	Date: August 27, 2013
/s/ JOSEPH L. CONNER Joseph L. Conner, *Director*	Date: August 27, 2013
/s/ DANIEL G. BELTZMAN Daniel G. Beltzman, *Director*	Date: August 27, 2013
/s/ JAMES P. FOGARTY James P. Fogarty, *Director*	Date: August 27, 2013

Table of Contents

/s/ MICHAEL J. MERRIMAN Michael J. Merriman, *Director*	Date: August 27, 2013
/s/ JEFFREY C. SMITH Jeffrey C. Smith, *Director*	Date: August 27, 2013
/s/ DAVID P. WILLIAMS David P. Williams, *Director*	Date: August 27, 2013