

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

JOHN COLES, individually; and on behalf of Case No. BC359524
the general public similarly situated;

Plaintiff,

v.

SALLY BEAUTY SUPPLY CO., Inc., a
Delaware corporation; and DOES 1 to 25,
inclusive;

Defendants.

**NOTICE OF PENDENCY OF CLASS
ACTION, PROPOSED SETTLEMENT
AND HEARING DATE FOR COURT
APPROVAL**

THIS NOTICE MAY AFFECT YOUR RIGHTS
PLEASE READ ALL OF IT CAREFULLY

A Court authorized this notice. This is not a solicitation from a lawyer.

IF YOU WERE EMPLOYED AS AN OUTSIDE SALESPERSON BY BEAUTY SYSTEMS GROUP LLC OR THIS COMPANY IN ITS FORMER LEGAL FORM, BEAUTY SYSTEMS GROUP, INC. (COLLECTIVELY, “BSG”) OR COMPANIES ACQUIRED (OR COMPANIES WHOSE ASSETS WERE ACQUIRED) BY BSG OR AN AFFILIATE, INCLUDING WITHOUT LIMITATION WEST COAST BEAUTY SUPPLY COMPANY AND A GROUP KNOWN AS THE “INNOVATIONS COMPANIES” (INNOVATIONS SUCCESSFUL SALON SERVICES, INC. AKA INNOVATIONS—SUCCESSFUL SALON SERVICES, ARTISTIC SALON SERVICES, INC., XRG ENTERPRISES, INC., PACIFIC SALON SYSTEMS, INC., AND MATRIX OF GREATER LOS ANGELES) (BSG AND ALL OTHERS COLLECTIVELY, “BEAUTY SYSTEMS”) A CLASS ACTION LAWSUIT MAY AFFECT YOUR RIGHTS

- A proposed settlement of the above-referenced lawsuit will provide up to approximately \$400,000 to pay claims to Outside Salespersons employed at Beauty Systems between October 2, 2002 and April 6, 2007. The attorneys’ fees and costs of this lawsuit will also be paid out of the settlement amount.
- The settlement resolves a lawsuit filed by Plaintiff John Coles, where he alleged that he and other Outside Salespersons failed to receive reimbursement for business expenses for mileage, failed to receive overtime, failed to receive itemized statements, failed to receive all wages due at termination, and were subjected to unfair business practices.
- Beauty Systems denies all of Coles’ allegations of wrongdoing.
- Your legal rights are affected whether you act or don’t act. Read this notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT

SUBMIT A CLAIM FORM	This is the only way to get a payment.
EXCLUDE YOURSELF	If you file a claim requesting exclusion, you will get no payment under the settlement. This is the only option that allows you to bring your own lawsuit relating to the legal claims asserted in Coles' case.
OBJECT TO THE SETTLEMENT	If you object to the settlement you may file an objection with the Court and explain the reasons for your objection.
DO NOTHING	If you do nothing you will not get a payment under the settlement and you will be precluded from filing your own lawsuit.

- These rights and options-and the deadlines to exercise them-are explained in this notice.
- The Court in charge of this case still has to decide whether to approve the settlement. Payments will be made if the Court approves the settlement and after appeals are resolved. Please be patient.

BASIC INFORMATION

1. Why did I get this Notice?

This Notice is given pursuant to an Order by the Court dated November 21, 2007. The purpose of this Notice is to inform you that a settlement has been reached between the parties in a class action lawsuit pending in the Superior Court of California for the County of Los Angeles on behalf of a Settlement Class consisting of all persons employed as outside salespersons responsible for selling product to salons and/or salon professionals ("Distributor Sales Consultants" or "DSCs") who were employed within the state of California for Beauty Systems Group LLC or this company in its former legal form, Beauty Systems Group, Inc. (collectively, "BSG") or companies acquired (or companies whose assets were acquired) by BSG or an affiliate, including without limitation West Coast Beauty Supply Company and a group known as the "Innovations Companies" (Innovations Successful Salon Services, Inc. aka Innovations—Successful Salon Services, Artistic Salon Services, Inc., XRG Enterprises, Inc., Pacific Salon Systems, Inc., and Matrix of Greater Los Angeles) (BSG and all others collectively, "Beauty Systems") between October 2, 2002 and April 6, 2007.

