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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☑ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended May 3, 2008

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _____to _____

Commission File Number: 001-33764

ULTA SALON, COSMETICS & FRAGRANCE, INC.

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**36-3685240** (I.R.S. Employer Identification No.)
1000 Remington Blvd., Suite 120 **Bolingbrook, Illinois** (Address of principal executive offices)	**60440** (Zip code)

Registrant's telephone number, including area code: (630) 410-4800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☑ No

The number of shares of the registrant's common stock, par value $0.01 per share, outstanding as of June 5, 2008 was 57,462,294 shares.

ULTA SALON, COSMETICS & FRAGRANCE, INC.
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Part I — Financial Information

Item 1. Consolidated Financial Statements

Ulta Salon, Cosmetics & Fragrance, Inc.
Consolidated Balance Sheets

(In thousands)	May 3, 2008	February 2, 2008	May 5 2007
	(unaudited)		(unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 3,975	$ 3,789	$ 3,161
Receivables, net	19,533	20,643	17,137
Merchandise inventories, net	212,564	176,109	152,867
Prepaid expenses and other current assets	22,435	19,184	19,041
Deferred income taxes	9,129	9,219	5,694
Total current assets	267,636	228,944	197,900
Property and equipment, net	255,123	236,389	174,916
Deferred income taxes	4,080	4,080	4,728
Other assets	—	—	308
Total assets	$526,839	$469,413	$377,852
Liabilities and stockholders' equity			
Current liabilities:			
Current portion — notes payable	$ 18,143	$ —	$ 28,053
Accounts payable	66,508	52,122	50,922
Accrued liabilities	49,618	54,719	33,055
Accrued income taxes	6,872	5,064	—
Total current liabilities	141,141	111,905	112,030
Notes payable — less current portion	86,391	74,770	55,038
Deferred rent	80,411	71,235	52,633
Total liabilities	307,943	257,910	219,701
Commitments and contingencies			
Series III redeemable preferred stock	—	—	4,792

See accompanying notes to consolidated financial statements.

Ulta Salon, Cosmetics & Fragrance, Inc.
Consolidated Balance Sheets (continued)

(In thousands, except per share data)	May 3, 2008	February 2, 2008	May 5 2007
	(unaudited)		(unaudited)
Stockholders' equity:			
Preferred stock	$ —	$ —	$226,803
Treasury stock-preferred, at cost	—	—	(1,815)
Common stock, $.01 par value, 400,000 shares authorized; 57,780, 57,411 and 7,645 shares issued; 57,275, 56,906 and 7,400 shares outstanding; at May 3, 2008 (unaudited) and February 3, 2008 and May 5, 2007 (unaudited), respectively	578	574	121
Treasury stock-common, at cost	(4,179)	(4,179)	(2,244)
Additional paid-in capital	287,922	284,951	16,333
Related party notes receivable	—	—	(4,094)
Accumulated deficit	(64,849)	(69,124)	(81,665)
Accumulated other comprehensive loss	(576)	(719)	(80)
Total stockholders' equity	218,896	211,503	153,359
Total liabilities and stockholders' equity	$526,839	$469,413	$377,852

See accompanying notes to consolidated financial statements.

Ulta Salon, Cosmetics & Fragrance, Inc.
Consolidated Statements of Income
(unaudited)

(In thousands, except per share data)	Three months ended May 3, 2008	Three months ended May 5, 2007
Net sales	$239,298	$194,113
Cost of sales	165,377	134,600
Gross profit	73,921	59,513
Selling, general and administrative expenses	62,065	47,982
Pre-opening expenses	3,772	1,656
Operating income	8,084	9,875
Interest expense	915	996
Income before income taxes	7,169	8,879
Income tax expense	2,894	3,560
Net income	$ 4,275	$ 5,319
Less preferred stock dividends	—	3,743
Net income available to common stockholders	$ 4,275	$ 1,576
Net income per common share:		
Basic	$ 0.08	$ 0.22
Diluted	$ 0.07	$ 0.10
Weighted average common shares outstanding:		
Basic	56,956	7,185
Diluted	58,980	50,972

See accompanying notes to consolidated financial statements.

Ulta Salon, Cosmetics & Fragrance, Inc.
Consolidated Statements of Cash Flows
(unaudited)

(Dollars in thousands)	Three months ended May 3, 2008	Three months ended May 5, 2007
Operating activities		
Net income	$ 4,275	$ 5,319
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	12,018	9,840
Deferred income taxes	—	(822)
Non-cash stock compensation charges	591	289
Excess tax benefits from stock-based compensation	(1,083)	—
Loss on disposal of property and equipment	127	135
Change in operating assets and liabilities:		
Receivables	1,110	1,338
Merchandise inventories	(36,455)	(23,630)
Prepaid expenses and other assets	(3,251)	(3,758)
Accounts payable	14,386	7,851
Accrued liabilities	(2,311)	(12,999)
Deferred rent	9,176	2,266
Net cash used in operating activities	(1,417)	(14,171)
Investing activities		
Purchases of property and equipment, net	(30,545)	(17,757)
Receipt of related party notes receivable	—	373
Net cash used in investing activities	(30,545)	(17,384)
Financing activities		
Proceeds on long-term borrowings	289,238	239,123
Payments on long-term borrowings	(259,474)	(206,769)
Initial public offering issuance costs	(59)	—
Purchase of treasury stock	—	(1,830)
Excess tax benefits from stock-based compensation	1,083	—
Proceeds from issuance of common stock under stock plans	1,360	547
Net cash provided by financing activities	32,148	31,071
Net increase (decrease) in cash and cash equivalents	186	(484)
Cash and cash equivalents at beginning of period	3,789	3,645
Cash and cash equivalents at end of period	$ 3,975	$ 3,161

See accompanying notes to consolidated financial statements.

Ulta Salon, Cosmetics & Fragrance, Inc.
Consolidated Statements of Cash Flows (continued)
(unaudited)

(Dollars in thousands)	Three months ended May 3, 2008	Three months ended May 5, 2007
Supplemental cash flow information		
Cash paid for interest	$1,006	$ 574
Cash paid for income taxes	$ 3	$7,121
Noncash investing and financing activities:		
Purchases of property and equipment included in accrued liabilities	$ 334	$5,054
Unrealized (gain) loss on interest rate swap hedge, net of tax	$ (143)	$ 99

See accompanying notes to consolidated financial statements.

Ulta Salon, Cosmetics & Fragrance, Inc.
Consolidated Statements of Stockholders' Equity
(unaudited)

(In thousands, except per share data)	Common Stock		Treasury - Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Issued Shares	Amount	Treasury Shares	Amount				
Balance — February 2, 2008	57,411	$574	(505)	$(4,179)	$284,951	$(69,124)	$(719)	$ 211,503
Common stock options exercised	369	4	—	—	1,356	—	—	1,360
Unrealized gain on interest rate swap hedge, net of $90 income tax	—	—	—	—	—	—	143	143
Net income for the three months ended May 3, 2008	—	—	—	—	—	4,275	—	4,275
Comprehensive income	—	—	—	—	—	—	—	4,418
Excess tax benefits from stock-based compensation	—	—	—	—	1,083	—	—	1,083
Stock compensation charge	—	—	—	—	591	—	—	591
Initial public offering issuance costs	—	—	—	—	(59)	—	—	(59)
Balance — May 3, 2008	57,780	$578	(505)	$(4,179)	$287,922	$(64,849)	$(576)	$ 218,896

See accompanying notes to consolidated financial statements.

Ulta Salon, Cosmetics & Fragrance, Inc.
Notes to Consolidated Financial Statements
(unaudited)

1. Business and basis of presentation

The accompanying consolidated financial statements of Ulta Salon, Cosmetics & Fragrance, Inc. (the Company) include Ulta Salon, Cosmetics & Fragrance, Inc. and its wholly owned subsidiary, Ulta Internet Holdings, Inc. (Internet). All inter-company balances and transactions have been eliminated. The operations of Internet were merged into the Company during 2006, resulting in its dissolution as a separate legal entity on November 30, 2006.

All amounts are stated in thousands, with the exception of per share amounts and number of stores.

The Company was incorporated in the state of Delaware on January 9, 1990, to operate specialty retail stores selling cosmetics, fragrance, haircare and skincare products, and related accessories and services. The stores also feature full-service salons. As of May 3, 2008, the Company operated 265 stores in 32 states, as shown in the table below:

State	Number of stores
Alabama	4
Arizona	20
California	28
Colorado	9
Delaware	1
Florida	17
Georgia	15
Illinois	30
Indiana	5
Iowa	2
Kansas	1
Kentucky	2
Louisiana	1
Maryland	5
Massachusetts	3
Michigan	5
Minnesota	6
Nebraska	1
Nevada	6
New Jersey	9
New York	8
North Carolina	10
Ohio	3
Oklahoma	5
Oregon	3
Pennsylvania	13
South Carolina	4
Tennessee	2
Texas	34
Virginia	7
Washington	4
Wisconsin	2
Total	**265**

The accompanying unaudited consolidated financial statements and related notes have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and the U.S. Securities and Exchange Commission's Article 10, Regulation S-X. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary to fairly state the consolidated financial position and results of operations and cash flows for the interim periods presented.

The Company's business is subject to seasonal fluctuation. Significant portions of the Company's net sales and net income are realized during the fourth quarter of the fiscal year due to the holiday selling season. The results for the three months ended May 3, 2008 and May 5, 2007 are not necessarily indicative of the results to be expected for the fiscal year ending January 31, 2009, or for any other future interim period or for any future year.

These interim financial statements and the related notes should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended February 2, 2008.

Reverse stock split

On September 17, 2007, the Company's Board of Directors approved a resolution to effect a reverse stock split of the Company's common stock pursuant to which each share of common stock was to be converted into 0.632 of one share of common stock. The reverse stock split became effective on October 22, 2007. Any fractional shares resulting from the reverse stock split were rounded to the nearest whole share. Common share and per share amounts for all periods presented and the conversion ratio of preferred to common shares have been adjusted for the 0.632 for 1 reverse stock split.

Initial public offering

On October 30, 2007, the Company completed an initial public offering in which the Company sold 7,667 shares of common stock resulting in net proceeds of $123,549 after deducting underwriting discounts and commissions and offering expenses. Selling stockholders sold approximately 2,154 additional shares of common stock. The Company did not receive any proceeds from the sale of shares by the selling stockholders. The Company used the net proceeds from the offering to pay $93,012 of accumulated dividends in arrears on the Company's preferred stock, which satisfied all amounts due with respect to accumulated dividends, $4,792 to redeem the Company's Series III preferred stock, and $25,745 to reduce the Company's borrowings under its third amended and restated loan and security agreement and for general corporate purposes. Also in connection with the offering, the Company converted 41,524 preferred shares into common shares and restated the par value of its common stock to $0.01 per share.

2. Summary of significant accounting policies

Information regarding the Company's significant accounting policies is contained in Note 2, "Summary of significant accounting policies," to the financial statements in the Company's Annual Report on Form 10-K for the year ended February 2, 2008. Presented below in this and the following notes is supplemental information that should be read in conjunction with "Notes to consolidated financial statements" in the Annual Report.

Fiscal quarter

The Company's quarterly periods are the 13 weeks ending on the Saturday closest to April 30, July 31, October 31, and January 31. The Company's first quarters in fiscal 2008 and 2007 ended on May 3, 2008 and May 5, 2007, respectively.

Share-based compensation

Effective January 29, 2006, the Company adopted the fair value recognition and measurement provisions of Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment* . Pursuant to SFAS 123(R), share-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the requisite service period for awards expected to vest. As a non-public entity that previously used the minimum value method for pro forma disclosure purposes under SFAS 123, the Company was required to adopt the prospective method of accounting under SFAS 123(R). Under this transitional method, the Company is required to record compensation expense in the consolidated statements of income for all awards granted after the adoption date and to awards modified, repurchased, or cancelled after the adoption date using the fair value provisions of SFAS 123(R).

The Company estimates the grant date fair value of stock options using a Black-Scholes valuation model. The expected volatility is based on the historical volatilities of a peer group of publicly-traded companies. The risk free interest rate is based on the U.S. Treasury yield curve in effect on the date of grant for the respective expected life of the option. The expected life represents the time the options granted are expected to be outstanding. The Company has elected to use the shortcut approach in accordance with the Securities and Exchange Commission Staff Accounting Bulletin (SAB) No. 107, *Share-Based Payment* and SAB No. 110, *Simplified Method for Plain Vanilla Share Options*, to develop the expected life. Any dividend we might declare in the future would be subject to the applicable provisions of our credit agreement, which currently restricts our ability to pay cash dividends. The Company recognizes compensation cost related to the stock options on a straight-line method over the requisite service period.

The Company estimated the grant date fair value of stock options using a Black-Scholes valuation model using the following assumptions for the periods indicated:

	Three months ended	
	May 3, 2008	May 5, 2007
Volatility rate	38% - 41 %	45 %
Risk-free interest rate	2.00% - 2.70 %	4.54 %
Average expected life (years)	5.00	6.25
Dividend yield	None	None

The Company granted 1.1 million stock options during the three months ended May 3, 2008. The weighted-average grant date fair value of options granted in fiscal 2008 was $5.28 per option.

The Company recorded stock compensation expense of $591 and $289 for the three months ended May 3, 2008 and May 5, 2007, respectively. At May 3, 2008, there was approximately $11,600 of unrecognized compensation expense related to unvested options.

