

**SALLY BEAUTY HOLDINGS, INC.**  
**CORPORATE GOVERNANCE GUIDELINES**

1. Director Qualification Standards

A majority of the members of the Board of Directors (the “Board”) will satisfy the independence requirements of the New York Stock Exchange relating to directors. A director is independent if the Board has made an affirmative determination that such director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company).

2. Size of the Board

In accordance with the Bylaws, the Board will be comprised of eleven directors.

3. Office of Chairman

In accordance with the Bylaws, a Chairman of the Board who is a director designated by CDRS Acquisition LLC will be elected by the Board to preside at all meetings of the Board. The Board has no policy with respect to the separation of the offices of Chairman and Chief Executive Officer.

4. Board Membership Criteria

The Nominating and Corporate Governance Committee will recommend to the Board criteria for the selection of directors and periodically review the criteria adopted by the Board. At a minimum, a candidate for director must have integrity, be committed to act in the best interest of all of the Company’s stockholders and be able and willing to devote the required amount of time to the Company’s affairs, including attendance at meetings of the Board.

5. Selection of New Director Candidates

In accordance with the Bylaws, the Board will select new director candidates based on the recommendations of the Nominating and Corporate Governance Committee.

6. Term Limits

In accordance with the Bylaws, directors will be elected for terms of three years.

7. Mandatory Retirement Age

It is the policy of the Board that no non-management director should serve for more than 15 years in that capacity or beyond the age of 72, except that, where that

policy would result in multiple retirements in any 12-month period, the Board may request that a director who would otherwise be due to retire serve up to an additional 12 months.

8. Directors who Change their Present Job Responsibility

A director who experiences a significant change in job responsibilities or assignment will be required to submit a resignation to the Board. The remaining directors, upon recommendation of the Nominating and Corporate Governance Committee, will then determine the appropriateness of continued Board membership.

9. Limitation on Number of Boards a Director may Serve

The Board does not have limits on the number of other public company boards of directors upon which a director may sit that would limit the ability of a director to be nominated for reelection. However, to ensure that the Board remains composed of high functioning members able to keep their commitments to Board service, the Nominating and Corporate Governance Committee will evaluate the qualifications and performance of each incumbent director before recommending the nomination of that director for an additional term.

10. Director Responsibilities

The Board will be responsible for the management of the business and affairs of the Company. The basic responsibilities of directors are to exercise their business judgment and act in what they reasonably believe to be in the best interests of the Company and its stockholders.

Each director, will, in the performance of such director's duties, be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any of the Company's officers or employees, or committees of the Board, or by an other person as to matters such director reasonably believes are within such others person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company.

11. Number of Meetings; Attendance of Directors at Board Meetings

The Chairman, in consultation with the Chief Executive Officer, will determine the frequency and length of Board meetings. Directors are expected regularly to attend meetings of the Board and the committees of which they are members, and to spend the time needed to properly discharge their responsibilities.

12. Selection of Agenda Items for Board Meeting

The Chairman will establish the agenda for each Board meeting. Individual Board members may suggest agenda items.

13. Board Materials Distributed in Advance

The Company will distribute materials pertaining to Board and committee meetings in advance of those meetings. A director is expected to review all distributed materials prior to any Board or committee meeting that such director attends.

14. Conflicts of Interest

Each director will seek to avoid taking actions or having interests that might result in a conflict of interest, that is, a situation where a director's private interest interferes in any way with the interests of the Company as a whole. Each director will ethically handle all actual conflicts of interest between personal and professional relationships, including promptly informing the Chairman or the General Counsel if such a conflict arises and recusing himself/herself from any discussion or decision affecting his/her personal interests.

15. Executive Sessions of Non-Management Directors

The Company's non-management directors will meet at regularly scheduled executive sessions in which management does not participate. Such meetings will normally occur immediately prior to and following regularly scheduled Board meetings. Also, the independent directors will meet at least once a year in an executive session without management.

16. Committees of the Board

There are currently five standing Board committees: an Executive Committee, an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Finance Committee. The Board may from time to time establish other committees, including standing or special committees, subject to the Bylaws and Delaware General Corporation Law. The Board may, by resolution, at any time deemed desirable, discontinue any standing or special committee, subject to the requirements of the Bylaws, applicable law and stock exchange requirements.