You have received this notice because our records indicate that you were employed by one of the Beauty Systems entities as a DSC in California between October 2, 2002 and April 6, 2007.

This package explains the lawsuit, your legal rights, what benefits are available, who is eligible for them, and how to get them.

2. What is the lawsuit about?

On October 2, 2006, Plaintiff John Coles filed a class action lawsuit alleging that Beauty Systems unlawfully failed to pay overtime to the Class Members, failed to reimburse Class Members for business expenses, such as mileage, failed to provide itemized statements to employees, failed to pay all wages due

to former employees upon the termination of their employment, and engaged in unfair business practices. The complaint seeks recovery of unpaid wages, expenses, penalties, interest, and attorneys' fees and costs. **Beauty Systems denies Plaintiff's allegations of wrongdoing.** In addition to asserting numerous affirmative defenses, Beauty Systems asserts that its policies and practices are and have always been in compliance with all applicable law.

3. Why is this a class action?

In a class action, one or more people, called a Class Representative (in this case John Coles), sue on behalf of people who have similar claims. One Court resolves the issues for all of the people with similar claims, except for those who exclude themselves.

4. Why is there a settlement?

The Court did not decide in favor of Plaintiff or Defendants. Instead, both sides agreed to a settlement. That way, they avoid the risk and cost associated with trial, and the people affected will get compensation. The Class Representative and the attorneys think the settlement is best for everyone.

WHO IS IN THE SETTLEMENT

5. How do I know if I am part of the settlement?

The settlement involves all outside salespersons employed by Beauty Systems Group LLC or this company in its former legal form, Beauty Systems Group, Inc. (collectively, "BSG") or companies acquired (or companies whose assets were acquired) by BSG or an affiliate, including without limitation West Coast Beauty Supply Company and a group known as the "Innovations Companies" (Innovations Successful Salon Services, Inc. aka Innovations—Successful Salon Services, Artistic Salon Services, Inc., XRG Enterprises, Inc., Pacific Salon Systems, Inc., and Matrix of Greater Los Angeles) (BSG and all others collectively, "Beauty Systems") between October 2, 2002 and April 6, 2007.

If you are receiving this notice, you have been identified through Beauty Systems' employment records as a current or former employee/Class Member and may be entitled to payment under the settlement. **YOUR SOCIAL SECURITY NUMBER WILL NOT BE FILED WITH THE COURT.**

THE SETTLEMENT BENEFITS – WHAT YOU GET

6. What does the settlement provide?

The settlement is to be paid by BSG. If all Class Members submit timely and valid claims and do not opt out of the Settlement, the settlement payment will be a maximum of Four Hundred Thousand Dollars (\$400,000.00). The Claims Administrator, a neutral third party, will disburse the Settlement fund. The settlement administrative costs, incentive award to the Class representative, attorneys' fees and costs and other associated expenses will be subtracted from the potential maximum settlement amount. If all Class Members do not submit a timely and completed Claim Form, BSG may pay less than the total maximum potential settlement amount.

Subject to Court approval, Plaintiff John Coles may be paid an enhancement for his services as Class Representative. Class Counsel intends to ask the judge for an enhancement of \$7,500; and the parties agree to be bound by the judge's determination of the appropriate Class Representative Enhancement. The Court will be asked to approve fees for the third-party Claims Administrator who will administer and effectuate the Settlement. Further, attorneys for the Class ("Class Counsel") will seek from the Court attorneys' fees in the amount of twenty percent of the \$400,000 for a total of \$80,000. In

addition, Class Counsel will seek reimbursement of their costs incurred in the prosecution of this action. Amounts paid for attorneys' fees, enhancements, Claims Administration fees, and all costs shall be deducted from the \$400,000 available for cash payments to Class Members. Class Counsel believes the attorneys' fees and costs requested are reasonable. However, the final decision regarding the amount of attorneys' fees, costs, Claims Administration fees, and enhancements which will be paid is subject to the discretion and approval of the Court.