Income taxes

The Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on February 4, 2007. The adoption had no effect on the Company's consolidated financial position or results of operations. The Company does not currently maintain a liability for unrecognized tax benefits. The Company's policy is to recognize income tax-related interest and penalties as part of income tax expense. Income tax-related interest and penalties recorded in the consolidated financial statements were not significant for the three months ended May 3, 2008 and May 5, 2007. The Company conducts business only in the United States. Accordingly, the tax years that remain open to examination by U.S. federal, state, and local tax jurisdictions are generally three years, or fiscal 2005, 2006, and 2007.

Comprehensive income

Comprehensive income is comprised of net income and gains and losses from derivative instruments designated as cash flow hedges, net of income tax. Total comprehensive income is as follows:

	Three months ended	
	May 3, 2008	May 5, 2007
Net income	$ 4,275	$ 5,319
Unrealized (loss) gain on interest rate swap hedge, net of income tax	143	(99)
Comprehensive income	$ 4,418	$ 5,220

Recent accounting pronouncements

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of SFAS No. 133.* SFAS No. 161 is intended to help investors better understand how derivative instruments and hedging activities affect an entity's financial position, financial performance and cash flows through enhanced disclosure requirements. The enhanced disclosures primarily surround disclosing the objectives and strategies for using derivative instruments by their underlying risk as well as a tabular format of the fair values of the derivative instruments and their gains and losses. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company does not expect the adoption of SFAS No. 161 to have a material effect on its consolidated financial position or results of operations.

3. Commitments and contingencies

Leases — The Company leases stores, distribution and office facilities, and certain equipment. Original non-cancelable lease terms range from three to ten years, and store leases generally contain renewal options for additional years. A number of the Company's store leases provide for contingent rentals based upon sales. Contingent rent amounts were insignificant in the three months ended May 3, 2008 and May 5, 2007. Total rent expense under operating leases was $15,459 and $11,567 for the three months ended May 3, 2008 and May 5, 2007, respectively.

Securities litigation — In December 2007 and January 2008, three putative securities class action lawsuits were filed against the Company and certain of its current and then-current executive officers in the United States District Court for the Northern District of Illinois. Each suit alleges that the prospectus and registration statement filed pursuant to the Company's initial public offering contained materially false and misleading statements and failed to disclose material facts. Each suit claims violations of Sections 11, 12(a)(2) and/or 15 of the Securities Act of 1933, and the two later filed suits added claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as well as the associated Rule 10b-5. In February 2008, two of the plaintiffs filed competing motions to consolidate the actions and appoint lead plaintiffs and lead plaintiffs' counsel. On March 18, 2008, after one of the plaintiffs withdrew his motion, the suits were consolidated and plaintiffs in the *Mirsky v. ULTA* action were appointed lead plaintiffs. Lead plaintiffs filed their amended complaint on May 19, 2008. The amended complaint alleges no new violations of the securities laws not

asserted in the prior complaints. It adds no new defendants and drops one of the then-current officers as a defendant. Defendants have until July 21, 2008 to respond to the amended complaint.

Although the Company believes that it has meritorious defenses to the claims made in the consolidated class action and intend to contest the lawsuit vigorously, an adverse resolution may have a material adverse effect on the Company's financial position and results of operations in the period in which the lawsuit is resolved. The Company is not presently able to reasonably estimate potential losses, if any, related to the lawsuit.

General litigation — The Company is also involved in various legal proceedings that are incidental to the conduct of its business, including, but not limited to, employment related claims. In the opinion of management, the amount of any liability with respect to these proceedings, either individually or in the aggregate, will not be material.

4. Notes payable

The Company's credit facility is with LaSalle Bank National Association and its successors as the administrative agent, Wachovia Capital Finance Corporation as collateral agent, and JP Morgan Chase Bank as documentation agent. This facility provides maximum credit of $150,000 and a $50,000 accordion option through May 31, 2011. The credit facility agreement contains a restrictive financial covenant on tangible net worth. Substantially all of the Company's assets are pledged as collateral for outstanding borrowings under the facility. Outstanding borrowings bear interest at the prime rate or the Eurodollar rate plus 1.00% up to $100,000 and 1.25% thereafter. The advance rates on owned inventory are 80% (85% from September 1 to January 31).

The weighted-average interest rate on the outstanding borrowings as of May 3, 2008 and February 2, 2008, was 3.951% and 4.812%, respectively. The Company had approximately $45,140 and $73,140 of availability as of May 3, 2008 and February 2, 2008, respectively, excluding the accordion option.

The Company has an ongoing letter of credit that renews annually in October, the balance of which was $326 as of May 3, 2008 and February 2, 2008.

At May 3, 2008, the Company has classified $86,391 of outstanding borrowings under the facility as long-term as this is the minimum amount that the Company believes will remain outstanding for an uninterrupted period over the next year.

5. Financial instruments

On January 31, 2007, the Company entered into an interest rate swap agreement with a notional amount of $25,000 that qualified as a cash flow hedge to obtain a fixed interest rate on variable rate debt and reduce certain exposures to interest rate fluctuations. The swap results in fixed rate payments at an interest rate of 5.11% for a term of three years.

As of May 3, 2008 and February 2, 2008, the interest rate swap had a negative fair value of $952 and $1,184 included in accrued liabilities, respectively. The change in market value during fiscal 2008 related to the effective portion of the cash flow hedge was recorded as an unrecognized gain in the other comprehensive loss section of stockholders' equity in the consolidated balance sheets. Amounts related to any ineffectiveness, which are insignificant, are recorded as interest expense.

Interest rate differentials paid or received under this agreement are recognized as adjustments to interest expense. The Company does not hold or issue interest rate swap agreements for trading purposes. In the event that a counter-party fails to meet the terms of the interest rate swap agreement, the Company's exposure is limited to the interest rate differential. The Company manages the credit risk of counterparties by dealing only with institutions that the Company considers financially sound. The Company considers the risk of non-performance to be remote.

On February 3, 2008, the company adopted SFAS No. 157, *Fair Value Measurements*, for financial assets and liabilities. The adoption had no impact on the consolidated financial statements. SFAS No. 157 established a three-tier hierarchy for fair value measurements, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 — observable inputs such as quoted prices for identical instruments in active markets.
- Level 2 — inputs other than quoted prices in active markets that are observable either directly or indirectly through corroboration with observable market data.

- Level 3 — unobservable inputs in which there is little or no market data, which would require the Company to develop its own assumptions.

The Company's interest rate swap is required to be measured at fair value on a recurring basis. The fair value of the interest rate swap is determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Therefore, the Company has categorized the interest rate swap as Level 2. The following table presents the Company's financial liabilities as of May 3, 2008 measured at fair value on a recurring basis:

	Fair value measurements using		
	Level 1	Level 2	Level 3
Interest rate swap liability	$ —	$ 952	$ —

6. Net income per common share

The following is a reconciliation of net income and the number of shares of common stock used in the computation of net income per basic and diluted share:

	Three months ended	
	May 3, 2008	May 5, 2007
Numerator for diluted net income per share — net income	$ 4,275	$ 5,319
Less preferred stock dividends	—	3,743
Numerator for basic net income per share	$ 4,275	$ 1,576
Denominator for basic net income per share — weighted-average common shares	56,956	7,185
Dilutive effect of stock options and non-vested stock	2,024	2,195
Dilutive effect of convertible preferred stock	—	41,592
Denominator for diluted net income per share	58,980	50,972
Net income per common share:		
Basic	$ 0.08	$ 0.22
Diluted	$ 0.07	$ 0.10

The denominator for diluted net income per common share for the three months ended May 3, 2008 and May 5, 2007 excludes 3,044 and 1,741 employee options, respectively, due to their anti-dilutive effects.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this quarterly report. This discussion contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, which reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as "outlook," "believes," "expects," "plans," "estimates," or other comparable words. Any forward-looking statements contained in this Form 10-Q are based upon our historical performance and on current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties, which include, without limitation: the impact of weakness in the economy; changes in the overall level of consumer spending; changes in the wholesale cost of our products; the possibility that we may be unable to compete effectively in our highly competitive markets; the possibility that our continued opening of new stores could strain our resources and have a material adverse effect on our business and financial performance; the possibility that new store openings may be impacted by developer or co-tenant issues; the possibility that the capacity of our distribution and order fulfillment infrastructure may not be adequate to support our recent growth and expected future growth plans; the possibility of material disruptions to our information systems; weather conditions that could negatively impact sales and other risk factors detailed in our public filings with the Securities and Exchange Commission (the "SEC"), including risk factors contained in our Annual Report on Form 10-K for the year ended February 2, 2008. We assume no obligation to update any forward-looking statements as a result of new information, future events or developments. References in the following discussion to "we", "us", "our", "the Company", "Ulta" and similar references mean Ulta Salon, Cosmetics & Fragrance, Inc. unless otherwise expressly stated or the context otherwise requires.

Overview

We were founded in 1990 as a discount beauty retailer at a time when prestige, mass and salon products were sold through separate distribution channels. In 1999, we embarked on a multi-year strategy to understand and embrace what women want in a beauty retailer and transform Ulta into the shopping experience that it is today. We pioneered what we believe to be our unique combination of beauty superstore and specialty store attributes. We believe our strategy provides us with the competitive advantages that have contributed to our strong financial performance.

We are currently the largest beauty retailer that provides one-stop shopping for prestige, mass and salon products and salon services in the United States. We combine the unique elements of a beauty superstore with the distinctive environment and experience of a specialty retailer. Key aspects of our beauty superstore strategy include our ability to offer our customers a broad selection of over 21,000 beauty products across the categories of cosmetics, fragrance, haircare, skincare, bath and body products and salon styling tools, as well as salon haircare products. We focus on delivering a compelling value proposition to our customers across all of our product categories. Our stores are conveniently located in high-traffic, off-mall locations such as power centers and lifestyle centers with other destination retailers. As of May 3, 2008, we operated 265 stores across 32 states. In addition to these fundamental elements of a beauty superstore, we strive to offer an uplifting shopping experience through what we refer to as "The Four E's": Escape, Education, Entertainment and Esthetics.

The continued growth of our business and any future increases in net sales, net income, and cash flows is dependent on our ability to execute our growth strategy, including growing our store base, expanding our prestige brand offerings, driving incremental salon traffic, expanding our online business, and continuing to enhance our brand awareness. We believe that the steadily expanding U.S. beauty products and services industry, the shift in distribution of prestige beauty products from department stores to specialty retail stores, coupled with Ulta's competitive strengths, positions us to capture additional market share in the industry through successful execution of our growth strategy.

Comparable store sales is a key metric that is monitored closely within the retail industry. We do not expect our future comparable store sales increases to reflect the levels experienced in prior periods. This is due in part to the difficulty in improving on such significant increases in subsequent periods.

The Company adopted a structured stock option compensation program in July 2007. The award of stock options under this program will result in increased stock-based compensation expense in future periods as compared to the expense reflected in our historical financial statements.

Over the long-term, our growth strategy is to increase total net sales through increases in our comparable store sales and by opening new stores. Gross profit as a percentage of net sales is expected to be relatively consistent with historical rates given our planned

distribution infrastructure investments and the impact of the rate of new store growth. We plan to continue to improve our operating results by leveraging our fixed costs and decreasing our selling, general and administrative expenses, as a percentage of our net sales.

On October 30, 2007, we completed an initial public offering in which we sold 7,666,667 shares of common stock resulting in net proceeds of $123.5 million after deducting underwriting discounts and commissions and offering expenses. Selling stockholders sold approximately 2,153,928 additional shares of common stock. We did not receive any proceeds from the sale of shares by the selling stockholders. We used the net proceeds from the offering to pay $93.0 million of accumulated dividends in arrears on the Company's preferred stock, which satisfied all amounts due with respect to accumulated dividends, $4.8 million to redeem the Company's Series III preferred stock, and $25.7 million to reduce our borrowings under our third amended and restated loan and security agreement and for general corporate purposes. Also in connection with the offering, the Company converted 41,524,002 preferred shares into common shares and restated the par value of its common stock to $0.01 per share.

Basis of presentation

Net sales include store and Internet merchandise sales as well as salon service revenue. Salon service revenue represents less than 10% of our combined product sales and services revenues and therefore, these revenues are combined with product sales. We recognize merchandise revenue at the point of sale, or POS, in our retail stores and the time of shipment in the case of Internet sales. Merchandise sales are recorded net of estimated returns. Salon service revenue is recognized at the time the service is provided. Gift card sales revenue is deferred until the customer redeems the gift card. Company coupons and other incentives are recorded as a reduction of net sales.

Comparable store sales reflect sales for stores beginning on the first day of the 14th month of operation. Therefore, a store is included in our comparable store base on the first day of the period after one year of operations plus the initial one month grand opening period. Non-comparable store sales include sales from new stores that have not yet completed their 13th month of operation and stores that were closed for part or all of the period in either year as a result of remodel activity. Remodeled stores are included in comparable store sales unless the store was closed for a portion of the current or prior period. There may be variations in the way in which some of our competitors and other retailers calculate comparable or same store sales. As a result, data herein regarding our comparable store sales may not be comparable to similar data made available by our competitors or other retailers.

Comparable store sales is a critical measure that allows us to evaluate the performance of our store base as well as several other aspects of our overall strategy. Several factors could positively or negatively impact our comparable store sales results:

- the introduction of new products or brands;
- the location of new stores in existing store markets;
- competition;
- our ability to respond on a timely basis to changes in consumer preferences;
- the effectiveness of our various marketing activities; and
- the number of new stores opened and the impact on the average age of all of our comparable stores.

