

Ulta Salon, Cosmetics & Fragrance, Inc.  
Form DEF 14A  
April 22, 2015  
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**ULTA SALON, COSMETICS & FRAGRANCE, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON JUNE 3, 2015**

TO THE STOCKHOLDERS OF ULTA SALON, COSMETICS & FRAGRANCE, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Ulta Salon, Cosmetics & Fragrance, Inc. ( Ulta or the Company ), a Delaware corporation, will be held on Wednesday, June 3, 2015, at 10:00 A.M. local time, at Ulta s headquarters located at 1000 Remington Blvd., Suite 120, Bolingbrook, Illinois 60440, for the following purposes:

1. To elect Robert F. DiRomualdo, Catherine Halligan and Lorna E. Nagler as Class II Directors to hold office until the 2018 Annual Meeting of Stockholders, and Michelle L. Collins as a Class I Director to office until the 2017 Annual Meeting of Stockholders;
2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm, for our fiscal year 2015, ending January 30, 2016;
3. To vote on an advisory resolution to approve the Company s executive compensation; and
4. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on April 6, 2015, as the record date for the determination of stockholders entitled to notice of and to vote on the items listed above at the Annual Meeting of Stockholders and at any adjournment or postponement thereof.

**By Order of the Board of Directors**

Robert S. Guttman

April 22, 2015

**Table of Contents**

**INTERNET AVAILABILITY OF PROXY MATERIALS**

We are furnishing proxy materials to our stockholders primarily via the internet. On April 22, 2015, we mailed most of our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials, including our Proxy Statement and our 2014 Annual Report on Form 10-K. The Notice of Internet Availability of Proxy Materials also instructs you on how to vote via the internet. Other stockholders, in accordance with their prior requests, received e-mail notification of how to access our proxy materials and vote via the internet, or have been mailed paper copies of our proxy materials and a proxy card or voting form.

Internet distribution of our proxy materials is designed to expedite receipt by stockholders, lower the cost of the annual meeting, and conserve natural resources. However, if you would prefer to receive paper copies of proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials.

**Important notice regarding availability of proxy materials**

**for Ulta's 2015 Annual Meeting of Stockholders to be held on June 3, 2015:**

**The Proxy Statement and Annual Report to Stockholders on Form 10-K**

**for the year ended January 31, 2015 are available at <http://ir.ulta.com>.**

**Brokers cannot vote for Proposals 1 or 3 without your instructions.**

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, WE ENCOURAGE YOU TO READ THIS PROXY STATEMENT AND SUBMIT YOUR PROXY OR VOTING INSTRUCTIONS AS SOON AS POSSIBLE. FOR SPECIFIC INSTRUCTIONS ON HOW TO VOTE YOUR SHARES, PLEASE REFER TO THE INSTRUCTIONS ON THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS YOU RECEIVED IN THE MAIL. IF YOU RECEIVED PAPER COPIES OF THE PROXY MATERIALS, KINDLY MARK, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE (WHICH IS POSTAGE PREPAID, IF MAILED IN THE UNITED STATES). EVEN IF YOU HAVE GIVEN YOUR PROXY, YOU MAY STILL REVOKE YOUR PROXY AND VOTE IN PERSON IF YOU ATTEND THE MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES OF RECORD ARE HELD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME.**