7. How is my payment determined?

The amount of payments to Class Members will be determined by the total number of weeks each person worked for Beauty Systems between October 2, 2002 and April 6, 2007.

The dates a Class Member worked as a Class Member during the Settlement period shall be determined based upon Beauty Systems' records. Class Members shall be entitled to dispute the information in the Proof of Claim Form, but only as to the dates stated. The Class Member's basis for their objection, along with copies of any supporting documents, must be provided to the Claims Administrator with the Class Member's Claim Form. BSG will have an opportunity to respond to the Class Member's objection. The Claims Administrator will decide the issue based on the information provided, and the Claims Administrator's decision shall be final, binding and non-appealable.

HOW YOU GET PAYMENT – SUBMITTING A CLAIM FORM

8. How can I get a payment?

To qualify for payment, you must complete and sign the Claim Form included with this class notice and mail it by first class mail or equivalent to the claims administrator the Garden City Group, addressed as follows by first-class mail with a postmark not later than March 10, 2008:

John Coles v. Sally Beauty Company, Inc
c/o The Garden City Group, Inc.
PO BOX 9226
Dublin, OH 43017-4626

If you misplace your Claim Form, contact Garden City Group or counsel for Plaintiff to receive an additional Claim Form.

9. When would I get my payment?

The Court will hold a hearing on April 22, 2008 to decide whether to approve the settlement. If the judge approves the settlement, there may be appeals. It's always uncertain if these appeals can be resolved, and resolving them can take time, perhaps more than a year. Please be patient. If no appeals are filed, it is estimated that payments will be mailed on July 30, 2008.

10. What am I giving up to get my payment?

Unless you exclude yourself, you will be part of the settlement, and that means you cannot sue, continue to sue, or be part of any other lawsuit against Beauty Systems about the legal issues in this case. If you fill out and submit a Claim Form, you agree to the "Release of Claims," which describes the legal claims that you give up if you do not exclude yourself from the settlement. In essence, the "Release of Claims" means that, in exchange for the payment described in the settlement you give up your right to bring a subsequent action on your own behalf.

A summary of the “Release of Claims” is as follows:

All Class Members, including those who do not submit a Claim Form, shall be deemed to have agreed that, except for the obligations imposed by this settlement, Beauty Systems Group, Inc., Beauty Systems Group LLC, their parents, subsidiaries and affiliated companies, including without limitation Sally Beauty Supply LLC, formerly known as Sally Beauty Company, Inc., the Innovations Companies (Innovations Successful Salon Services, Inc. aka Innovations—Successful Salon Services, Artistic Salon Services, Inc., XRG Enterprises, Inc., Pacific Salon Systems, Inc., Matrix of Greater Los Angeles), West Coast Beauty Supply Company, and their parents, subsidiaries, affiliates and successors) and all of their respective officers, directors, employees, administrators, fiduciaries, trustees, and agents (collectively the “Releasees”), shall be forever released and discharge from any and all “Released Claims,” including, without limitation, that the Releasees: (i) failed to pay Class Members overtime; (ii) failed to pay Class Members all overtime sums due upon termination of employment; (iii) failed to reimburse Class Members for business expenses; and/or (iv) failed to provide Class Members with itemized pay statements. The Released Claims also include any and all claims of every kind and nature, known or unknown, that were asserted against Beauty Systems by the Class representative or Class Members in the Complaint, including for unpaid overtime compensation, expense reimbursement, improper paycheck stubs, waiting time penalties for unpaid overtime and other statutory penalties, and any other relief sought by the Complaint for the period October 2, 2002 through April 6, 2007. The Class Members shall be barred and enjoined from suing the Releasees for any liability in any way related to or arising out of any Released Claim.