Cost of sales includes:

- the cost of merchandise sold, including all vendor allowances, which are treated as a reduction of merchandise costs;
- warehousing and distribution costs including labor and related benefits, freight, rent, depreciation and amortization, real estate taxes, utilities, and insurance;
- store occupancy costs including rent, depreciation and amortization, real estate taxes, utilities, repairs and maintenance, insurance, licenses, and cleaning expenses;
- salon payroll and benefits; and
- shrink and inventory valuation reserves.

Our cost of sales may be impacted as we open an increasing number of stores. We also expect that cost of sales as a percentage of net sales will be negatively impacted in the next several years as a result of accelerated depreciation related to our store remodel program. The program was adopted in third quarter fiscal 2006. We have accelerated depreciation expense on assets to be disposed of during the remodel process such that those assets will be fully depreciated at the time of the planned remodel. Changes in our merchandise mix may also have an impact on cost of sales.

This presentation of items included in cost of sales may not be comparable to the way in which our competitors or other retailers compute their cost of sales.

Selling, general and administrative expenses include:

- payroll, bonus, and benefit costs for retail and corporate employees;
- advertising and marketing costs;
- occupancy costs related to our corporate office facilities;
- public company expense including Sarbanes-Oxley compliance expenses;
- stock-based compensation expense related to option grants which will result in increases in expense as we implemented a structured stock option compensation program in 2007;
- depreciation and amortization for all assets except those related to our retail and warehouse operations which is included in cost of sales; and
- legal, finance, information systems and other corporate overhead costs.

This presentation of items in selling, general and administrative expenses may not be comparable to the way in which our competitors or other retailers compute their selling, general and administrative expenses.

Pre-opening expense includes non-capital expenditures during the period prior to store opening for new and remodeled stores including store set-up labor, management and employee training, and grand opening advertising. Pre-opening expenses also includes rent during the construction period related to new stores.

Interest expense includes interest costs associated with our credit facility which is structured as an asset based lending instrument. Our interest expense will fluctuate based on the seasonal borrowing requirements associated with acquiring inventory in advance of key holiday selling periods and fluctuation in the variable interest rates we are charged on outstanding balances. Our credit facility is used to fund seasonal inventory needs and new and remodel store capital requirements in excess of our cash flow from operations. Our credit facility interest is based on a variable interest rate structure which can result in increased cost in periods of rising interest rates.

Income tax expense reflects the federal statutory tax rate and the weighted average state statutory tax rate for the states in which we operate stores.

Results of operations

Our quarterly periods are the 13 weeks ending on the Saturday closest to April 30, July 31, October 31, and January 31. The Company's first quarters in fiscal 2008 and 2007 ended on May 3, 2008 and May 5, 2007, respectively. Our quarterly results of operations have varied in the past and are likely to do so again in the future. As such, we believe that period-to-period comparisons of our results of operations should not be relied upon as an indication of our future performance.

The following tables present the components of our results of operations for the periods indicated:

	Three months ended		Three months ended	
	May 3, 2008	May 5, 2007	May 3, 2008	May 5, 2007
	(Dollars in thousands)		(Percentage of net sales)	
Net sales	$239,298	$194,113	100.0%	100.0%
Cost of sales	165,377	134,600	69.1%	69.3%
Gross profit	73,921	59,513	30.9%	30.7%
Selling, general and administrative expenses	62,065	47,982	25.9%	24.7%
Pre-opening expenses	3,772	1,656	1.6%	0.9%
Operating income	8,084	9,875	3.4%	5.1%
Interest expense	915	996	0.4%	0.5%
Income before income taxes	7,169	8,879	3.0%	4.6%
Income tax expense	2,894	3,560	1.2%	1.8%
Net income	$ 4,275	$ 5,319	1.8%	2.7%
Other operating data:				
Number stores end of period	265	203		
Comparable store sales increase	3.9%	9.2%		

Comparison of three months ended May 3, 2008 to three months ended May 5, 2007

Net sales

Net sales increased $45.2 million, or 23.3%, to $239.3 million for the three months ended May 3, 2008, compared to $194.1 million for the three months ended May 5, 2007. The increase is due to an additional 62 net new stores operating since first quarter 2007 and a 3.9% increase in comparable store sales. Non-comparable stores contributed $38.1 million of the net sales increase while comparable stores contributed $7.1 million of the total net sales increase. Our comparable store sales growth in 2008 was driven by a combination of higher average ticket and positive customer traffic. The increase in average ticket was driven by continued expansion of our prestige brand assortment.

Gross profit

Gross profit increased $14.4 million, or 24.2%, to $73.9 million for the three months ended May 3, 2008, compared to $59.5 million for the three months ended May 5, 2007. Gross profit as a percentage of net sales increased 20 basis points to 30.9% for the three months ended May 3, 2008, compared to 30.7% for the three months ended May 5, 2007.

The increase in gross profit is due to a 40 basis point increase in advertising allowances, net of a de-leverage of fixed store occupancy costs due to increased new store openings. The increase in advertising allowances is related to the additional marketing event in the first quarter 2008 as discussed below in selling, general and administrative expenses. Advertising allowances are recognized in gross profit when the related vendor product is sold.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $14.1 million, or 29.4%, to $62.1 million for the three months ended May 3, 2008, compared to $48.0 million for the three months ended May 5, 2007. As a percentage of net sales, selling, general and administrative expenses increased 120 basis points to 25.9% for the three months ended May 3, 2008, compared to 24.7% for the three months ended May 5, 2007. The increase includes a $1.1 million, or 50 basis point, increase in advertising expense related to one incremental advertising vehicle during the first quarter 2008. In addition, the first quarter 2008 includes $0.3 million, or 15 basis points, of incremental share-based compensation expense and a $0.7 million, or 30 basis point, severance charge related to the previously announced management change.

Pre-opening expenses

Pre-opening expenses increased $2.1 million, or 127.8%, to $3.8 million for the three months ended May 3, 2008, compared to $1.7 million for the three months ended May 5, 2007. During the three months ended May 3, 2008, we opened 17 new stores and remodeled 1 store, compared to 7 new store openings and 3 remodels during the three months ended May 5, 2007.

Interest expense

Interest expense was $0.9 million for the three months ended May 3, 2008, compared to $1.0 million for the three months ended May 5, 2007. The increase in our average debt outstanding on our credit facility was offset by a decline in our weighted-average interest rate compared to the same period last year.

Income tax expense

Income tax expense of $2.9 million for the three months ended May 3, 2008 represents an effective tax rate of 40.4%, compared to $3.6 million of tax expense representing an effective tax rate of 40.1% for the three months ended May 5, 2007.

Net income

Net income decreased $1.0 million, or 19.6%, to $4.3 million for the three months ended May 3, 2008, compared to $5.3 million for the three months ended May 5, 2007. The decrease is primarily related to the increase in the store opening program resulting in an incremental $2.1 million in pre-opening expenses and a $0.7 million severance expense.

Liquidity and capital resources

Our primary cash needs are for capital expenditures for new, relocated, and remodeled stores, increased merchandise inventories related to store expansion, planned expansion of our headquarters, a new second distribution facility, and for continued improvement in our information technology systems.

Our primary sources of liquidity are cash flows from operations, changes in working capital, and borrowings under our credit facility. The most significant component of our working capital is merchandise inventories reduced by related accounts payable and accrued expenses. Our working capital position benefits from the fact that we generally collect cash from sales to customers the same day, or within several days of the related sale, while we typically have up to 30 days to pay our vendors.

Our working capital needs are greatest from August through November each year as a result of our inventory build-up during this period for the approaching holiday season. This is also the time of year when we are at maximum investment levels in our new store class and have not yet collected the landlord allowances due us as part of our lease agreements. Based on past performance and current expectations, we believe that cash generated from operations and borrowings under the credit facility, with the accordion option exercised, will satisfy the company’s working capital needs, capital expenditure needs, commitments, and other liquidity requirements through at least the next 12 months.

Merchandise inventories were $212.6 million at May 3, 2008, an increase of $59.7 million from May 5, 2007. Approximately $44.7 million of the increase is due to the addition of 62 net new stores opened since May 5, 2007; approximately $9.0 million represents incremental inventory related to our newly opened distribution center; and $6.0 million relates to inventory for 12 of the 18 stores we plan to open in the second quarter of 2008. Average inventory per store was flat to the prior year quarter, excluding the additional $9.0 million of inventory related to the new distribution center.

On October 30, 2007, we completed an initial public offering in which we sold 7,666,667 shares of common stock to the public at a price of $18.00 per share resulting in aggregate gross proceeds from the sale of shares of common stock of $138.0 million. Selling stockholders sold approximately 2,153,928 additional shares of common stock. We did not receive any proceeds from the sale of shares by the selling stockholders. The aggregate net proceeds to us were $123.5 million after deducting $9.7 million in underwriting discounts and commissions and $4.8 million in offering expenses. We used the net proceeds from the offering to pay $93.0 million of accumulated dividends in arrears on the Company's preferred stock, which satisfied all amounts due with respect to accumulated dividends, $4.8 million to redeem the Company's Series III preferred stock, and $25.7 million to reduce our borrowings under our third amended and restated loan and security agreement and for general corporate purposes. Also in connection with the offering, the Company converted 41,524,002 preferred shares into common shares and restated the par value of its common stock to $0.01 per share.

Credit facility

Our credit facility is with LaSalle Bank National Association and its successors as the administrative agent, Wachovia Capital Finance Corporation as collateral agent, and JP Morgan Chase Bank as documentation agent. This facility provides maximum credit of $150 million and a $50 million accordion option through May 31, 2011. The credit facility agreement contains a restrictive financial covenant on tangible net worth. Substantially all of the Company's assets are pledged as collateral for outstanding borrowings under the facility. Outstanding borrowings bear interest at the prime rate or the Eurodollar rate plus 1.00% up to $100 million and 1.25% thereafter. The advance rates on owned inventory are 80% (85% from September 1 to January 31). We plan to exercise the $50 million accordion option of our credit facility during fiscal 2008.

The weighted-average interest rate on the outstanding balances under the facility as of May 3, 2008 and February 2, 2008 was 3.951% and 4.812%, respectively. We had approximately $45.1 million and $73.1 million of availability as of May 3, 2008 and February 2, 2008, respectively, excluding the accordion option. We also have an ongoing letter of credit that renews annually. The balance was $0.3 million as of May 3, 2008 and February 2, 2008.

As of May 3, 2008, we had classified $86.4 million of outstanding borrowings under the facility as long-term, as this is the minimum amount we believe will remain outstanding for an uninterrupted period over the next year.

Operating activities

Operating activities consist of net income adjusted for certain non-cash items, including depreciation and amortization, non-cash stock-based compensation, excess tax benefits from stock-based compensation, realized gains and losses on disposal of property and equipment, and the effect of changes in working capital items.

	Three months ended	
(Dollars in thousands)	May 3, 2008	May 5, 2007
Net income	$ 4,275	$ 5,319
Items not affecting cash:		
Depreciation and amoritzation	12,018	9,840
Deferred income taxes	—	(822)
Non-cash stock compensation charges	591	289
Excess tax benefits from stock-based compensation	(1,083)	—
Loss on disposal of property and equipment	127	135
Changes in working capital items	(17,345)	(28,932)
Net cash used in operating activities	$ (1,417)	$(14,171)

Net cash used in operating activities was $1.4 million and $14.2 million for the three months ended May 3, 2008 and May 5, 2007, respectively. The decrease in net cash used in operating activities of $12.8 million is primarily attributed to an increase of $11.6 million in net working capital changes related to an additional 62 net new stores operating since first quarter 2007.

Investing activities

Investing activities consist primarily of capital expenditures for new and remodeled stores as well as investments in information technology systems.

(Dollars in thousands)	Three months ended May 3, 2008	Three months ended May 5, 2007
Purchases of property and equipment, net	$(30,545)	$(17,757)
Receipt of related party notes receivable	–	373
Net cash used in investing activities	$(30,545)	$(17,384)

Net cash used in investing activities was $30.5 million and $17.4 million for the three months ended May 3, 2008 and May 5, 2007, respectively, primarily representing new store investments.

Financing activities

Financing activities consist principally of draws and payments on our credit facility and capital stock transactions.

(Dollars in thousands)	Three months ended May 3, 2008	Three months ended May 5, 2007
Proceeds on long-term borrowings	$ 289,238	$ 239,123
Payments on long-term borrowings	(259,474)	(206,769)
Initial public offering issuance costs	(59)	—
Purchase of treasury stock	—	(1,830)
Excess tax benefits from stock-based compensation	1,083	—
Proceeds from issuance of common stock under stock plans	1,360	547
Net cash provided by financing activities	$ 32,148	$ 31,071

Net cash provided by financing activities was $32.1 million and $31.1 million for the three months ended May 3, 2008 and May 5, 2007, respectively. The increase in net cash provided by financing activities of $1.0 million is primarily attributed to the net increase in long-term borrowings of $2.6 million.

Contractual obligations

Our contractual obligations consist of operating lease obligations and our revolving line of credit. No material changes outside the ordinary course of business have occurred in our contractual obligations during the three months ended May 3, 2008.

Off-balance sheet arrangements

Our off-balance sheet arrangements consist of operating lease obligations and letters of credit. We do not have any non-cancelable purchase commitments as of May 3, 2008. Our letters of credit outstanding under our revolving credit facility were $0.3 million as of May 3, 2008.

Critical accounting policies and estimates

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements required the use of estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and expenses. Management bases estimates on historical experience and other assumptions it believes to be reasonable under the circumstances and evaluates these estimates on an on-going basis. Actual results may differ from these estimates. There have been no significant changes to the critical accounting policies and estimates included in our Annual Report on Form 10-K for the year ended February 2, 2008.