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>ARTICLE I. PROXY MATERIALS AND ANNUAL MEETING</u></b>	1
<b><u>QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING</u></b>	1
<b><u>1. Q: General Why am I receiving these materials?</u></b>	1
<b><u>2. Q: Delivery of Materials Why did I receive a notice in the mail regarding the internet availability of proxy materials instead of a full set of proxy materials?</u></b>	1
<b><u>3. Q: Date, Time and Place When and where is the Annual Meeting of Stockholders?</u></b>	1
<b><u>4. Q: Purpose What is the purpose of the Annual Meeting of Stockholders?</u></b>	1
<b><u>5. Q: Attending the Annual Meeting How can I attend the Annual Meeting?</u></b>	2
<b><u>6. Q: Multiple Sets of Proxy Materials What should I do if I receive more than one set of voting materials?</u></b>	2
<b><u>7. Q: Record Holders and Beneficial Owners What is the difference between holding shares as a Record Holder versus a Beneficial Owner?</u></b>	2
<b><u>8. Q: Voting Who can vote and how do I vote?</u></b>	3
<b><u>9. Q: Revocation of Proxy May I change my vote after I return my proxy?</u></b>	3
<b><u>10. Q: Quorum What constitutes a quorum?</u></b>	3
<b><u>11. Q: Voting Results Where can I find the voting results of the Annual Meeting?</u></b>	3
<b><u>12. Q: Solicitation Who will pay the costs of soliciting these proxies?</u></b>	4
<b><u>13. Q: Additional Matters at the Annual Meeting What happens if additional matters are presented at the Annual Meeting?</u></b>	4
<b><u>14. Q: Stockholder Proposals What is the deadline to propose actions for consideration at next year s Annual Meeting of Stockholders, or to nominate individuals to serve as Directors?</u></b>	4
<b><u>15. Q: Nomination of Directors How do I submit a proposed Director nominee to the Board of Directors for consideration?</u></b>	4
<b><u>ARTICLE II. CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS</u></b>	5
<b><u>CORPORATE GOVERNANCE</u></b>	5
<b><u>ELECTION OF DIRECTORS</u></b>	9
<b><u>INFORMATION ABOUT OUR BOARD OF DIRECTORS</u></b>	12
<b><u>NON-EXECUTIVE DIRECTOR COMPENSATION FOR FISCAL 2014</u></b>	16
<b><u>ARTICLE III. INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND AUDIT COMMITTEE</u></b>	18
<b><u>RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	18
<b><u>FEES TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	19
<b><u>AUDIT COMMITTEE</u></b>	19
<b><u>REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS</u></b>	20

<u>ARTICLE IV. COMPENSATION COMMITTEE REPORT AND COMPENSATION DISCUSSION AND ANALYSIS</u>	21
<u>REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS</u>	22
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	23
<u>ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION</u>	33
<u>ARTICLE V. STOCK</u>	34
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	34
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	35
<u>ARTICLE VI. CERTAIN RELATIONSHIPS AND TRANSACTIONS</u>	36
<u>ARTICLE VII. MISCELLANEOUS</u>	37



**Table of Contents**

**1000 Remington Blvd., Suite 120**

**Bolingbrook, IL 60440**

**PROXY STATEMENT**

**FOR ANNUAL MEETING OF STOCKHOLDERS**

**JUNE 3, 2015**

**ARTICLE I. PROXY MATERIALS AND ANNUAL MEETING**

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING**

**1. Q: General Why am I receiving these materials?**

**A:** On or about April 22, 2015, we sent a Notice of Internet Availability of Proxy Materials (the "Notice") to you, and to all stockholders of record as of the close of business on April 6, 2015, because the Board of Directors of Ulta is soliciting your proxy to vote at the 2015 Annual Meeting of Stockholders. Our Board of Directors has made these proxy materials available to you on the internet, or upon your request, has delivered printed proxy materials to you, in connection with the solicitation of proxies for use at the 2015 Annual Meeting of Stockholders. Our 2014 Annual Report and Form 10-K for fiscal 2014, along with our Proxy Statement and all other relevant corporate governance materials, are also available at the Investor Relations section of our website at <http://ir.ulta.com>.

**2. Q: Delivery of Materials Why did I receive a notice in the mail regarding the internet availability of proxy materials instead of a full set of proxy materials?**

**A:** In accordance with rules adopted by the Securities and Exchange Commission (the "SEC"), we may furnish proxy materials, including this Proxy Statement and our 2014 Annual Report and Form 10-K for fiscal 2014, to our stockholders by providing access to such documents on the internet instead of mailing printed copies. Most stockholders will not receive printed copies of the proxy materials unless they request them. Instead, the Notice, which was mailed to most of our stockholders, will instruct you as to how you may access and review all of the proxy materials on the internet. The Notice also instructs you as to how you may submit your proxy on the internet. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice.

**3. Q: Date, Time and Place When and where is the Annual Meeting of Stockholders?**

**A:** The Annual Meeting of Stockholders will be held on Wednesday, June 3, 2015, at 10:00 A.M. local time, at Ulta's headquarters located at 1000 Remington Blvd., Suite 120, Bolingbrook, Illinois 60440.

**4. Q: Purpose What is the purpose of the Annual Meeting of Stockholders?**

**A:** At our Annual Meeting, stockholders will act upon the matters outlined in this Proxy Statement and in the Notice of Annual Meeting on the cover page of this Proxy Statement. Following the Annual Meeting, management will respond, if applicable, to questions from stockholders and will make a presentation on our performance.