This summary is for your convenience only. The “Release of Claims” is further described in the attached appendix to this notice. The full scope of the release and waiver will be governed by the terms of the Settlement Agreement.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want payment under the settlement and would like to keep your right to sue Beauty Systems on your own about the legal issues in this case, then you must take steps to get out. This is called excluding yourself--or sometimes called opting out of the settlement.

11. How do I get out of the settlement?

If you wish to be excluded from the Class, you must fill out and sign the Exclusion Request Form included with this Class Notice. Additionally, to be valid, your request for exclusion must be mailed to the claims administrator, The Garden City Group, addressed as follows by first-class mail with a postmark not later than March 10, 2008:

John Coles v. Sally Beauty Company, Inc
c/o The Garden City Group, Inc.
PO BOX 9226
Dublin, OH 43017-4626

12. If I don't exclude myself, can I sue Beauty Systems for the same thing later?

No. Unless you exclude yourself, you give up the right to sue Beauty Systems for the claims this settlement resolves. If you have a pending lawsuit, speak to your attorney immediately. You must exclude yourself from this class to continue your own lawsuit.

13. If I exclude myself, can I get money from the settlement?

No. If you exclude yourself, you cannot send in a Claim Form to ask for money.

THE LAWYERS REPRESENTING THE CLASS

14. Do I have a lawyer in this case?

The law firm of Gould and Associates has been approved to represent you and other class members. This law firm is called "Class Counsel." You will not be charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

15. Why is Class Counsel recommending the settlement?

Relative to the risks and costs of continuing litigation of the Action, Class Counsel believe this Settlement provides a favorable recovery which is in the best interests of the Class. Class Counsel's collective evaluation in this regard is based on the extensive investigation and discovery they have undertaken; and upon their experience prosecuting similar cases. Absent Settlement, Plaintiff would have to secure class certification on the claims set forth in the Action over the strenuous opposition of Beauty Systems. Additionally, at trial, Plaintiff would have the burden of proof to establish liability and the amount of damages. This case involves many unresolved factual and legal issues, some of which could be decided against Plaintiff at or before trial, and which would jeopardize Plaintiff's ability to certify a class or to obtain a favorable judgment and preserve it on appeal.

In addition, settling the case now has the further advantage of avoiding the very substantial additional costs and delay that further litigation would involve. Beauty Systems made it clear that it would vigorously oppose class certification on all claims alleged by Coles. Further, Beauty Systems could seek appellate review of any grant of class certification outside the settlement context and could also appeal any final adverse result at trial. Thus, absent settlement, it is likely to be years before the litigation ends and class members receive a monetary recovery, if any. Given the costs involved in further litigation and the time-value of money, even if a favorable judgment were obtained at trial, it could well produce less net recovery to the class members than the present settlement.

16. How will the lawyers be paid?

Class Counsel will seek from the Court attorneys' fees in the amount of twenty percent of the \$400,000 for a total of \$80,000. In addition, Class Counsel will seek reimbursement of their costs incurred in the prosecution of this action, not to exceed \$3,000.00. Class Counsel also intends to ask the judge for an enhancement of \$7,500 to be paid to John Coles as Class Representative. The Court may award less than these amounts.