Share-based compensation

Effective January 29, 2006, the Company adopted the fair value recognition and measurement provisions of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* (SFAS No. 123(R)). Pursuant to SFAS No. 123(R), share-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the requisite service period for awards expected to vest. As a non-public entity that previously used the minimum value method for pro forma disclosure purposes under SFAS No. 123, the Company was required to adopt the prospective method of accounting under SFAS No. 123(R). Under this transitional method, the Company is required to record compensation expense in the consolidated statements of income for all awards granted after the adoption date and to awards modified, repurchased, or cancelled after the adoption date using the fair value provisions of SFAS No. 123(R).

The Company estimates the grant date fair value of stock options using a Black-Scholes valuation model. The expected volatility is based on volatilities of a peer group of publicly-traded companies. The risk free interest rate is based on the U.S. Treasury yield curve in effect on the date of grant for the respective expected life of the option. The expected life represents the time the options granted are expected to be outstanding. The Company has elected to use the shortcut approach in accordance with SAB No. 107, *Share-Based Payment* and SAB No. 110, *Simplified Method for Plain Vanilla Share Options*, to develop the expected life. The Company recognizes compensation cost related to the stock options on a straight-line method over the requisite service period.

See notes to consolidated financial statements, "Summary of significant accounting policies - Share-based compensation," for disclosure related to the Company's stock compensation expense and related valuation model assumptions.

Recent accounting pronouncements

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of SFAS No. 133.* SFAS No. 161 is intended to help investors better understand how derivative instruments and hedging activities affect an entity's financial position, financial performance and cash flows through enhanced disclosure requirements. The enhanced disclosures primarily surround disclosing the objectives and strategies for using derivative instruments by their underlying risk as well as a tabular format of the fair values of the derivative instruments and their gains and losses. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. We do not expect the adoption of SFAS No. 161 to have a material effect on our consolidated financial position or results of operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates. We do not hold or issue financial instruments for trading purposes.

Interest rate sensitivity

We are exposed to interest rate risks primarily through borrowing under our credit facility. Interest on our borrowings is based upon variable rates. We have an interest rate swap agreement in place with a notional amount of $25.0 million which effectively converts variable rate debt to fixed rate debt at an interest rate of 5.11%. The interest rate swap reflected in the consolidated balance sheets as of May 3, 2008 and February 2, 2008 had a negative fair value of $1.0 million and $1.2 million included in accrued liabilities, respectively. The interest rate swap is designated as a cash flow hedge, the effective portion of which is recorded as an unrecognized gain (loss) in other comprehensive income in stockholders' equity. Our weighted average debt for the three months ended May 3, 2008 was $59.4 million, adjusted for the $25.0 million hedged amount. A hypothetical 1% increase or decrease in interest rates would have resulted in a $0.1 million change to our interest expense for the three months ended May 3, 2008.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures . We have established disclosure controls and procedures to ensure that material information relating to the company is made known to the officers who certify our financial reports and to the members of our senior management and the Board of Directors.

Based on management's evaluation as of May 3, 2008, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control . There were no changes to our internal controls over financial reporting during the three months ended May 3, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

***Securities litigation* —** In December 2007 and January 2008, three putative securities class action lawsuits were filed against us and certain of our current and then-current executive officers in the United States District Court for the Northern District of Illinois. Each suit alleges that the prospectus and registration statement filed pursuant to the Company's initial public offering contained materially false and misleading statements and failed to disclose material facts. Each suit claims violations of Sections 11, 12(a)(2) and/or 15 of the Securities Act of 1933, and the two later filed suits added claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as well as the associated Rule 10b-5. In February 2008, two of the plaintiffs filed competing motions to consolidate the actions and appoint lead plaintiffs and lead plaintiffs' counsel. On March 18, 2008, after one of the plaintiffs withdrew his motion, the suits were consolidated and plaintiffs in the *Mirsky v. ULTA* action were appointed lead plaintiffs. Lead plaintiffs filed their amended complaint on May 19, 2008. The amended complaint alleges no new violations of the securities laws not asserted in the prior complaints. It adds no new defendants and drops one of the then-current officers as a defendant. Defendants have until July 21, 2008 to respond to the amended complaint.

Although we believe that we have meritorious defenses to the claims made in the consolidated class action and intend to contest the lawsuit vigorously, an adverse resolution may have a material adverse effect on our financial position and results of operations in the period in which the lawsuit is resolved. We are not presently able to reasonably estimate potential losses, if any, related to the lawsuit.

***General litigation* —** We are also involved in various legal proceedings that are incidental to the conduct of our business, including, but not limited to, employment related claims. In the opinion of management, the amount of any liability with respect to these proceedings, either individually or in the aggregate, will not be material.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended February 2, 2008, which could materially affect our business, financial condition, financial results or future performance. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended February 2, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

On June 16, 2008 Ms. Lyn Kirby, Ulta's Chief Executive Officer entered into a new employment agreement with a term through the later of March 17, 2011, or the date Ulta announces it fiscal year 2010-2011 earnings. The following summarizes the material terms of the agreement, the full terms of which are incorporated herein by reference to the copy filed herewith as Exhibit 10.4:

- Ms. Kirby will remain as the President and Chief Executive Officer, and will retain her duties as such. However, at such time as the Board may determine in the future, Ms. Kirby will assist the Board in establishing and implementing a successorship strategy in which she will transition her President and Chief Executive Officer duties to a successor chosen by the Board.
- Her base salary for 2008 is $770,000, which will be reviewed annually by the Compensation Committee and may be increased, but not decreased, unless in connection with a decrease applicable to all or substantially all officers.
- Her target bonus for each year will be not less than 100% of base salary, but with a maximum bonus of 200% base salary. Actual bonus earned will be based on achievement of performance targets established by the Compensation Committee.
- As described in the 8 K/A filed on May 13, 2008, Ms. Kirby received a grant of an option to purchase 625,000 shares with an exercise price equal to $14.06 per share (the "2008 Options"). The 2008 Options will vest and become exercisable in three installments on the date Ulta releases its earnings in 2009, 2010 and 2011 for each fiscal year as follows:
  - 250,000 — fiscal year 2008-2009 earnings release date in 2009
  - 250,000 — fiscal year 2009-2010 earnings release in 2010
  - 125,000 — fiscal year 2010-2011 earnings release in 2011

  In addition, if Ms. Kirby's employment is terminated by Ulta without cause or she terminates for good reason (as described below), the 2008 Options will vest in full. If she is terminated without cause or she terminates for good reason prior to December 31, 2010, then she will have until March 24, 2011 to exercise the 2008 Options. If she is terminated for cause the 2008 Options will terminate and no longer be exercisable. If she terminates her employment other than for good reason or upon expiration of the employment agreement, then she normally will have 90 days to exercise the 2008 Options. However, if she is prohibited from selling shares acquired upon exercise of the 2008 Option (as well as the 2009 Option and 2010 Option described below) because she is in possession of material nonpublic information or Ulta is prohibited by the federal securities laws from issuing the shares upon exercise of the option, then the exercise period for the 2008 Options (as well as the 2009 Option and 2010 Option described below) will be extended to the earlier of (i) the expiration of the options' normal 10 year term or (ii) the date Ulta determines that she is no longer in possession of material nonpublic information or that it may legally issue the shares.

- On the first day that executives are allowed to trade in Ulta's common stock in 2009 following the fiscal year 2008-2009 earnings release, she will be granted options to purchase 200,000 shares at an exercise price equal to the fair market value of Ulta's common stock on such date (the "2009 Options"). Such options will vest and become exercisable in two equal installments in 2010 and 2011 on the date Ulta releases its earnings for fiscal years 2009-2010 and 2010-2011. If Ms. Kirby's employment is terminated without cause or she terminates her employment for good reason then the 2009 Options will vest in full. If such termination occurs prior to the scheduled grant date for the 2009 Options, then the 2009 Options will be granted on the date immediately prior to her termination date, and will be fully vested and exercisable at such time. The 2009 Options will have an exercise period of three years from their date of grant, unless her employment is terminated for cause, in which case the 2009 options will automatically expire and will no longer be exercisable.
- On the first day that executives are allowed to trade in Ulta's common stock in 2010 following the fiscal year 2009-2010 earnings release, Ms. Kirby will be granted options to purchase 200,000 shares, at an exercise price equal the fair market value of Ulta's common stock on such date (the "2010 Options"). The 2010 Options will vest and become exercisable 100% in 2011 on the date Ulta releases its earnings for fiscal year 2010-2011. If Ms. Kirby's employment is terminated without cause or she terminates her employment for good reason then the 2010 Options will vest in full. If such termination occurs prior to the scheduled grant date for the 2010 Options, then the 2010 Options will be granted on the date immediately prior to her termination date, and will be fully vested and exercisable at such time. The 2010 Options will have an exercise period of three years from their date of grant, unless her employment is terminated for cause, in which case the 2010 options will automatically expire and will no longer be exercisable.
- Ms. Kirby will be able to exercise her options at anytime during their term whether or not vested. If she exercises unvested options, the shares acquired will be restricted, in that they will not be transferable and will be subject to forfeiture upon the same terms as the options.
- Ms. Kirby will be eligible to receive one year's salary payable in installments and a pro rata bonus paid in a lump sum based on Ulta's actual performance for the year in which her employment terminates due to death or disability.
- In the event Ms. Kirby's employment is terminated without cause or she terminates for good reason, she will be entitled to the following as severance:
    - Two times her base salary in effect at the time of termination payable in 12 installments
    - Pro rata bonus based on Ulta's performance for the year of termination payable in a lump sum
    - Continued health benefits under COBRA for a period of 18 months at the same cost applicable to active employees

  - If such termination is within 12 months following a change in control, then she will fully vest in all options.

- All payments to be made and benefits to be received upon termination of employment by reason of disability, without cause or for good reason, including the accelerated vesting of the options and grant of the 2009 and 2010 options, are subject to continued compliance with the terms of the noncompete described below and execution of a general release of claims.
- For purposes of the employment agreement, Ulta may terminate her employment for cause based on her :
  - continued willful failure substantially to perform her duties, following written notice;
  - willful engagement in gross misconduct that is materially injurious to Ulta;
  - willful, fraudulent or dishonest action that is materially detrimental to the business or reputation of Ulta;
  - willful and material breach of the noncompete policy or any policy of Ulta relating to discrimination, harassment or trading in Ulta's securities, after she has been given written notice detailing the specific event constituting such breach and a period of thirty (30) days following receipt of such notice to cure such event (if susceptible to cure); or
  - conviction of, or plea of guilty or nolo contendere to a felony.

  Ms. Kirby may terminate her employment for good reason if there is:

  - A material reduction in her material duties and responsibilities, or the assignment of duties materially inconsistent with her position as previously assigned by the board of directors; provided, however, that any reduction in duties and responsibilities and the assignment of new duties in connection with the implementation of the successorship plan will not be good reason;
  - An adverse or material change in reporting responsibilities, including any requirement that she report to anyone other than the board of directors;
  - Appointment of a successor chief executive officer or an executive chairman prior to January 1, 2011;
  - Except for reductions to all officers' salaries, any material reduction of her base salary or target bonus objective; or
  - Any material breach by Ulta of its obligations under the agreement.
- In connection with entering into her employment agreement, Ms. Kirby executed an Amended and Restated Policy Regarding Noncompetition, Nonsolicitation and Confidential Information pursuant to which she agrees not to compete with Ulta during employment and for a period of two years thereafter, the first of those years by providing services to any business located within the United States, Canada or Mexico or through the Internet, that provide hairdressing, beauty salon and other spa services and sell perfume, fragrances, cosmetics, salon products, beauty aids and related goods and services at retail, or that distribute such goods, and during the second year by providing services to any business located within the United States, Canada or Mexico or through the Internet that engage solely in the retail distribution of hair styling, beauty salon, spa services, fragrance, cosmetics, salon products, or beauty aids/products.

Item 6. Exhibits

Exhibit number	Description of document
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (file No. 333-144405) filed with the Securities and Exchange Commission on August 17, 2007).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (file No. 333-144405) filed with the Securities and Exchange Commission on August 17, 2007).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (file No. 333-144405) filed with the Securities and Exchange Commission on October 11, 2007).
4.2	Third Amended and Restated Registration Rights Agreement between Ulta Salon, Cosmetics & Fragrance, Inc. and the stockholders party thereto (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1 (file No. 333-144405) filed with the Securities and Exchange Commission on August 17, 2007).
4.3	Stockholder Rights Agreement (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-1 (file No. 333-144405) filed with the Securities and Exchange Commission on August 17, 2007).
10.1	Second Amendment to Lease, dated February 20, 2008, by and between Bolingbrook Investors, LLC and Ulta Salon, Cosmetics and Fragrance, Inc.
10.2*	Second Amendment to Lease, dated March 17, 2008, by and between Southwest Valley Partners, LLC and Ulta Salon, Cosmetics and Fragrance, Inc.
10.3*	Acceptance Letter and Commencement Date Agreement, dated March 24, 2008, by and between Southwest Valley Partners, LLC and Ulta Salon, Cosmetics and Fragrance, Inc.
10.4	Employment Agreement, dated as of June 16, 2008, by and between Ulta Salon, Cosmetics & Fragrance, Inc. and Lyn Kirby.
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Confidential treatment has been requested with respect to certain portions of this Exhibit pursuant to Rule 24b-2 under the Securities Exchange Act. Omitted portions have been filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on June 16, 2008 on its behalf by the undersigned, thereunto duly authorized.