**Table of Contents**

**5. Q: Attending the Annual Meeting How can I attend the Annual Meeting?**

**A:** You will be admitted to the Annual Meeting if you were an Ulta stockholder or joint holder as of the close of business on April 6, 2015, or you hold a valid proxy for the Annual Meeting. You should be prepared to present photo identification for admittance. In addition, if you are a stockholder of record, your name will be verified against the list of stockholders of record prior to admittance to the Annual Meeting. If you are not a stockholder of record but hold shares through a broker, trustee or nominee, you should provide proof of beneficial ownership on the record date, such as your most recent account statement prior to April 6, 2015, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of ownership. If a stockholder is an entity and not a natural person, a maximum of two representatives per such stockholder will be admitted to the Annual Meeting. Such representatives must comply with the procedures outlined above and must also present evidence of authority to represent such entity. If a stockholder is a natural person and not an entity, such stockholder and his/her immediate family members will be admitted to the Annual Meeting, provided they comply with the above procedures. In order to be admitted to the Annual Meeting, all attendees must provide photo identification and comply with the other procedures outlined above upon request.

**6. Q: Multiple Sets of Proxy Materials What should I do if I receive more than one set of voting materials?**

**A:** You may receive more than one set of voting materials, including multiple copies of this Proxy Statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please vote each proxy card and voting instruction card that you receive.

**7. Q: Record Holders and Beneficial Owners What is the difference between holding shares as a Record Holder versus a Beneficial Owner?**

**A:** Most Ulta stockholders hold their shares through a broker or other nominee rather than directly in their own name. There are some distinctions between shares held of record and those owned beneficially:

*Record Holders* If your shares are registered directly in your name with our Transfer Agent, American Stock Transfer & Trust Company, you are considered, with respect to those shares, the stockholder of record or Record Holder and the Notice was sent directly to you by Ulta. As the stockholder of record, you have the right to grant your voting proxy directly to Ulta or to vote in person at the Annual Meeting.

*Beneficial Owner* If your shares are held in a brokerage account or by another nominee, you are considered the Beneficial Owner of shares held in street name, and the Notice was forwarded to you from your broker, trustee or nominee. As a Beneficial Owner, you have the right to direct your broker, trustee or nominee how to vote and are also invited to attend the Annual Meeting. Since a Beneficial Owner is not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a legal proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting.

Edgar Filing: Ulta Salon, Cosmetics & Fragrance, Inc. - Form DEF 14A

Your broker, trustee or nominee has enclosed or provided voting instructions for you to use in directing how to vote your shares. If you do not provide specific voting instructions to your broker by May 24, 2015 (10 days before the Annual Meeting), your broker can vote your shares with respect to discretionary items, but not with respect to non-discretionary

**Table of Contents**

items. The election of Directors (Proposal 1) and the advisory vote on executive compensation (Proposal 3) are considered non-discretionary items, while the ratification of the appointment of our independent registered public accounting firm (Proposal 2) is considered a discretionary item. On non-discretionary items for which you do not give your broker instructions, the shares will be treated as broker non-votes.

**8. Q: Voting Who can vote and how do I vote?**

**A:** Only holders of our common stock at the close of business on April 6, 2015 will be entitled to notice of and to vote at the Annual Meeting. At the close of business on April 6, 2015, we had outstanding and entitled to vote 64,243,526 shares of common stock. Each holder of our common stock on such date will be entitled to one vote for each share held on all matters to be voted upon at the Annual Meeting.

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the Annual Meeting in person. Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the Annual Meeting. If you are a stockholder of record, you may vote by proxy. You can vote by proxy over the internet by following the instructions provided in the Notice, or if you requested to receive printed proxy materials, you can also vote by mail or telephone pursuant to instructions provided on the proxy card. If you hold shares beneficially in street name, you may also vote by proxy over the internet by following the instructions provided in the Notice, or if you requested to receive printed proxy materials, you can also vote by mail or telephone by following the voting instructions provided to you by your broker, bank, trustee or nominee.

If you attend the Annual Meeting, you may also submit your vote in person, and any previous votes that you submitted will be superseded by the vote that you cast at the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the Annual Meeting, you must obtain from the Record Holder a legal proxy issued in your name.

