

**Charter of the Nominating and  
Corporate Governance Committee**

**of the Board of Directors of**

**Sally Beauty Holdings, Inc.**

As Adopted by the Board of Directors  
November 16, 2006

This Charter sets forth, among other things, the purpose, membership and duties and responsibilities of the Nominating and Corporate Governance Committee (the “Committee”) of the Board of Directors (the “Board”) of Sally Beauty Holdings, Inc. (the “Corporation”).

**1. Purpose**

The purpose of the Committee is: (a) to identify individuals qualified and suitable to become Board members and recommend to the Board the director nominees for each annual meeting of shareholders; and (b) to develop and recommend to the Board a set of corporate governance principles applicable to the Corporation.

**2. Membership**

The Committee shall consist of four members, of which two members shall be directors designated by CDRS Acquisition LLC (“Investor”). Members of the Committee shall serve at the pleasure of the Board for such term or terms as the Board may determine. If any vacancy shall occur in the Committee, by reason of disqualification, death, resignation, removal or otherwise, the remaining members (and any alternate members) of the Committee shall continue to act, and any such vacancy may be filled by the Board; provided that, in accordance with the Bylaws, the directors designated by Investor shall have the right to designate any replacement to the Committee for any member who was designated by Investor.

Each member of the Committee shall satisfy the director independence requirements of the New York Stock Exchange.

**3. Structure and Operations**

The chairperson of the Committee shall be a member designated by Investor. The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution. In the event the number of Committee members voting in favor of a proposal and the number of Committee members voting against such proposal are equal, the proposal shall be submitted to a vote of the Board. The Committee may create one or more subcommittees and may delegate, in its discretion, all or a portion of its duties and responsibilities to such subcommittees.

The Committee shall meet at least twice a year, at such times and places as shall be determined by the Committee chairperson, and may have such additional meetings as the Committee chairperson or a majority of the Committee’s members deem necessary or desirable.

Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications arrangements by means of which all persons participating in the meeting can hear each other. The Committee may invite such members of management to its meetings as it may deem desirable or appropriate.

#### **4. Duties and Responsibilities**

The Committee's duties and responsibilities shall include each of the items enumerated in this Section 4 and such other matters as may from time to time be delegated to the Committee by the Board.

(a) The Committee shall recommend to the Board appropriate criteria for the selection of new directors and shall periodically review the criteria adopted by the Board and, if deemed desirable, recommend to the Board changes to such criteria. At a minimum, a candidate for director must have integrity, be committed to act in the best interest of all of the Corporation's stockholders and be able and willing to devote the required amount of time to the Corporation's affairs, including attendance at meetings of the Board.

(b) The Committee shall identify and recommend to the Board candidates the Committee believes are qualified and suitable to become members of the Board consistent with criteria for selection of new directors adopted from time to time by the Board, and recommend to the Board the nominees to stand for election as directors at each annual meeting of shareholders or, if applicable, at any special meeting of shareholders; provided that, in accordance with the Bylaws, after the Corporation's 2007 annual meeting of stockholders, Investor shall have the right to nominate a certain number of directors in proportion to its ownership of specified percentages of Corporation common stock. In the case of a vacancy in the office of a director (including a vacancy created by an increase in the size of the Board), the Committee shall recommend to the Board an individual to fill such vacancy through appointment by a majority of the Corporation's directors; provided that, in accordance with the Bylaws, directors designated by Investor who are members of the Committee (or if none remain in office, the remaining directors designated by Investor) shall have the right to designate any replacement for any director designated by Investor; and provided further that until the Corporation's 2007 annual meeting of stockholders the directors not designated by Investor shall have the right to designate any replacement for any director not designated by Investor.

(c) The Committee shall identify Board members qualified to fill vacancies on any committee of the Board (including the Committee), and recommend that the Board appoint the identified member or members to the respective committee, provided that the directors designated by Investor shall have the right to designate any replacement to the Committee for a member who was designated by Investor. In recommending a member for committee membership, the Committee shall take into consideration the factors set forth in the charter of the committee, if any, as well as any other factors it deems appropriate, including without limitation, the Corporation's corporate governance principles, the consistency of the member's experience with the goals of the committee and the interplay of the member's experience with the experience of the other committee members.

(d) The Committee shall oversee the system of corporate governance of the Corporation, including: (i) developing and recommending to the Board a set of corporate governance principles for the Corporation; (ii) reviewing and reassessing the adequacy of the principles at least annually; and (iii) recommending to the Board for approval any such changes to the principles as the Committee believes are appropriate.

(e) The Committee shall establish procedures for the Committee to exercise oversight of the evaluation of the Board and management.

(f) The Committee shall report periodically to the Board on all matters for which the Committee has been delegated responsibility.

(g) The Committee shall undertake and review with the Board an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this Charter and set forth the goals and objectives of the Committee for the upcoming year. The Committee shall conduct such performance evaluation in such manner as the Committee deems appropriate, and may report the results of its performance evaluation through an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.

(h) The Committee shall annually review and reassess the adequacy of this Charter and recommend to the Board for approval such changes as the Committee believes are appropriate.

(i) The Committee shall exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board.

## **5. Authority and Resources**

The Committee shall have the sole authority, without further approval by the Board, to select, retain and terminate a consultant or search firm to be used to identify director candidates and to approve any compensation payable by the Corporation to such consultant or search firm, including the fees, terms and other conditions for the performance of such services. In addition, the Committee may, without further approval by the Board, obtain such advice and assistance from outside legal or other advisors as the Committee determines to be necessary or advisable in connection with the discharge of its duties and responsibilities hereunder. Any legal or other advisor retained by the Committee may, but need not, be otherwise engaged by the Corporation for any other purpose.

The Corporation shall pay to any consultant or search firm or outside legal or other advisor retained by the Committee pursuant to the preceding paragraph such compensation, including, without limitation, usual and customary expenses and charges, as shall be determined by the Committee.

## **6. Certain Matters**

The provisions in this Charter setting forth special nomination or other rights for Investor will remain in effect only so long as Investor has the right to appoint at least two directors under the applicable provisions of the Stockholders Agreement, dated as of November 16, 2006, among the Corporation, Investor, CD&R Parallel Fund VII, L.P. and certain stockholders of the Corporation.