ULTA SALON, COSMETICS & FRAGRANCE, INC.

By: /s/ Lynelle P. Kirby
Lynelle P. Kirby
President, Chief Executive Officer and Director

By: /s/ Gregg R. Bodnar
Gregg R. Bodnar
Chief Financial Officer

EXHIBIT 10.1

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE (this " **Second Amendment** ") is made and entered into as of the 20 th day of February 2008 by and between BOLINGBROOK INVESTORS, LLC, an Illinois limited liability company (" **Landlord** "), and ULTA SALON, COSMETICS AND FRAGRANCE, INC., a Delaware corporation (" **Tenant** ").

W I T N E S S E T H:

WHEREAS, Landlord and Tenant entered into that certain Office Lease dated as of April 17, 2007, as amended by that certain Amendment to Lease dated November 2007 and that certain Letter Agreement dated January 7, 2008 (collectively, the " **Lease** ") with respect to certain premises consisting of approximately 82,468 square feet of Rentable Area (the " **Premises** ") which are located in the building known as 1000 Remington Boulevard, Bolingbrook, Illinois, all as more specifically described in the Lease.

WHEREAS, the Commencement Date of the Lease was September 1, 2007.

WHEREAS, Landlord and Tenant desire to amend the Lease to provide for the covenants and agreements as set forth in this Second Amendment; and all outstanding obligations of the parties under the Lease, not specifically modified in this Second Amendment shall continue until satisfied.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby amend the Lease in the following respects only:

1. Defined Terms . All capitalized terms used in this Second Amendment, shall have the same meaning as in the Lease, unless otherwise expressly defined in this Second Amendment.

2. Abatement . Section 1(a) of the Lease is hereby deleted in its entirety and the following is hereby inserted in its stead:

" **Abatement** ": Subject to Section 4(b) and provided no Default exists by Tenant, Base Rent and Additional Rent shall be abated with respect to the Phase I Premises (as defined below) for the first Lease Year of the Initial Term (ie. from September 1, 2007 through August 31, 2008); Base Rent and Additional Rent shall be abated with respect to the Phase II Premises (as defined below) for the first twelve (12) months following the Phase II Commencement Date (as defined below), and Base Rent and Additional Rent shall be abated with respect to the Phase III Premises (as defined below) for the first twelve (12) months following the Phase III Commencement Date (as defined below).

3. Base Rent . Section 1(b) of the Lease is hereby deleted in its entirety and the following is hereby inserted in its stead.

" **Base Rent** ": The monthly amounts payable with respect to the Premises for the time periods indicated, including application of the Abatement, as follows:

Lease Year Initial Term	Annual Base Rent Per S.F.	Monthly Base Rent Phase I (39,355 s.f.)	Monthly Base Rent Phase II (4,806 s.f.)	Monthly Base Rent Phase III 38,307 s.f.)	Total Monthly Base Rent	Total Annual Base Rent
9-1-07 to 8-31-08	$17.50	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
9-1-08 to 2-28-09	$18.00	$59,032.50	$ 0.00	$ 0.00	$ 59,032.50	N/A
3-1-09 to 8-31-09	$18.00	$59,032.50	$7,209.00	$ 0.00	$ 66,241.50	N/A
9-1-09 to 1-31-10	$18.50	$60,672.29	$7,409.25	$ 0.00	$ 68,081.54	N/A
2-1-10 to 8-31-10	$18.50	$60,672.29	$7,409.25	$59,056.63	$127,138.17	N/A
9-1-10 to 8-31-11	$19.00	$62,312.08	$7,609.50	$60,652.75	$130,574.33	$1,566,892.00
9-1-11 to 8-31-12	$19.50	$63,951.88	$7,809.75	$62,248.88	$134,010.51	$1,608,126.12
9-1-12 to 8-31-13	$20.00	$65,591.67	$8,010.00	$63,845.00	$137,446.67	$1,649,360.00
9-1-13 to 8-31-14	$20.50	$67,231.46	$8,210.25	$65,441.13	$140,882.83	$1,690,584.00
9-1-14 to 8-31-15	$21.00	$68,871.25	$8,410.50	$67,037.25	$144,319.00	$1,731,828.00
9-1-15 to 8-31-16	$21.50	$70,511.04	$8,610.75	$68,633.38	$147,755.17	$1,77,3062.00
9-1-16 to 8-31-17	$22.00	$72,150.83	$8,811.00	$70,229.50	$151,191.33	$1,814,296.00
9-1-17 to 8-31-18	$22.50	$73,790.63	$9,011.25	$71,825.63	$154,627.50	$1,855,530.00

Renewal Terms : As determined pursuant to Section 30 of the Lease."

In the event of a Default by Tenant during any period of Abatement which remains uncured, then for the purpose of calculating Landlord's damages, the Base Rent shall be calculated as if there was no further Abatement from the date of the Default.

4. Premises . Section 1(l) of the Lease is hereby deleted in its entirety and the following is hereby inserted in its stead:

" **Premises** ": The area indicated on **Exhibit A** on the first and second floors of Section A of the Building, deemed, for purposes of this Lease, to consist of 82,468 square feet of Rentable Area, comprised of 39,355 square feet of Rentable area on the first floor of the building (the " **Phase I Premises** "; 4,806 square feet of Rentable Area on the first floor of the Building (the " **Phase II Premises** "); provided, however, that, the Phase II Premises shall not constitute a part of the Premises until March 1, 2008 (the " **Phase II Commencement Date** "), and 38,307 square feet of Rentable Area on the second floor of the Building (the **"Phase III Premises** "); provided, however, that the Phase III Premises shall not constitute a part of the Premises until February 1, 2009 (the " **Phase III Commencement Date** ").

5. Tenant's Proportionate Share . Section 1(o) of the Lease is hereby deleted in its entirety and the following is hereby inserted in its stead.

" **Tenant's Proportionate Share** ": The percentage determined as described in **Exhibit C** . Without limitation of the foregoing, as the date hereof, Tenant's Proportionate Share is

acknowledged initially to be 7.18%, to be increased to 8.06% as of the Phase II Commencement Date **,** and to be further increased to 15.05% as of the Phase III Commencement Date."

6. Landlord's Work . Exhibit B, Section 1 shall be amended to provide that Landlord shall complete the Landlord's Work (as defined in the Lease) as follows: (a) prior to April 1, 2008, Landlord shall construct a demising partition approximately 50 to 60 lineal feet near the southwest corner of the Premises on the first floor to create a public corridor; and (ii) at least ninety (90) days prior to the Phase III Commencement Date, Landlord shall construct a new demising partition approximately 30 to 40 feet near the north end of the Premises on the second floor which will provide Tenant with access to the stairwell and washrooms.

7. Delivery of Phase II Premises and Phase III Premises . Notwithstanding anything to the contrary in the Lease (including, without limitation, Exhibit B, Paragraph 1) or this Second Amendment, Landlord shall delivery possession of the Phase II Premises to Tenant as of the Phase II Commencement Date, and Landlord shall delivery possession of the Phase III Premises to Tenant as of the Phase III Commencement Date.

8. Certain Common Areas . The second paragraph of Section 37 of the Lease is hereby deleted in its entirety and the following is hereby inserted in its stead:

"In additional to the Building Conference Room, Tenant shall be entitled to the non-exclusive use of the first floor conference room adjacent to the cafeteria, the two (2) conference rooms in the property management office on the second floor of the Building, and an additional conference room on the third floor of the Building as delineated on **Exhibit A** attached here to and made a part hereof (collectively, the " **Temporary Conference Rooms** ") without charge until the earlier of (a) substantial completion of the Tenant's Work in the Phase II Premises (which Tenant's Work shall commence no later than the week immediately following receipt by Tenant of all permits required from all governmental authorities necessary for performance of Tenant's Work in the Phase II Premises) or (b) July 1, 2008. Notwithstanding anything to the contrary in the Lease or this Second Amendment, Tenant shall have the right to install a temporary door on the south wall of the Lobby until the South Wall Glass Door is installed. Tenant's right to use the Temporary Conference Rooms shall terminate on July 1, 2008. Landlord shall be permitted to substitute the foregoing Temporary Conference Rooms with other conference rooms within the Building, at its reasonable discretion, upon reasonable notice to Tenant provided that the relative size and number of such substitute conference rooms is comparable to the Temporary Conference Rooms. With respect to any use of the Temporary Conference Rooms, Tenant shall be responsible for cleaning each such room after each use by Tenant."

9. HR Temporary Premises .

(a) Landlord shall provide Tenant with approximately 7,500 square feet on the third floor of the Building as set forth on **Exhibit A** attached hereto (the " **HR Temporary Premises** "), commencing on February 21, 2008 and continuing on a month-to-month basis, which term may be terminated by Tenant (but not Landlord) upon thirty (30) days prior written notice to Landlord (the " **HR Temporary Premises Term** "). Notwithstanding the foregoing, Tenant's right to use the HR Temporary Premises shall not extend beyond the later of either (a) the date the Tenant's Work in the Phase III Premises is Substantially Complete (but in no event later than June 12, 2009) or (b) February 1, 2009. Tenant shall at all times during the HR Temporary Premises Term have access through the Common Areas to the common area washrooms and elevator bank located on the third floor of the Building as more particularly set forth on **Exhibit A** attached hereto and made a part hereof.

(b) Prior to February 21, 2008, Landlord, at its sole cost and expense, shall complete the following work with respect to the HR Temporary Premises (collectively, the " **Landlord HR Temporary Premises Work** "):

(i) Landlord shall perform all work necessary to configure the HR Temporary Premises as set forth on the plan attached hereto and made a part hereof as **Exhibit A-1** (the " **HR Temporary Premises Configuration Plan** "), including, without limitation, installation of all cubicles and furniture as depicted on the HR Temporary Premises Configuration Plan. Landlord shall make available to Tenant during the HR Temporary Premises Term furniture for the HR Temporary Premises from Landlord's existing stock (" **Temporary Furniture** "). Landlord and Tenant shall compile a schedule of the Temporary Furniture which shall be mutually agreed to by Landlord and Tenant. Landlord and Tenant hereby acknowledge and agree that Landlord shall have no obligation to purchase any furniture for Tenant, and the Temporary Furniture shall at all times remain the property of Landlord.

(ii) Landlord shall electrify all cubicles and conference rooms depicted on the HR Temporary Premises Configuration Plan.

(iii) Landlord shall perform all work necessary to establish Tenant's voice and data cabling in the HR Temporary Premises pursuant to and in accordance with the scope of work set forth on **Exhibit A-2** attached hereto and made a part hereof (the " **IT Cabling Scope of Work** "). As part of the IT Cabling Scope of Work, the parties acknowledge that the third floor telephone/communications closet will be utilized, and such closet is within another tenant's space. Landlord shall provide Tenant access 24 hours per day/7 days a week, provided however access shall be at all times coordinated through Landlord's management office or its after-hours security.

(iv) Landlord shall construct a demising wall and door (with a window) (which door may be from Landlord's existing stock) separating the common corridor (leading to the fire exit) from the HR Temporary Premises in such location as depicted on **Exhibit A-1** attached hereto.

(v) Landlord shall replace the existing door on the southwest side of the HR Temporary Premises with a door containing a window (which door shall be from Landlord's existing stock). Nothing herein shall require Landlord to purchase such door if not in Landlord's existing stock.

(vi) Landlord shall install a building standard lock (and provide Tenant with keys thereto) on the exterior door of the office (located on the south east side of the HR Temporary Premises) as indicated on the HR Temporary Premises Configuration Plan.

Notwithstanding the foregoing, if Landlord fails to substantially complete the Landlord HR Temporary Premises Work on or before February 21, 2008, and Tenant's occupancy of the HR Temporary Premises is materially and adversely affected by Landlord's failure then Landlord shall agree to reimburse Tenant in an amount not to exceed $1,000.00 for its additional out-of-pocket moving costs for its nine (9) employees.

(c) Subject to all applicable laws and ordinances, at all times during the HR Temporary Premises Term, Landlord shall provide a safe access path within the Building between the HR Temporary Premises and the Phase I Premises and all doors located along such path shall remain open daily from 8am to 5pm; provided, however, Landlord may temporarily close such path during construction or maintenance by Landlord and nothing herein shall abridge or modify Landlord's reservation of rights set forth in Section 13 of the Lease.

(d) Notwithstanding anything to the contrary in the Lease or this Second Amendment, except for Section 14 of the Lease, Tenant shall have the right to perform the following work (at Tenant's sole cost and expense) in the HR Temporary Premises:

(i) Tenant shall have the right to install card readers on each of the two (2) entryway doors accessing the HR Temporary Premises.

(ii) Tenant shall have the right to install signage identifying Tenant on the exterior of the two (2) entryway doors accessing the HR Temporary Premises.

(e) Except as otherwise provided for in this Section 9, Tenant acknowledges and agrees that it is leasing the HR Temporary Premises in its AS-IS condition, without representation or warranty of fitness for a particular purpose. During the HR Temporary Premises Term, Tenant and Landlord shall comply with all of the terms and conditions of the Lease, except for Tenant's obligation to pay Base Rent or Additional Rent, and Tenant shall surrender the HR Temporary Premises on the expiration of the HR Temporary Premises Term in accordance with Article 10 of the Lease.

10. Generator . Provided Tenant is not in Default under the Lease, and, at Tenant's sole cost of expense, and, subject to, and to the extent permitted by, applicable Laws and subject to the terms and covenants of this Paragraph 9, Landlord grants Tenant a non-exclusive revocable license (which Landlord agrees may not be revoked by Landlord during the Term so long as Tenant is not in Default beyond any applicable notice and cure periods) to install, maintain and replace one (1) 300KV generator, a fuel tank and a supporting concrete pad (collectively, the " **Generator** "), at the Premises during the Term, as such term may be renewed pursuant to Section 30 of the Lease.