**9. Q: Revocation of Proxy May I change my vote after I return my proxy?**

**A:** Yes. Even after you have submitted your proxy/vote, you may revoke or change your vote at any time before the proxy is exercised by (i) the timely delivery of a valid, later-dated proxy, timely written notice of revocation with our Corporate Secretary at our principal executive offices at 1000 Remington Blvd., Suite 120, Bolingbrook, IL 60440; or (ii) by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

**10. Q: Quorum What constitutes a quorum?**

**A:** Presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the common stock outstanding on April 6, 2015 will constitute a quorum, permitting the Annual Meeting to proceed and business to be conducted. As of April 6, 2015, 64,243,526 shares of common stock, representing the same number of votes, were outstanding. Thus, the presence of the holders of common stock representing at least 32,121,764 votes will be required to establish a quorum. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting.

**11. Q: Voting Results Where can I find the voting results of the Annual Meeting?**

**A:** We will publish final results on a Current Report on Form 8-K within four business days of the Annual Meeting.

**Table of Contents**

**12. Q: Solicitation Who will pay the costs of soliciting these proxies?**

**A:** We will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and distribution of this Proxy Statement and any additional information furnished to stockholders. If you choose to access the proxy materials and/or vote over the internet, you are responsible for internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding shares of common stock beneficially owned by others to forward to such Beneficial Owners. We may reimburse persons representing Beneficial Owners of common stock for their reasonable costs of forwarding solicitation materials to such Beneficial Owners. Original solicitation of proxies may be supplemented by electronic means, mail, facsimile, telephone or personal solicitation by our Directors, officers or other employees. No additional compensation will be paid to our Directors, officers or other regular employees for such services.

**13. Q: Additional Matters at the Annual Meeting What happens if additional matters are presented at the Annual Meeting?**

**A:** Other than the three proposals described in this Proxy Statement, we are not aware of any other properly submitted business to be acted upon at the Annual Meeting. If you grant a proxy, the persons named as proxy holders, Mary N. Dillon, our Chief Executive Officer, and Robert S. Guttman, our Senior Vice President, General Counsel and Secretary, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If, for any unforeseen reason, any of our nominees are not available as a candidate for Director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the Board of Directors.

**14. Q: Stockholder Proposals What is the deadline to propose actions for consideration at next year's Annual Meeting of Stockholders, or to nominate individuals to serve as Directors?**

**A:** Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 (as amended, the Exchange Act), the deadline for submitting a stockholder proposal for inclusion in our proxy materials for our 2016 Annual Meeting of Stockholders is December 23, 2015. Under our Bylaws, stockholders who wish to bring matters or propose Director nominees at our 2016 Annual Meeting of Stockholders must provide specified information to us no earlier than February 4, 2016 and no later than March 5, 2016. Stockholders are also advised to review our Bylaws, which contain additional requirements with respect to advance notice of stockholder proposals and Director nominations. Proposals by stockholders must be mailed to our Corporate Secretary at our principal executive offices at 1000 Remington Blvd., Suite 120, Bolingbrook, IL 60440.

**15. Q: Nomination of Directors How do I submit a proposed Director nominee to the Board of Directors for consideration?**

**A:** You may propose Director nominees for consideration by the Board of Directors nominating and corporate governance committee. Any such recommendation should include the nominee's name and qualifications for Board membership and should be directed to our Corporate Secretary at the address of our principal executive offices set forth above. Such recommendation should disclose all relationships that could give rise to a lack of independence and also contain a statement signed by the nominee acknowledging that he or she will owe a fiduciary obligation to Ulta and our stockholders. The section titled Corporate Governance and the Board of Directors below provides additional information on the nomination process. In

addition, please review our Bylaws in connection with nominating a Director for election at our Annual Meeting of Stockholders.



**Table of Contents****ARTICLE II. CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS****CORPORATE GOVERNANCE**

Over the course of Ulta's history, the Board of Directors has developed corporate governance practices consistent with its duties of good faith, due care and loyalty, to help fulfill its responsibilities to our stockholders.

**Board of Directors Meetings and Committees**

During the fiscal year ended January 31, 2015, the Board of Directors held 8 meetings. Commencing with our 2014 Annual Meeting of Stockholders, Mr. Philippin became our Non-Executive Chairman and typically presides over meetings of the full Board as well as executive sessions. The Board of Directors has an audit committee, a nominating and corporate governance committee and a compensation committee. During fiscal year 2014, no Director attended fewer than 87% of the aggregate meetings of the Board of Directors and of the committees on which he or she served that were held during the period for which he or she was a Director or committee member, respectively. Directors are invited and are expected to attend the Annual Meeting of Stockholders, and all of our Directors then in office attended our 2014 Annual Meeting of Stockholders.

