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May 28, 2015

STATE OF NH
DEPT OF JUSTICE
2015 MAY 29 AM 9:17

CONFIDENTIAL
VIA OVERNIGHT DELIVERY

Office of the Attorney General
Consumer Protection and Antitrust Bureau
33 Capitol Street
Concord, NH 03301

Re: Security Incident

To the Office of the Attorney General:

I am writing on behalf of our client, Sally Beauty Holdings, Inc. ("Sally Beauty"), to inform you of an illegal intrusion into its payment card systems that may have involved the personal information of New Hampshire residents.

Sally Beauty recently announced that it had experienced an illegal intrusion into its payment card systems. Sally Beauty has been working diligently with law enforcement and leading third-party forensics experts to seek to ensure that their customers are protected.

The investigation has confirmed that criminals used malware believed to have been effectively deployed on some U.S. Sally Beauty point-of-sale systems at varying times between March 6th and April 17th of 2015. Accordingly, the payment card information of New Hampshire customers that used a payment card at affected U.S. Sally Beauty stores during this time may have been put at risk. The payment card information potentially put at risk includes name, credit or debit card number, expiration date, cardholder verification value, and service code. Sally Beauty has eliminated the malware from all Sally Beauty point-of-sale systems.

Sally Beauty is providing substitute notice regarding the incident, including posting a notice to its customers on its website. A copy of the notice that will be posted on Sally Beauty's website is attached to this letter.

If you have any other questions regarding this incident or if you desire further information or assistance, please email me at kimberly.peretti@alston.com or call my direct line at (202) 239-3720.

Sincerely,

Kimberly K. Peretti

SALLYBEAUTY HOLDINGS, INC. 3001 Colorado Blvd · Denton, TX 76210 · 940.898.7500 · www.sallybeautyholdings.com

May 28, 2015

Important Notice for Sally Beauty Customers

As you may be aware, Sally Beauty Holdings, Inc. (the "Company," "we," "us" or "our") experienced an illegal intrusion into its payment card systems. This notice provides important information to help you, our valued customers, protect the privacy and security of your personal information, including how you can sign up for free identity protection services.

In late April, we began an investigation into a possible security incident shortly after receiving reports of unusual activity involving payment cards used at some of our U.S. Sally Beauty stores. Since then, we have also been working diligently with law enforcement and leading third-party forensics experts to seek to ensure that our customers are protected.

We have confirmed that criminals used malware believed to have been effectively deployed on some of our point-of-sale systems at varying times between March 6th and April 17th of 2015. Accordingly, the payment card information of our customers that used cards at affected U.S. Sally Beauty stores during this time may have been put at risk. The payment card information potentially put at risk includes name, credit or debit card number, expiration date, cardholder verification value, and service code. We have eliminated this malware from all Sally Beauty point-of-sale systems.

Please note that the cardholder verification value that may have been put at risk is not the three or four digit value that is printed on the back or front of your card. We do not collect or store PIN data. Therefore, we have no reason to believe, and have received no evidence to suggest, that debit card PINs may have been impacted.

Because we cannot pinpoint exactly which cards might have been affected during our reported date range, we are offering free identity protection services, including credit monitoring, to any customer who used their payment card at a U.S. Sally Beauty store between March 6th and April 17th of 2015. We have obtained the services of a respected identity protection company, Kroll. Kroll is ready and standing by to help eligible customers protect their identity for 12 months, at no cost. Customers who wish to take advantage of these free identity protection services can learn more through our website, sallybeautyholdings.com, or by contacting us at 1-866-234-9442 or customerserviceinquiry@sallybeauty.com.

Regardless of whether you take advantage of the identity protection services available from Kroll, please also review the information in the Reference Guide to learn about additional steps you can take to monitor and protect against unauthorized use of your personal information. Under the payment card brand rules, no customer will be responsible for fraudulent charges on their accounts that are promptly reported to their financial institution. We therefore recommend that you monitor your accounts and report any unauthorized charges to your financial institution. The payment card brands such as American Express, Discover, MasterCard and Visa have their own policies on fraudulent charges. Please contact your bank or financial institution for more information about the policy that applies to you.

Protecting our customers has always been our priority. Consistent with this priority, we have made significant investments to strengthen our information technology systems in recent years and intend to continue these investments to address evolving cyber security threats. These investments include our expected rollout of the latest "chip and pin" payment security protection to all U.S. Sally Beauty stores by October 2015.

We regret any inconvenience that this incident may have caused you, and we want to reassure you that protecting our customers is our priority. As a result, if you are concerned about the security of your payment cards we encourage you to contact us at 1-866-234-9442 or customerserviceinquiry@sallybeauty.com, so that we can assist you in addressing any potential concerns.