(a) Tenant may, at its sole cost and expense, install the Generator on the southeastern end of the Building at the location shown on **Exhibit B** attached hereto. At any time upon sixty (60) days prior written notice from Landlord, Tenant shall be required to relocate the Generator to another location at the Property specified by Landlord in its sole discretion **.** If such written notice from Landlord is necessitated by, or is the result of, any applicable Laws, or any requirement, demand or action by or from any governmental authority, agency or body, then, Tenant shall be responsible for Relocation Costs. If such written notice from Landlord is given for any reason other than the reasons set forth in the immediately preceding sentence, then, Landlord shall be responsible for Relocation Costs. As used herein, " **Relocation Costs** " shall mean the actual cost to move and relocate the Generator, plus costs to (i) restore the old location to as nearly as practicable the condition existing before installation of the Generator; (ii) install related improvements at the new location; and (ii) connect the Generator from the new location to Tenant's data center located at the Premises (the " **Tenant's Data Center** ") in such manner and using such materials (including, without limitation, cabling) as are of equal or greater quality and/or specifications to those materials currently connecting the Generator to the old location. Notwithstanding anything to the contrary in this Paragraph or otherwise, any relocation of the Generator shall be completed within a time frame reasonably acceptable to Tenant and in such a manner as reasonably acceptable to Tenant so as to minimize any disruption in Tenant's use and/or operation of the Generator and/or Tenant's Data Center.

(b) Tenant's installation of the Generator shall be performed in a lien free manner in accordance with Article 33 of the Lease and in accordance with all the requirements of Article 14 of the Lease. Tenant shall prepare for Landlord's review and approval plans and specifications describing the Generator and the proposed installation thereof. Such plans and specifications shall also detail, without limitation, the connections between the Premises and the Generator and landscaping and hardscaping for the area surrounding the Generator which details shall remain subject to Landlord's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. Notwithstanding

anything to the contrary in the preceding sentence or otherwise herein or in the Lease, Tenant agrees to repair and/or replace any existing landscaping and/or hardscaping that may be damaged by Tenant during the installation of Tenant's Generator; however, in no event shall Tenant be required to install any new landscaping and/or hardscaping around the Generator except that if the applicable municipal ordinance requires installation of a fence around such Generator, Tenant shall do so at its sole cost and expense. Landlord shall, within fifteen (15) days from the date on which Tenant submits to Landlord Tenant's request for approval of such plans and specifications, either approve such plans and specifications in writing or provide Tenant with notice of disapproval setting forth Landlord's reasonable grounds for disapproval and such reasonable modifications which would satisfy Landlord. Landlord's review and approval of such plans and specifications or any other submission of Tenant with respect to the Generator shall create no responsibility or liability on the part of Landlord for the completeness, design sufficiency or legal compliance of the Generator.

(c) Tenant may not commence installation of the Generator and related improvements until Tenant has secured Landlord's prior written approval of final plans and contractors and all necessary governmental permits and approvals. Landlord's approval shall not constitute a representation or warranty that Tenant's plans comply with any law or other requirements but shall merely evidence Landlord's approval thereof. Tenant shall ensure that the installation, maintenance, and operation of the Generator complies with all applicable laws and requirements.

(d) Tenant's insurance requirements under Article 22 shall be deemed to include not only the Premises but also the Generator and related areas. Without limitation, Tenant shall ensure that its "all risk" policy covers the Generator and related areas and Tenant's liability insurance policy shall cover the Generator and all claims related thereto.

(e) Landlord shall not be required to provide any services of any kind with respect to the Generator. Notwithstanding anything to the contrary contained in Article 8 of the Lease, Tenant shall be solely responsible for the repair and maintenance of the Generator.

(f) Article 9(e) of the Lease shall not be construed to prohibit Tenant from fueling and operating the Generator in compliance with all applicable laws and regulations. Subject to Section 16(a) of the Lease, Tenant shall hold Landlord and its successors and assigns harmless from and defend them against any and all loss, claims, liability and cost (including reasonable court costs and attorney's fees) incurred by Landlord or its successors and assigns related to Tenant's use, operation, maintenance or installation of the Generator including, without limitation, any claim for personal injury, property damage or death, and any claim related to Hazardous Substances caused by Tenant including, without limitation, any release of diesel fuel caused by Tenant in connection with the Generator. Tenant shall promptly notify Landlord of any Hazardous Substances contamination caused by Tenant discovered at the Property related to the Generator. In the event of any contamination caused by Tenant related to the Generator, Tenant, at Tenant's expense, shall fully remediate the contamination to Landlord reasonable satisfaction but in any event in full compliance with all applicable laws.

(g) At Landlord's option (exercisable by written notice thereof to Tenant no later than ninety (90) days prior to the expiration of the Term), Tenant, at Tenant's sole cost and expense, shall remove the Generator upon expiration or earlier termination of the Term. Landlord acknowledges that the Generator shall at all times remain the property of Tenant and Tenant shall have the right to remove the Generator at any time.

(h) In the event Tenant fails to perform any of its obligations under this Paragraph 14, Landlord shall be entitled to all its remedies under the Lease including, without limitation, Landlord's self help rights under Article 9(b) of the Lease.

11. Tenant Allowance/Plan Allowance with respect to the Phase I Premises, the Phase II Premises and the Phase III Premises . Notwithstanding anything to the contrary in the Lease, Landlord shall provide to Tenant the Allowance (as defined in the Lease) and a contribution towards Tenant's Plans as follows: (a) with respect to Phase I, (i) $10.00 per square foot or $393,550.00 to be used towards the cost of the Tenant's Work for Phase I and (ii) $0.08/square foot or $3,148.40 to be used towards the cost of Tenant's Plans for Phase I; (b) with respect to Phase II, (i) $10.00 per square foot or $48,060.00 to be used towards the cost of the Tenant's Work for Phase II and (ii) $0.08/squre foot or $384.48 to be used towards the cost of Tenant's Plans for Phase II; and (c) with respect to Phase III, (i) the amount of $10.00 per square foot or $383,070.00 to be used towards the costs of Tenant's Work for Phase III; and (ii) $0.08/square foot or $3,064.56 to be used towards the cost of Tenant's Plans for Phase III. All other terms and conditions in the Workletter shall remain in full force and effect.

12. Real Estate Brokers . Tenant represents and warrants that Tenant has dealt with no broker or finder in connection with this Second Amendment, other than Colliers Bennet & Kahnweiler, Inc., and agrees to indemnify and hold Landlord harmless from all loss, damages, liabilities, claims, costs and expenses (including reasonable attorneys' fees) arising from any claims or demands of any broker or brokers or finders with whom Tenant dealt for any commission alleged to be due such broker, brokers or finders. Landlord represents and warrants that Landlord has dealt with no broker or finder in connection with this Second Amendment, other than Colliers Bennet & Kahnweiler, Inc., and agrees to indemnify and hold Tenant harmless from all loss, damages, liabilities, claims, costs and expenses (including reasonable attorneys' fees) arising from any claims or demands of any broker or brokers or finders with whom Landlord dealt for any commission alleged to be due such broker, brokers or finders.

13. Notice Address . Tenant's notice address set forth in Section 27 of the Lease shall be modified as follows:

Ulta Salon, Cosmetics & Fragrance, Inc.
Windham Lakes Business Park
1135 Arbor Drive
Romeoville, IL 60446
Attn: Senior Vice President- Growth and Development

14. On or before the Phase II Commencement Date, Landlord shall make available to Tenant throughout the Term one (1) reserved parking space in a location reasonably designated by Landlord. Such parking spot shall be identified by Landlord's standard signage indicating "ULTA – Reserved." The employee of Tenant using such parking space shall be designated by Tenant and Landlord shall have no obligation to prohibit, prevent or otherwise cause any of Tenant's employees, visitors or invitees from parking in such reserved space.

15. Exhibit A . Exhibit A to the Lease is hereby deleted and is replaced in its entirety by the Exhibit A attached hereto. All references in the Lease or this Second Amendment to Exhibit A shall be deemed to refer to Exhibit A attached hereto.

16. Capitalized Terms . Initial capitalized terms not defined herein shall have the meanings ascribed to them in the Lease.

17. Entire Agreement . The entire agreement of the parties is set forth in this Second Amendment and in the Lease as amended hereby. No prior agreement or understanding with respect to the Lease and this Second Amendment shall be valid or of any force or effect.

18. Lease in Full Force and Effect . Except as herein provided, all the terms and provisions of the Lease shall remain in full force and effect. To the extent there is a conflict between the terms of this Second Amendment and the Lease, the terms of this Second Amendment shall prevail.

19. Counterparts; Facsimile Signatures . This Second Amendment may be executed in one or more counterparts, each of which taken together shall constitute one original document. A counterpart of this Second Amendment transmitted by facsimile will, if it is executed, be deemed in all respects to be an original document, and any signature thereon shall be deemed an original signature and shall have the same binding legal effect as an original executed counterpart of this Second Amendment.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the day and year first written above.

LANDLORD:

BOLINGBROOK INVESTORS, LLC,
an Illinois limited liability company

By: /s/ Joseph I. Neverauskas
Name: Joseph I. Neverauskas
Its: Senior Vice President

TENANT:

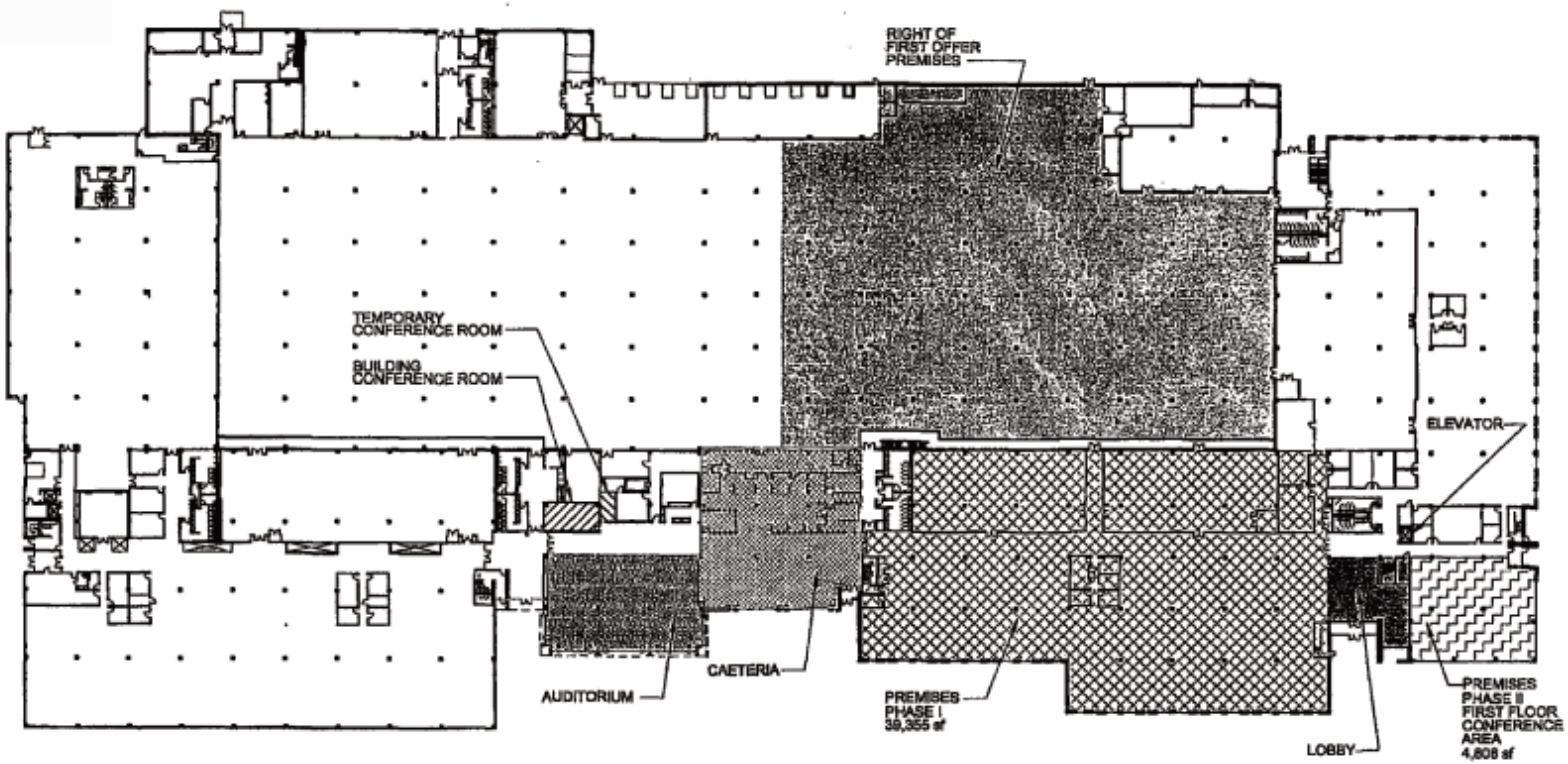
ULTA SALON, COSMETICS & FRAGRANCE,
INC., a Delaware corporation

By: /s/ Alex J. Lelli, Jr.
Name: Alex J. Lelli, Jr.
Its: Senior Vice President, Growth & Development