*Committee Composition:* Unless otherwise noted, the following table provides the composition of each of our committees as of January 31, 2015:

<b>Director</b>	<b>Audit Committee (1)</b>	<b>Nominating and Corporate Governance Committee (2)</b>	<b>Compensation Committee (3)</b>
Charles J. Philippin*	ü		
Michelle L. Collins	ü	ü	
Mary N. Dillon			
Robert F. DiRomualdo			
Dennis K. Eck			ü
Catherine A. Halligan		ü	

Charles Heilbronn	ü	ü
Michael R. MacDonald		ü
Lorna E. Nagler	ü	ü
Vanessa A. Wittman	ü	

- (1) Additional information regarding the audit committee can be found starting on page 19.
  - (2) Additional information regarding the nominating and corporate governance committee can be found starting on page 7.
  - (3) Additional information regarding the compensation committee can be found starting on page 21.
- \* Non-Executive Chairperson of the Board.  
Committee Chairperson.

#### **Board Leadership Structure**

The Ulta Corporate Governance Guidelines (the Corporate Governance Guidelines ) provide that the offices of the Chief Executive Officer and the Chairperson of the Board of Directors may be either combined or separated at the discretion of the Board of Directors. We currently separate the roles of Chief Executive Officer and Chairperson of the Board. Our Board is led by an independent, non-executive Chairperson. We believe that this leadership structure enhances the accountability of the Chief Executive Officer to the Board, strengthens the Board's independence from management and ensures a greater role for the independent Directors in the oversight of our Company. In addition, separating these roles allows our Chief Executive Officer to focus her efforts on running our business and managing our Company in the best interests of our stockholders, while the Chairperson provides guidance to the Chief Executive Officer and, in consultation with management, helps to set the agenda for Board meetings and establishes priorities and procedures for the work of the full Board. The Chairperson

## **Table of Contents**

presides over meetings of the full Board as well as executive sessions (without management), which the Board generally holds several times a year, both telephonically and in conjunction with each in-person meeting of the full Board.

Our Corporate Governance Guidelines also provide that from time to time, the independent directors may determine that the Board of Directors should have a lead director. In the event that the independent directors make such a determination, a majority of the independent directors will appoint a lead director. In the event that a lead director is designated, his or her duties would include: assisting the Chairperson of the Board and Board of Directors in assuring compliance with and implementation of the Company's Corporate Governance Guidelines, coordinating the agenda for and moderating sessions of the Board of Directors' non-management directors and facilitating communications between the non-management directors and the other members of the Board and the management of the Company. The Company currently has nine independent directors and to date they have not determined that the Board of Directors should have a lead director in addition to our independent Chairperson.

The Board believes that the current board leadership structure is in the best interests of the Company and its stockholders at this time. The Board recognizes that no single leadership model is right for all companies and at all times and that, depending on the circumstances, other leadership models, such as combining the Chairperson and Chief Executive Officer roles, might be appropriate. Accordingly, the Board periodically reviews its leadership structure. Our Corporate Governance Guidelines provide the flexibility for the Board to modify or continue our leadership structure in the future, as it deems appropriate.

## **Independence**

Board member independence is an essential element of Ulta corporate governance. The Board of Directors has determined that each of the current non-employee Directors and each nominee for Director is free of any relationship that would interfere with his or her individual exercise of independent judgment with regard to Ulta. Mary N. Dillon, Chief Executive Officer, is currently the sole member of the Board of Directors that is not independent due to her office with Ulta. Each member of the nominating and corporate governance committee, compensation committee and audit committee satisfy the current independence requirements of NASDAQ and the SEC.

## **Board Role in Risk Oversight**

Our Board of Directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance stockholder value. Management is responsible for the Company's day-to-day risk management activities and processes, and our Board's role is to engage in informed oversight of and provide direction with respect to such risk management activities and processes. The Board recognizes that a fundamental part of risk management is not only understanding the risks our Company faces and the steps management is taking to manage those risks, but also understanding what level of risk is appropriate for our Company. As such, the Board focuses on understanding the nature of our enterprise risks, including operational, financial, legal and regulatory, strategic and reputational risks, as well as the adequacy of our risk assessment and risk management processes. To facilitate such an understanding, the Board and its committees receive management updates on our business operations, financial results and strategy, and the Board discusses and provides direction with respect to risks related to those topics.