Reference Guide - U.S. State Notification Requirements

For additional information, please see our website, sallybeautyholdings.com, or contact us by phone at 1-866-234-9442 or email at customerserviceinquiry@sallybeauty.com.

For residents of *California, Hawaii, Illinois, Iowa, Maryland, Michigan, Missouri, North Carolina, Oregon, Vermont, Virginia, West Virginia*, and *Wyoming*:
It is recommended by state law that you remain vigilant for incidents of fraud and identity theft by reviewing credit card account statements and monitoring your credit report for unauthorized activity. You may obtain a copy of your credit report, free of charge, whether or not you suspect any unauthorized activity on your account by contacting any one or more of the national consumer reporting agencies listed below. They can also provide you with additional information about fraud alerts and security freezes.

Equifax	**Experian**	**TransUnion**
P.O. Box 740241	P.O. Box 2104	P.O. Box 6790
Atlanta, GA 30348	Allen, TX 75013	Fullerton, CA 92834-6790
1-800-685-1111	1-888-397-3742	1-877-322-8228
www.equifax.com	www.experian.com	www.transunion.com

For residents of *Illinois* and *West Virginia*:

Information Regarding Placement of a Security Freeze on your Credit File

A security freeze is intended to prevent credit, loans and services from being approved in your name without your consent; however, using a security freeze may delay your ability to obtain credit.

To place a security freeze on your credit report, you need to send a request to a consumer reporting agency by certified mail, overnight mail, or regular stamped mail. The following information must be included when requesting a security freeze (note that if you are requesting a credit report for your spouse, this information must be provided for him/her as well): (1) full name, with middle initial and any suffixes; (2) Social Security number; (3) date of birth; (4) current address and any previous addresses for the past five years; and (5) any applicable incident report or complaint with a law enforcement agency or the Registry of Motor Vehicles. The request must also include a copy of a government-issued identification card and a copy of a recent utility bill or bank or insurance statement. It is essential that each copy be legible, display your name and current mailing address, and the date of issue. Under Massachusetts law, the consumer reporting agency may charge a fee of up to $5.00 to place a freeze or lift or remove a freeze, unless you are a victim of identity theft or the spouse of a victim of identity theft, and you have submitted a valid police report relating to the identity theft incident to the consumer reporting agency.

Equifax Security Freeze	**Experian Security Freeze**	**TransUnion (FVAD)**
P.O. Box 105788	P.O. Box 9554	P.O. Box 6790
Atlanta, GA 30348	Allen, TX 75013	Fullerton, CA 92834-6790
www.equifax.com	www.experian.com	www.transunion.com

For residents of *Oregon*:
State laws advise you to report any suspected identity theft to law enforcement, as well as the Federal Trade Commission.

For residents of *California, Iowa, Illinois, Maryland* and *North Carolina*:
State laws require us to tell you that you can obtain information from the Federal Trade Commission about steps you can take to avoid identity theft (including how to place a fraud alert or security freeze). Your state also may offer guidance about how you can prevent or respond to identity theft. In particular, you may report instances of identity theft to your state's Attorney General or to your local police or sheriff's department. Contact information for some states appears below.

MD Attorney General's Office
Consumer Protection Division
200 St. Paul Place 9001
Baltimore, MD 21202
1-888-743-0023
www.oag.state.md.us

NC Attorney General's Office
Consumer Protection Division
Mail Service Center
Raleigh, NC 27699-9001
1-877-566-7226
http://www.ncdoj.gov

Federal Trade Commission
Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580
1-877-IDTHEFT (438-4338)
www.ftc.gov/bcp/edu/microsites/idtheft

Director of Consumer Protection Division
Iowa Attorney General
1305 E. Walnut Street
Des Moines, IA 50319
Telephone: 515-281-5926
www.iowaattorneygeneral.gov

California Attorney General's Office
California Department of Justice
Attn: Office of Privacy Protection
P.O. Box 944255
Sacramento, CA 94244-2550
Telephone: (916) 322-3360
Toll-free in California: (800) 952-5225

For residents of *Massachusetts*:

Placing a Credit Freeze: Massachusetts law also allows consumers to place a security freeze on their credit reports. See the description above about what a security freeze does and how to order them. Under Massachusetts law, if you have been a victim of identity theft, and you provide the credit reporting agency with a valid police report, it cannot charge you to place, lift, or remove a security freeze. In all other cases, a credit reporting agency may charge you up to $5.00 each to place, temporarily lift, or permanently remove a security freeze.

Obtaining Police Reports: You have a right to obtain a police report relating to this incident. If you are the victim of identity theft, you also have the right to file a police report and obtain a copy of it.

For residents of *West Virginia*: You may call us at 1-866-234-9442 to learn what types of information, if any, we maintain about you and other individuals.

For residents of *California*: This letter has not been delayed by a law enforcement investigation.