EXHIBIT A

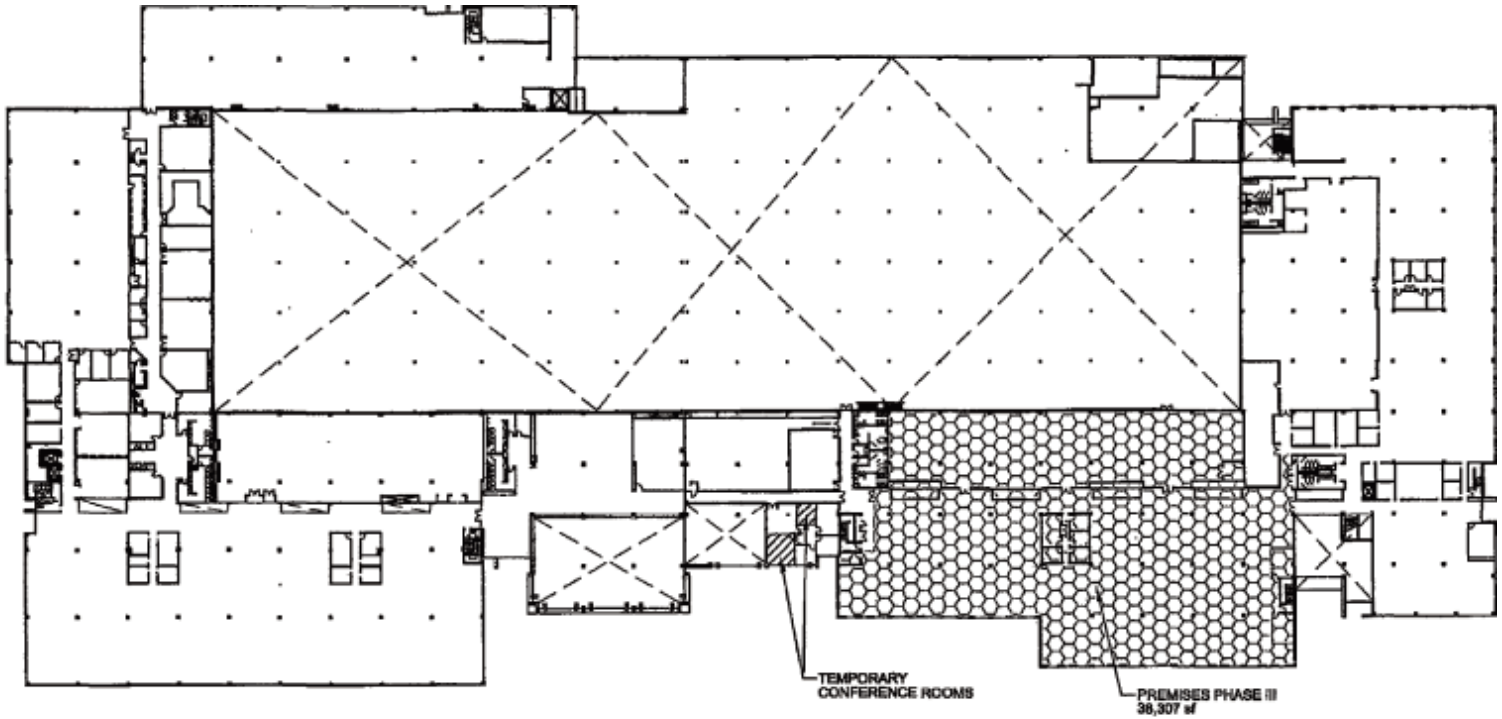
FLOOR PLAN (REVISED)

(See attached)

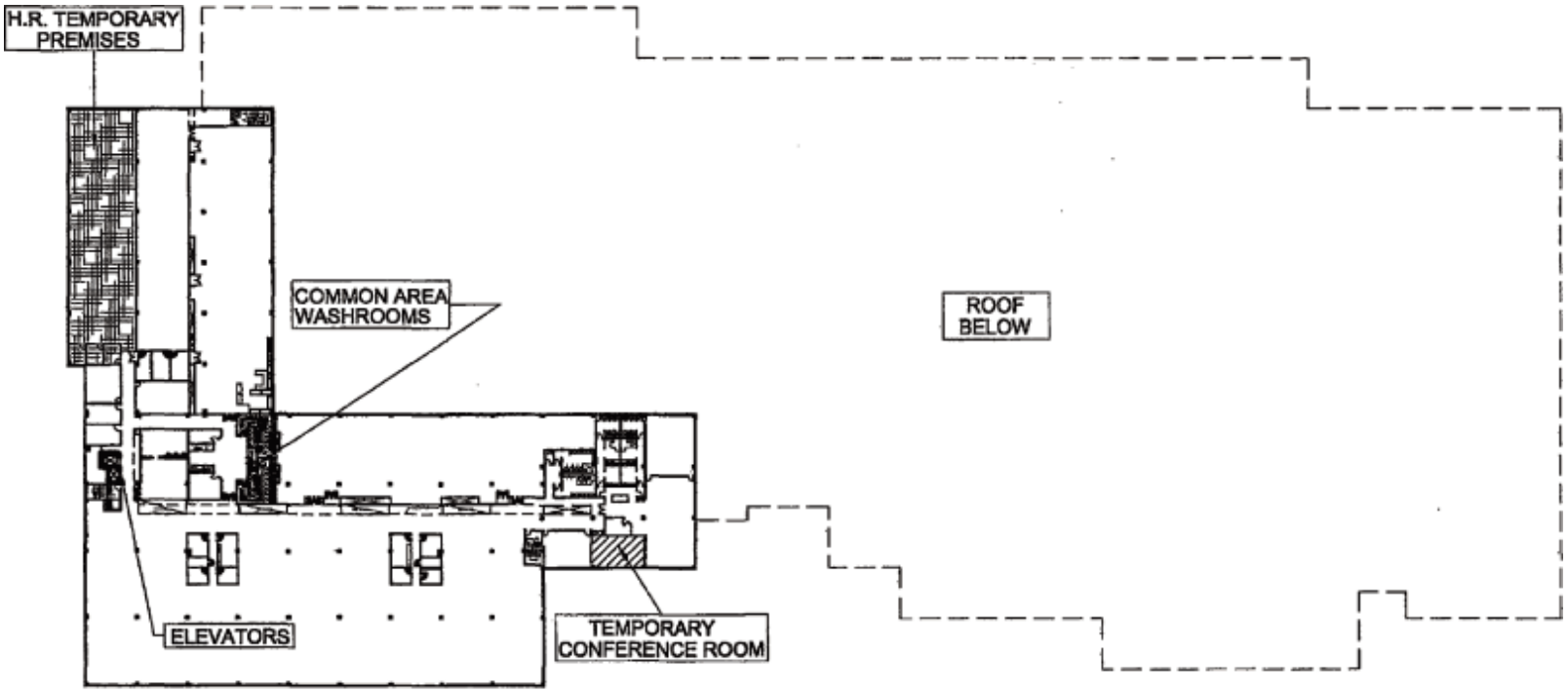


FIRST FLOOR PLAN

TRUE NORTH PLAN NORTH



SECOND FLOOR PLAN



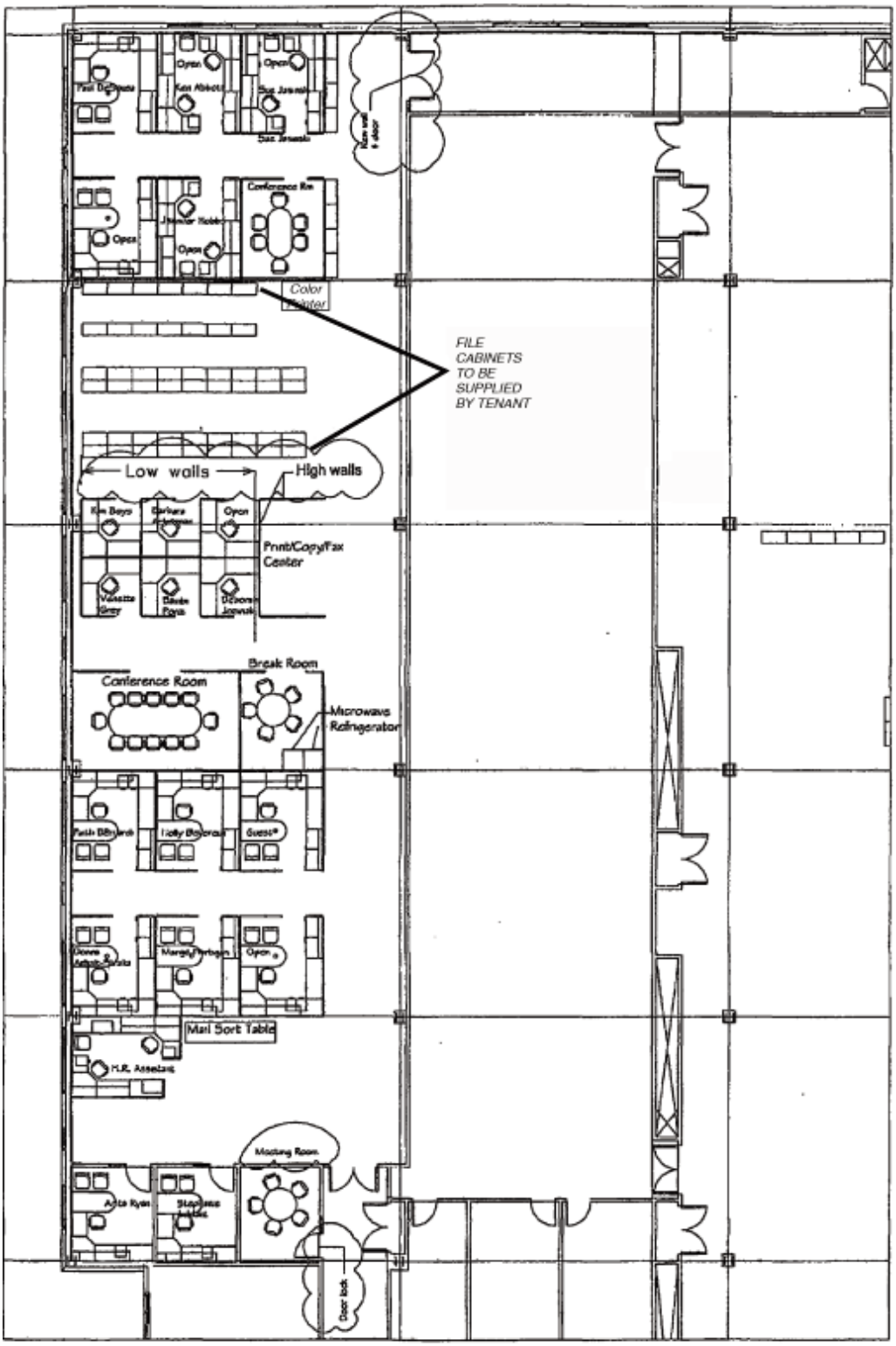
THIRD FLOOR PLAN

TRUE NORTH PLAN NORTH

EXHIBIT A-1

HR TEMPORARY PREMISES CONFIGURATION PLAN

(See attached)



Ulta - Tallgrass 3rd Floor (01/24/08)

EXHIBIT A-2

IT CABLING SCOPE OF WORK

(See attached)

EXHIBIT A-2

IT CABLING SCOPE OF WORK

(1) Run Fiber cable from 1 st floor Ulta Telco room (located in Premises) to 2 nd floor Telco room, out to high-bay and go north using existing run/conduit, as more particularly set forth on Attachment 1 attached hereto and made a part hereof. From north side of high-bay, extend conduit to 3 rd floor HR Temporary Premises and pull fiber through, as more particularly set forth on Attachment 1 attached hereto and made a part hereof.

(2) Cable all cubicles and offices within the HR Temporary Premises with cat5e cables with two drops, single faceplate for user space and a single wireless access point in the space, as more particularly set forth on Attachment 1 attached hereto and made a part hereof.

(3) Landlord shall provide a one year warranty assignable to Ulta covering the above described work and the work set forth on Attachment 1 and certifying all cables.