While the Board has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. The audit committee oversees risks associated with financial accounting and audits, as well as internal control over financial reporting. The audit committee assists the Board in its oversight by discussing with management our Company's risk assessment and management policies, the Company's

significant financial risk exposures and the actions taken by management to limit, monitor or control such exposures. The compensation committee oversees the risks relating to the

## **Table of Contents**

Company's compensation policies and practices. In setting compensation, the compensation committee strives to create incentives that encourage a level of risk-taking behavior consistent with the Company's business strategy. The compensation committee also oversees the risks relating to the Company's management development and leadership succession. The nominating and corporate governance committee oversees the implementation of the Company's Code of Business Conduct and monitors compliance therewith.

### **Nominating and Corporate Governance Committee**

The nominating and corporate governance committee acts under a written charter that is reviewed regularly and that was approved by the Board of Directors and has been published under "Corporate Governance" in the Investor Relations section of the Ulta website at <http://ir.ulta.com>. The primary responsibility of the nominating and corporate governance committee is to recommend to the Board of Directors candidates for nomination as Directors and membership on committees of the Board. The committee reviews the performance and independence of each Director, and in appropriate circumstances, may recommend the removal of a Director. The committee oversees the evaluation of the Board of Directors and makes recommendations to improve performance. The committee also recommends to the Board of Directors policies with respect to corporate governance. During fiscal year 2014, the nominating and corporate governance committee was composed of the following independent Directors: Messrs. Eck, Heilbronn and Ms. Collins (since October 13, 2014), Ms. Halligan (since June 5, 2014) and Ms. Nagler. Mr. Eck serves as the current Chairperson of the committee. The Board of Directors has determined that each committee member qualifies as a non-employee director under rules and regulations of the SEC, as well as the independence requirements of NASDAQ. The nominating and corporate governance committee met 5 times during fiscal year 2014.

### **Nominating and Corporate Governance Committee Charter**

The nominating and corporate governance committee charter identifies the roles and responsibilities that govern the nominating and corporate governance committee, such as:

identifying qualified candidates to become Board members;

selecting nominees for election as Directors at the next annual meeting of stockholders (or special meeting of stockholders at which Directors are to be elected);

selecting candidates to fill any vacancies on the Board;

reviewing the composition of the committees of the Board and making recommendations to the Board regarding committee membership;

overseeing the implementation of and monitoring compliance with Ulta's Code of Business Conduct (other than with respect to accounting issues, as more fully set forth in the audit committee charter); and

overseeing the evaluation of the Board.

## **Nomination Process    Qualifications**

The nominating and corporate governance committee is responsible for reviewing the appropriate skills and characteristics required of Directors in the context of prevailing business conditions, and in its nominating committee capacity, for making recommendations regarding the size, composition and desired complementary skill sets of the Board of Directors. The objective of the nominating and corporate governance committee is to create and sustain a Board of Directors that brings to Ulta a variety of perspectives and skills derived from high-quality business and professional experience. Pursuant to its charter, the nominating and corporate governance committee annually assesses the experience, expertise, capabilities, skills and diversity of the members of the Board, individually and collectively, and considers these factors when evaluating Director candidates. In this regard, both the Board and the nominating and corporate governance committee believe that it is essential for Board members to represent diverse viewpoints based upon differences in professional experience, education,

## **Table of Contents**

skill and other individual qualities and attributes that contribute to an active, effective Board. Although there are no specific minimum qualifications that a Director candidate must possess, the nominating and corporate governance committee recommends those candidates who possess the highest personal and professional integrity, have prior experience in corporate management and the industry, maintain academic or operational expertise in an area of our business and demonstrate practical and mature business judgment.

We will consider all stockholder recommendations for candidates for the Board of Directors and, to date, we have not received any Director nominees from a stockholder. Stockholders who want to suggest a candidate for consideration should send a written notice, addressed to the Corporate Secretary at our principal executive offices at 1000 Remington Blvd., Suite 120, Bolingbrook, IL 60440. Further details about the nomination process may be found in the answer to Question 15 above, entitled **Nomination of Directors** **How do I submit a proposed Director nominee to the Board of Directors for consideration?**

This notice must include the following information for each candidate the stockholder proposes to nominate: (i) name, age, business address and residence address, (ii) principal occupation or employment, (iii) class and number of shares of capital stock beneficially owned by such candidate and (iv) and any other information relating to the candidate that is required to be disclosed in solicitations for proxies for the election of Directors pursuant to applicable SEC rules. In addition, the stockholder giving such notice must include his or her (i) name and record address and (ii) the class and number of shares such stockholder beneficially owns.