17. Assignment of Committee Members

In accordance with the Bylaws, committee assignments will be made by the Board based upon recommendations of the Nominating and Corporate Governance Committee.

18. Frequency of Committee Meetings

Each committee will establish its own rules or procedures, which will be consistent with the provisions of the Delaware General Corporation Law, the Bylaws and any resolutions of the Board governing such committee. Each committee will meet as provided by such rules and will also meet at the call of its chairman or any majority of the members of such committee.

19. Committee Agenda

The chairperson of each committee will determine the committee's agenda prior to a meeting, giving consideration to management recommendations.

20. Executive Committee

Subject to the limitations set forth in the Bylaws and Delaware General Corporation Law, the Executive Committee will be responsible for the management of the business and affairs of the Company in the intervals between meetings of the Board, and will report its actions to the Board at the Board's regular meetings.

21. Audit Committee

The Committee's duties and responsibilities will be set forth in the Audit Committee Charter and include all of the responsibilities of an audit committee under the New York Stock Exchange and Securities and Exchange Commission rules and such other matters as may from time to time be delegated to the Committee by the Board. Each member of the Audit Committee will satisfy the independence requirements of the New York Stock Exchange and the Securities and Exchange Commission relating to directors and audit committee members.

22. Compensation Committee

The Committee's duties and responsibilities will be set forth in the Compensation Committee Charter and include all of the responsibilities of a compensation committee under the New York Stock Exchange rules and such other matters as may from time to time be delegated to the Committee by the Board. Each member of the Compensation Committee will satisfy the independence requirements of the New York Stock Exchange relating to directors.

23. Nominating and Corporate Governance Committee

The Committee's duties and responsibilities will be set forth in the Nominating and Corporate Governance Committee Charter and include all of the responsibilities of a nominating and corporate governance committee under the New York Stock Exchange

rules and such other matters as may from time to time be delegated to the Committee by the Board. Each member of the Nominating and Corporate Governance Committee will satisfy the independence requirements of the New York Stock Exchange relating to directors.

24. Finance Committee

The Committee's duties and responsibilities will be set forth in the Finance Committee Charter and include monitoring, reviewing and providing advice to the Board and Company management regarding the Company's cash position, capital structure and strategies, financing strategies and insurance coverage; dividend policy; financial risk management policies and activities, including the Company's asset-liability mix; and any ERISA-qualified, funded plans sponsored by the Company, to the extent assigned by the Board.

25. Board Access to Management and Employees

Directors will have complete access to management and employees of the Company; however, independent directors are expected to keep the Chief Executive Officer informed of such contacts. The Board encourages the attendance of officers in addition to executive officers at Board meetings when matters within their areas of responsibility are discussed.

26. Board Access to Independent Advisors

Directors will have complete access, as necessary and appropriate, to the Company's outside advisors as they deem necessary and appropriate. If appropriate, directors may retain independent legal, financial or other advisors.

27. Director Compensation

All directors of the Company who are not simultaneously employed as officers by the Company will be properly compensated and reimbursed for their services as a director. Any employee of the Company who is elected a director of the Company will not receive any compensation or participation in director benefit programs for his or her services as a director of the Company.

The Board will be responsible for setting director compensation. The Compensation Committee will periodically review the compensation of the Company's directors and make recommendations to the Board with respect thereto based on the criteria set forth in the Compensation Committee Charter.

28. Succession Planning

Every year the Chief Executive Officer will report to the Board on succession planning. The report will include policies and principles for chief executive officer selection and performance review, as well as policies regarding succession in the case of an emergency or the retirement of the Chief Executive Officer.

29. Assessing the Board's Performance

The Board will conduct an annual self-evaluation in order to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee will oversee the Board's annual self-evaluation.

30. Board Interaction with Shareholders, the Press, Customers, Etc.

The Chief Executive Officer and, as appropriate, designated members of senior management speak for the Company. Individual directors may, on occasion and with the knowledge of management, meet or otherwise communicate with interested parties. Absent unusual circumstances or as contemplated by the Committee charters, such communications will be made only at the request of management.

Interested parties who wish to make their concerns known by communicating directly with the presiding non-management director or with the non-management directors as a group, confidentially or otherwise, may do so in writing addressed to the attention of the General Counsel.