OBJECTING TO THE SETTLEMENT

17. How do I tell the Court that I don't like the settlement?

If you are a Class Member, you can object to the settlement if you don't like any part of it. If you want to object to the settlement and want to be heard at the Final Fairness Hearing you must submit written notice of intention to appear, together with a written objection or opposition setting forth the basis for the objection, along with any and all documentation in support of such objection. Such objection must be filed with the Court no later than March 10, 2008, and copies simultaneously served on the following counsel:

Class Counsel for Plaintiff:

Michael A. Gould
Gould & Associates
17822 East 17th Street, Suite 106
Tustin, CA 92780

Defense Counsel:

Andrew M. Paley
Seyfarth Shaw LLP
2029 Century Park East, Suite 3300
Los Angeles, CA 90067

Unless otherwise ordered by the Court, any Class Member who does not make his or her objection or opposition in the manner provided shall be deemed to have waived all objections and opposition to the fairness, reasonableness and adequacy of the proposed settlement, the distribution of settlement payments to and among Class Members, the fee and expense application, and the incentive payment application, and will have no other chance to object or oppose any of these items. The Court may reschedule the Final Hearing without further notice to the Class.

18. What is the difference between objecting and excluding?

Objecting is simply telling the Court that you don't like something about the settlement. You can object only if you stay in the Class. Excluding yourself is telling the Court that you don't want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the settlement. You do not need to attend the hearing.

19. When and where will the Court decide whether to approve the settlement?

A final hearing will be held on April 22, 2008 at 8:30 a.m. before the Honorable Mary Ann Murphy, Judge, in Department 25 of the Los Angeles Superior Court, located at 111 North Hill Street, Los Angeles, California (the "Final Hearing") to determine whether the settlement is fair, reasonable and adequate. The Court will also be asked to approve Class Counsel's request for attorneys' fees, reimbursement of costs Claims Administration fees, and Plaintiff's enhancement award. The Final Hearing will conclude the case by dismissal and permit the distribution of money as set out above.

20. Do I have to come to the hearing?

No. Class Counsel will answer any questions Judge Murphy may have.

IF YOU DO NOTHING

21. What happens if you do nothing at all?

If you do nothing, you will get no money under the settlement. You only receive money under the settlement if you submit a Claim Form. Unless you exclude yourself you won't be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against Beauty Systems about the legal issues in this case.

GETTING MORE INFORMATION

22. How can I get more information about the settlement?

This Notice contains only a summary of the Action and terms of the proposed Settlement. For more detail, the pleadings in the Action and the full Class Settlement Agreement are available for inspection by you or your representative during regular business hours at the Office of the Clerk of the Los Angeles Superior Court, located at 111 North Hill Street, Los Angeles, California 90012. Inquiries regarding the Action or this Settlement should be addressed to Class Counsel noted above.

You may also seek the advice and counsel of your own attorney, at your own expense, if you desire.

CRITICAL DATES

23. What are the critical dates?

- **March 10, 2008:** The last date to mail your Claim Form if you are willing to be bound by the Settlement and want to receive a share of the Settlement funds.
- **March 10, 2008:** The last date to mail your written request to be excluded from the Settlement if you are not willing to be bound by the Settlement and do not want to receive a share of the Settlement funds.
- **March 10, 2008:** The last date to mail any written objections to the Settlement.
- **April 22, 2008:** The Court hearing to determine whether the proposed Settlement is fair, reasonable and adequate, and should receive final Court approval.

PLEASE DO NOT CONTACT THE COURT REGARDING THIS NOTICE.

BY ORDER OF THE SUPERIOR COURT
The Honorable Mary Ann Murphy, Judge

APPENDIX TO NOTICE OF CLASS ACTION SETTLEMENT IN COLES v. SALLY BEAUTY COMPANY, INC.

The full scope of the release and waiver that Class Members are providing to Beauty Systems and the other Releasees is set forth in Section III, Paragraphs 6 and 17 of the Settlement Agreement. Those provisions are as follows:

6. Release of Claims by Class Members:

(a) For and in consideration of the mutual promises contained herein, Plaintiff and the Settlement Class Members fully and finally release, as of April 6, 2007, Beauty Systems Group, Inc., Beauty Systems Group LLC, their parents, subsidiaries and affiliated companies, including without limitation Sally Beauty Supply LLC, formerly known as Sally Beauty Company, Inc., the Innovations Companies (Innovations-Successful Salon Services, Inc. aka Innovations—Successful Salon Services, Artistic Salon Services, Inc., XRG Enterprises, Inc., Pacific Salon Systems, Inc., and Matrix of Greater Los Angeles), West Coast Beauty Supply Company, and their parents, subsidiaries, affiliates and successors) and all of their respective officers, directors, employees, administrators, fiduciaries, trustees, and agents (collectively the “Releasees”), from any and all “Settlement Class Members’ Released Claims.” For the purposes of this Agreement, the Settlement Class Members’ Released Claims are defined as:

(1) All claims, demands, rights, liabilities, and causes of action of every nature and description whatsoever, known or unknown, asserted or that could have been asserted, whether in tort, contract, or for violation of any state or federal statute, rule or regulation, including state or federal wage and hour laws, whether for economic damages, non-economic damages, restitution, penalties or liquidated damages, arising out of:

(i) any and all facts, transactions, events, policies, occurrences, acts, disclosures, statements, omissions or failures to act, or related to acts alleged in the Complaint, including but not limited to claims: (i) that BSG or any Releasee did not pay the Class Members for overtime that they were allegedly owed for work performed as Class Members in California; (ii) that BSG or any Releasee owes waiting time penalties for unpaid overtime due upon termination of employment, (iii) that BSG or any Releasee failed to reimburse the Class Members for mileage and/or other expenses; (iv) that BSG or any Releasee failed to issue proper paycheck stubs; and/or (v) that BSG or any Releasee owes other penalties, including any penalties which may be available pursuant to the Private Attorneys General Act of 2004 (“PAGA”), interest, attorneys’ fees, or other damages of any kind related to the claims alleged in the Complaint, and/or

(ii) the causes of action asserted in the Complaint, including but not limited to any and all claims for alleged failure to pay overtime, failure to pay expense reimbursement, failure to provide itemized statements, failure to pay overtime sums due upon termination of employment, for waiting time penalties, and as related to the foregoing, for alleged unlawful, unfair and/or fraudulent business practices under California Business and Professions Code section 17200, et seq.

(b) With respect to Settlement Class Members’ Released Claims defined above, Plaintiff and the Settlement Class Members shall be deemed to have, and by operation of the Final Judgment shall have, expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights and benefits of Section 1542 of the California Civil Code to the extent it is applicable (or any other similar

provision under federal, state or local law to the extent any such provision is applicable), which is quoted below. Section 1542 provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Thus, subject to and in accordance with the provisions of this Agreement, even if Plaintiff and/or the Settlement Class Members may hereafter discover facts in addition to or different from those which they now know or believe to be true with respect to the subject matter of Settlement Class Members' Released Claims, each Plaintiff and Settlement Class Member, upon the Effective Date, shall be deemed to have and by operation of the Final Judgment shall have, fully, finally, and forever settled and released any and all of Settlement Class Members' Released Claims. This is true whether Settlement Class Members' Released Claims are known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law, or rule, without regard to the subsequent discovery or existence of such different or additional facts.

(c) Further, as a condition of receiving payment of any portion of the Settlement Proceeds, each Settlement Class Member shall execute the Proof of Claim Form, which shall be approved by the court, and substantially in the form of that attached hereto as Exhibit B. The Proof of Claim Form shall include verification that the Settlement Class Member has not assigned any of his or her rights to any of the Settlement Class Members' Released Claims.

17. Waiver of Rights:

(a) The Class Members waive any right they may have to overtime pay, unreimbursed expenses, penalties for any claim alleged in the Complaint, or any other matter alleged in or related to the allegations in the Complaint except as provided for in this Agreement.

(b) The Parties stipulate and agree that the consideration paid to the Class Members pursuant to this Agreement compensates the Class for all claims alleged in the Complaint.

(c) The Parties stipulate and agree that the Class has been adequately compensated for all violations alleged in the Complaint and to which they otherwise may be entitled.