We have engaged the services of search firms to provide us with candidates, especially when we are looking for a candidate with a particular expertise, quality, skill or background. We also consider potential Director candidates recommended by current Directors, officers, employees and others. The nominating and corporate governance committee screens all potential candidates in the same manner, regardless of the source of the recommendation. Our review is typically based on any written materials provided with respect to potential candidates, and we review such materials to determine the qualifications, experience and background of the candidates. Final candidates are typically interviewed by members of the committee and other members of the Board, as appropriate. In making its determinations, the committee evaluates each individual in the context of our Board of Directors as a whole, with the objective of assembling a group that can best perpetuate the success of our Company and represent stockholder interests through the exercise of sound judgment. After review and deliberation of all feedback and data, the committee makes a recommendation to the full Board of Directors regarding whom should be nominated by the Board of Directors.

## **Code of Business Conduct**

All Ulta employees, officers and members of the Board of Directors must act ethically at all times and in accordance with the policies comprising the Ulta Code of Business Conduct. All corporate employees, officers and members of the Board of Directors have signed a certificate acknowledging that they have read, understand and will continue to comply with the policy, and all corporate employees and officers are required to read and acknowledge this policy on an annual basis. Ulta includes the Code of Business Conduct in new hire materials for all corporate employees. The policy is published and any amendments or waivers thereto will be published under **Corporate Governance** in the Investor Relations section of the Ulta website located at <http://ir.ulta.com>.

## **Corporate Governance Guidelines**

Our Board of Directors adopted the Corporate Governance Guidelines to assist the Board in the exercise of its responsibilities. The Corporate Governance Guidelines have been published under **Corporate Governance** in the Investor Relations section of the Ulta website located at <http://ir.ulta.com>.





## **Table of Contents**

### **Disclosure Committee**

The disclosure committee is a management committee that acts under a written charter approved by the audit committee. Its primary responsibility is to assist our Chief Executive Officer and Chief Financial Officer in fulfilling their responsibility for oversight of the accuracy and timeliness of our disclosures. Management and the disclosure committee have established disclosure controls and procedures designed to ensure that disclosures required by the SEC and other written information to be disclosed to the investment community are recorded, processed, summarized and reported accurately on a timely basis. These disclosure controls and procedures are monitored and evaluated for their effectiveness on a regular basis. The disclosure committee, in conjunction with management, reviews and approves the preparation of SEC filings and various documents distributed to the investment community containing financial information or other material information. The disclosure committee discusses all relevant information with our Chief Executive Officer and Chief Financial Officer and, if needed, the Chairperson of the disclosure committee then discusses all relevant information with the Board of Directors and the audit committee.

### **Stockholder Communication**

Any stockholder is free to communicate in writing with the Board of Directors on matters pertaining to Ulta by addressing their comments to the Board of Directors, c/o General Counsel, Ulta Salon, Cosmetics & Fragrance, Inc., 1000 Remington Blvd., Suite 120, Bolingbrook, IL 60440, or by e-mail at [InvestorRelations@ulta.com](mailto:InvestorRelations@ulta.com). Our General Counsel will review all correspondence addressed to our Board of Directors, or any individual Director, for any inappropriate correspondence and correspondence more suitably directed to management. Our General Counsel will forward appropriate stockholder communications to our Board of Directors prior to the next regularly scheduled meeting of our Board of Directors following the receipt of the communication. Our General Counsel will summarize all correspondence not forwarded to our Board of Directors and make the correspondence available to our Board of Directors for its review upon our Board of Directors' request.

## **PROPOSAL ONE**

### **ELECTION OF DIRECTORS**

Our Amended and Restated Certificate of Incorporation provides that our Board of Directors be divided into three classes designated Class I, Class II and Class III, with each class consisting, as nearly as possible, of one-third of the total number of Directors. Each class serves a three-year term with one class being elected at each year's annual meeting of stockholders. Vacancies on our Board of Directors may be filled by persons elected by a majority of the remaining Directors. A Director elected by our Board of Directors to fill a vacancy, including a vacancy created by an increase in size of our Board of Directors, will serve for the remainder of the full term of the class of Directors in which the vacancy occurred and until that Director's successor is elected and qualified.

The Board of Directors is presently composed of ten members, nine of whom are non-employee, independent Directors. Each Director was elected to the Board of Directors to serve until a successor is duly elected and qualified or until his or her death, resignation or removal. Mr. DiRomualdo, Ms. Halligan and Ms. Nagler are the Class II Directors whose terms expire in 2015 and are nominees for re-election. If elected at the Annual Meeting, Mr. DiRomualdo, Ms. Halligan and Ms. Nagler would serve until the 2018 Annual Meeting of Stockholders and until their successors are elected and qualified, or until their death, resignation or removal. Ms. Collins is a Class I Director nominee for election to the Board of Directors who is standing for election by the stockholders at the 2015 Annual Meeting for the first time, and was first identified by our Chief Executive Officer as a director candidate. Ms. Collins was initially appointed as Class I Director by our Board on October 13, 2014. Messrs. Eck and Philipin and Ms. Wittman are the Class I Directors whose terms expire in 2017. Ms. Dillon, Mr. Heilbronn and Mr. MacDonald are

Class III Directors with terms expiring in 2016.

**Table of Contents**

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to approve the nominees for election and re-election. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes will be counted towards a quorum, but will not be counted for any purpose in determining whether this matter has been ratified.

**Set forth below is biographical information for each Class II nominee for election for a three-year term expiring at the 2018 Annual Meeting:**

Name	Age	Positions with Us / Principal Occupations / Business Experience	Director Since
Robert F. DiRomualdo	70	Mr. DiRomualdo is Chairperson and Chief Executive Officer of Naples Ventures, LLC, a private investment company that he formed in 2002. Prior to 2002, Mr. DiRomualdo served in various roles at Borders Group, Inc. and its predecessor companies, including as Chairperson of the Board and Chief Executive Officer, and as President and Chief Executive Officer of Hickory Farms. Mr. DiRomualdo currently serves as a director of Gordon Brothers Group and Securus, Inc. and was previously a director of Bill Me Later, Inc., where he served as Chairperson of the compensation committee and as a member of the audit committee. Mr. DiRomualdo has lectured frequently at the Wharton School of the University of Pennsylvania and Harvard Business School, in addition to other educational institutions, on a pro bono basis. He holds a master's degree in business administration from Harvard Business School.	2004

Mr. DiRomualdo's qualifications for the Board include his ability to provide the insight and perspectives of a successful and long-serving Chairperson and Chief Executive Officer of a major retail company, during which time he was instrumental in the development and implementation of a growth strategy that led to the company's expansion into major domestic and international markets. He also oversaw a public stock offering and listing on the New York Stock Exchange by Borders Group as well as its birth into the Fortune 500. Due to his experience supervising the principal financial officer of Borders Group as well as his previous committee experience, Mr. DiRomualdo provides valuable insight as the Chairperson of our audit committee.

Catherine A. Halligan	52		2012
-----------------------	----	--	------

Ms. Halligan has served as an Advisor/Consultant to Narvar Inc. since February 2013 and previously served as Senior Vice President, Sales & Marketing of PowerReviews Inc. from July 2010 to December 2011. Prior to joining PowerReviews Inc., Ms. Halligan held several executive level positions with prominent retailers. From 2005 to 2010, Ms. Halligan served in various executive positions with Walmart, including Chief Marketing Officer of Walmart.com from 2007 to 2009 and Vice President Market Development, Global eCommerce of Walmart.com from 2009 to 2010. From 1996 to 1999, Ms. Halligan held retail management positions with Williams Sonoma Inc., including Vice President and General Manager, Internet and Vice President, Marketing. Ms. Halligan also has previous retail experience with Blue Nile, Inc. and the Gymboree Corporation. Ms. Halligan began

**Table of Contents**

Name	Age	Positions with Us / Principal Occupations / Business Experience	Director Since
		<p>her career as a Marketing and Planning analyst for Lands End from 1987 to 1991. Ms. Halligan has served as a member of the board of directors of FLIR Systems, Inc. since March 2014, including as a member of its audit committee.</p> <p>With over 20 years of experience in marketing and e-commerce within the retail industry, Ms. Halligan provides valuable insight and expertise on strategic marketing issues, Internet technology and multichannel business capabilities. In addition, Ms. Halligan's business experience with large retail companies makes her a valued member of our nominating and corporate governance committee and Chairperson of our compensation committee.</p>	
Lorna E. Nagler	58	<p>Ms. Nagler is President of Bealls Department Stores, Inc. and has served in this position since January 2011. She served as President and Chief Executive Officer of Christophe</p>	