Attachment 1 to Exhibit A-2

ULTA

PROJECT COST SUMMARY

3RD FLOOR HR AREA

TALLGRASS CORPORATE CENTER BOLINGBROOK

2/1/2008

ADVANCED DATA TECHNOLOGIES

ULTA YOUR BEAUTY DESTINATION

scope of work	*schedule*	*materials*	*sales tax*	*labor*	*total*
Horizontal Cabling System (2 Category 5e)					
Equipment Cabinet/Fiber Optic Backbone					
Conduit for Routing Fiber in Office Ceilings (3N Only)					
PROJECT TOTAL (excluding alternates)					

Attachment 1 to Exhibit A-2

ULTA

3RD FLOOR HR AREA

TALLGRASS CORPORATE CENTER BOLINGBROOK

Horizontal Cabling System (2 Category 5e)

SCHEDULE A

2/1/2008

					unit cost		extended price			
line	quantity	manufacturer	item number	description	material	labor	material	sales tax	labor	total
1	16,340	Panduit	PUP5504WH-U	4-pair category 5e CMP cable, white	$					
2	-	Panduit	KWP6P	wall phone plate, stainless	$					
3	3	Panduit	CFPL4WH	four port faceplate, white	$					
4	40	Panduit	CFFPL4BL	four port furniture faceplate, black	$					
5	-	Wiremold	CM2-U2ATT-BK	dual Lucent/Avaya module, black	$					
6	86	Panduit	CJ5E88TGWH	mini-com TX5 category 5e module, white	$					
7	-	Panduit	CJ5E88TGBK	mini-com TX5 category 5e module, black	$					
8	-	Panduit	CMBWH-X	blank module, white	$					
9	-	Panduit	CMBBK-X	blank module, black	$					
10	-	Panduit	DP245E88TG	24 port DP5e category 5e patch panel	$					
11	2	Panduit	DP485E88TG	48 port DP5e category 5e patch panel	$					
12	4	Panduit	SRB19BL	strain relief bar	$					
13	2	Panduit	WMPH2E	PatchLink horizontal cable manager, 2U front only, black	$					
14	-	Panduit	WMPFSE	PatchLink horizontal cable manager, 1U front only, black	$					
15	-	Panduit	UTPCH4	category 5e patch cord, off white, 4'	$					
16	-	Panduit	UTPCH10	category 5e patch cord, off white, 10'	$					
17	-	vendor	-	labor to install patch cord	$					
18	25	B-Line	BCH32	J-hook, 2"	$					
19	-	B-Line	BCH64	J-hook, 4"	$					
20	25	Bridgeport	951	1/4-20 beam clamp	$					
21	1	vendor	-	miscellaneous materials	$					
22	86	vendor	-	test, certify horizontal category 5e "permanent link" (level III)	$					
23	1	vendor	-	project supervision, documentation	$					
24	-	vendor	-	shipping charges	$					
25	1	vendor	-	permit fees	$					
				PER SKETCH DATED 01/04/08						

ADVANCED DATA TECHNOLOGIES

ULTA

3RD FLOOR HR AREA

TALLGRASS CORPORATE CENTER BOLINGBROOK

Equipment Cabinet/Fiber Optic Backbone

SCHEDULE B

2/1/2008

					unit cost		extended price			
line	quantity	manufacturer	item number	description	material	labor	material	sales tax	labor	total
				WALL CABINET:						
2	1	Chatsworth	11900-748	wall mounted equipment cabinet, 48" high, 24" deep, black	$					
3	-	Chatsworth	11900-736	wall mounted equipment cabinet, 36" high, 24" deep, black	$					
4	-	Chatsworth	11901-724	wall mounted equipment cabinet, 24" high, 18" deep, black	$					
5	-	Hines	-	2' x 4' x 3/4" AC grade fire retardant plywood	$					
6	1	vendor	-	miscellaneous materials	$					
				FIBER OPTIC BACKBONE:						
9	900	Panduit	FOFRX12Y	12-strand 50 micron multimode OM3 fiber optic OFCR cable, sav	$					
10	-	Panduit	FODRX12Y	12-strand 50 micron multimode OM3 fiber optic OFNR cable	$					
11	-	Panduit	FRME4	OptiCom rack mount fiber enclosure, 4U, 72/144 port	$					
12	1	Panduit	FRME1	OptiCom rack mount fiber enclosure, 1U, 18/36 port	$					
13	-	Panduit	FAPB	OptiCom blank adapter panel	$					
14	2	Panduit	FAP6WAQDLC	OptiCom fiber adapter panel, 12 LC multimode	$					
15	24	Panduit	FLCSMCXAQ	LC OptiCam multimode connector	$					
16	-	Panduit	FXE10-10M3	LC-LC duplex 50 micron OM3 patch cord, 3 meter	$					
17	-	Carlon	DO4X1C	1.25" innerduct with rope, riser rated	$					
18	-	Wiegmann	SC181806NK	18" x 18" x 6" junction box	$					
19	-	Wiegmann	SC242406NK	24" x 24" x 6" junction box	$					
20	-	Carlon	E943G	1.25" male terminal adapter	$					
21	4	Panduit	PST-FO	fiber optic caution tags (package of 5)	$					
22	1	vendor	-	miscellaneous materials (connumebics, etc.)	$					
23	12	vendor	-	test fiber multimode strands (db loss, 850/1300 nm)	$					
24	1	vendor	-	project supervision, documentation	$					
25	1	vendor	-	lift rental allowance	$					
				NOTES:						
				REQUIRES CONDUIT IN OFFICE CEILING						
				BASED ON UTILIZING CONDUIT IN WAREHOUSE AREA						
				POWER TO CABINET BY OTHERS						

ADVANCED DATA TECHNOLOGIES

Attachment 1 to Exhibit A-2

ULTA

3RD FLOOR HR AREA

TALLGRASS CORPORATE CENTER BOLINGBROOK

Conduit for Routing Fiber in Office Ceilings (3N Only)

SCHEDULE C

2/1/2008

					unit cost		extended price			
line	quantity	manufacturer	item number	description	material	labor	material	sales tax	labor	total
1	50	Allied	-	1-1/4" EMT conduit	$					
2	1	vendor	-	miscellaneous materials	$					
3	-	vendor	-	allowance for coring (2nd to 3rd floor)	$					
4	1	vendor	-	labor to install	$					
				NOTES:						
				ALL WORK TO BE PEFORMED DURING NORMAL BUSINE						
				THIS IS JUST FROM THE 3RD FLOOR NORTH TR TO THE CABINET IN THE ULTA SPACE						

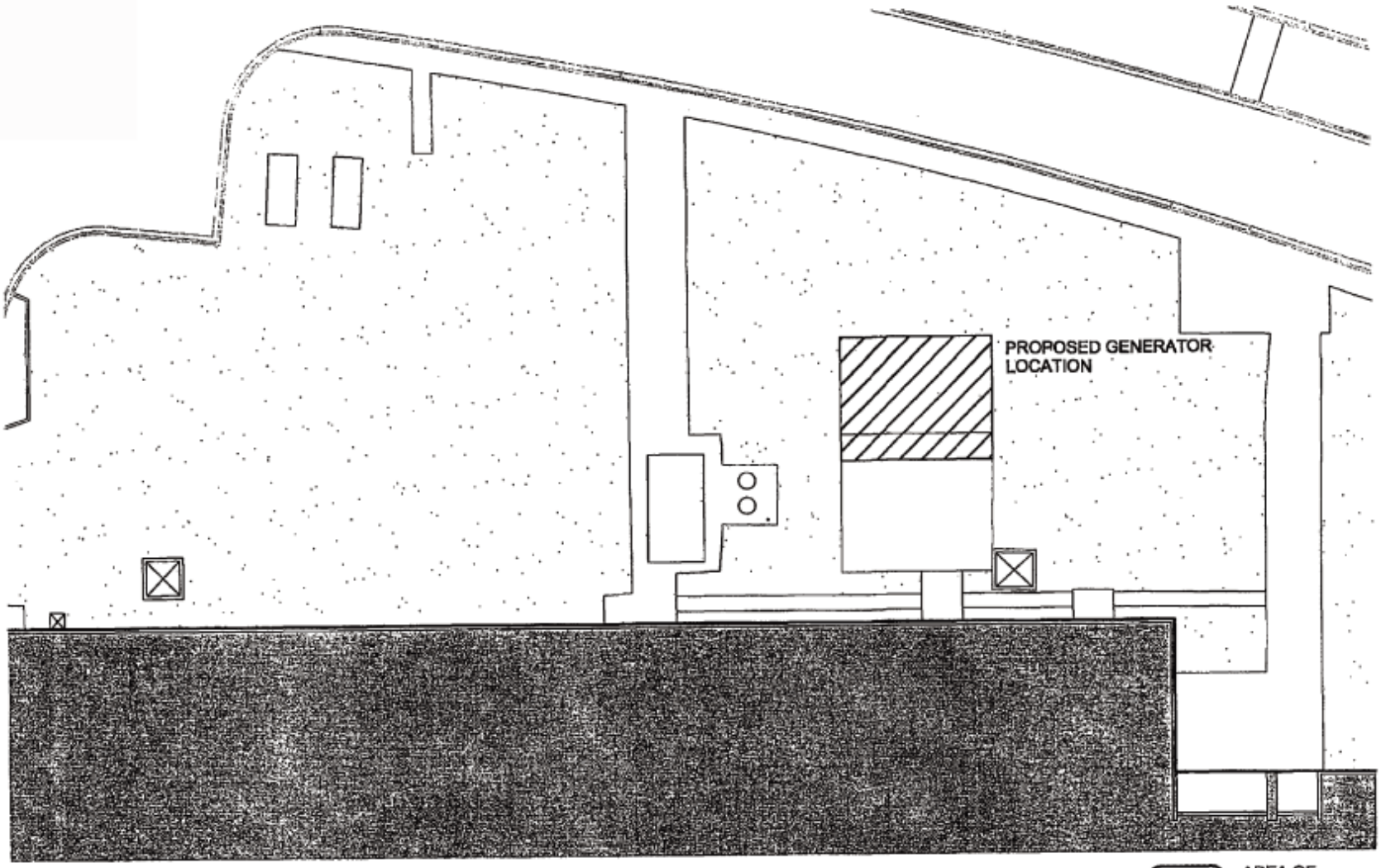
ADVANCED DATA TECHNOLOGIES

Attachment 1 to Exhibit A-2

EXHIBIT B

LOCATION OF GENERATOR

(See attached)



PROPOSED GENERATOR LOCATION - SOUTH EAST

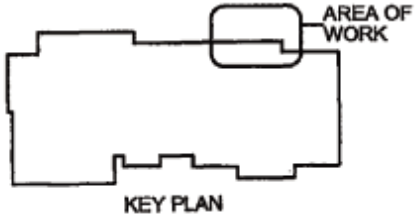


EXHIBIT 10.2

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE is made as of the 17th day of March, 2008 (the " Amendment "), by and between **SOUTHWEST VALLEY PARTNERS, LLC** , an Indiana limited liability company (hereinafter referred to as " Landlord ") and **ULTA SALON, COSMETICS & FRAGRANCE, INC.,** a Delaware corporation (hereinafter referred to as " Tenant "), which terms "Landlord" and "Tenant" shall include the successors and assigns of the respective parties.

WITNESSETH:

WHEREAS , by that certain Lease dated June 21, 2007, by and between Landlord and Tenant, as amended by that certain First Amendment to Lease dated October 23, 2007 (collectively, the " Lease "), Landlord did lease and demise unto Tenant and Tenant did lease from Landlord approximately 328,995 square feet of bulk distribution space (the " Premises ") located within the bulk distribution building located or to be constructed at Riverside Business Center, 4570 West Lower Buckeye Road, Phoenix, Arizona 85034 (the " Building "), as more particularly described in the Lease; and

WHEREAS , the parties hereto desire to further amend the Lease as set forth herein.

NOW, THEREFORE , in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Capitalized Terms . All initial capitalized terms not defined herein shall have the meaning ascribed to them in the Lease.

2. Lease Term . Section 1.1 of the Lease is hereby deleted in its entirety and replaced with the following:

"1.1 Lease Term . In consideration of the obligation of Tenant to pay rent as herein provided and in consideration of the other terms, covenants, and conditions hereof, Landlord leases to Tenant, and Tenant takes from Landlord, the Premises, to have and to hold for the Lease Term, subject to the terms, covenants and conditions of this Lease. The Lease Term shall commence on the date that is [***] from the date of Substantial Completion of Phase II of the Premises (the "Commencement Date") and shall end on the date that follows the remainder of the month in which the Commencement Date occurs plus the number of full months in the Lease Term."

3. Fixturing Entry Date . Landlord and Tenant hereby agree that the Fixturing Entry Date occurred on [***]. Notwithstanding Section 1.2 of the Lease, Landlord and

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[***]: Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

Tenant hereby further agree that Landlord shall not be liable to Tenant for any amounts described in such Section 1.2.

4. Early Entry Date . Section 1.3 of the Lease is hereby deleted in its entirety and replaced with the following:

"1.3 Early Entry Date : Landlord and Tenant hereby agree that the Premises shall be delivered in phases as set forth on Exhibit A-3 attached hereto and made a part hereof, with the estimated date of Substantial Completion of each such phase being also described on Exhibit A-3 . Landlord shall use commercially reasonable efforts to cause the Substantial Completion of each phase by the estimated Substantial Completion date for such phase as set forth in Exhibit A-3 .

Upon the delivery of each phase of the Premises to Tenant, Tenant shall have full access and use of such phase; provided, however, Tenant acknowledges and agrees (a) that prior to Substantial Completion of Phase III, Tenant will cause any invitee of Tenant (other than the Approved Tenant Parties (as defined herein)) entering the Premises to execute a release agreement in form and substance reasonably acceptable to Landlord; and (b) to ensure that none of its employees, invitees, representatives or other agents access any other portion of the Premises other than the Phase of such Premises that has been Substantially Completed; provided, however, that the Approved Tenant Parties (as defined herein) shall have access to such other phases that are not yet Substantially Completed for purposes of performing Tenant's fixturing and other work pursuant to Section 1.2 of the Lease and, upon prior notice and coordination with Landlord and Lauth Construction, LLC, for inspecting the Premises and Landlord's Work. The term " Approved Tenant Parties " shall include the following entities and/or individuals: (i) any employee of Ulta Salon, Cosmetics & Fragrance, Inc., (ii) any employee of Warehouse Equipment, Inc., (iii) any employee of Factory Mutual, (iv) any employee of TAG Solutions Group, LLC, (v) any employee of Allegiance Security, (vi) any employee of Federal Communications Group, (vii) any employee of Technical Design Services, Inc. (d/b/a TDSi), (viii) any employee of Honeywell, (ix) any employee of Interlink, (x) any employee of Ameritemps, (xi) any employee of Delta Diversified Electric and (xii) any employee of Ace Conveyor.

Tenant shall be fully responsible and shall indemnify, save and hold harmless Landlord from any and all liabilities, costs and damages, resulting in bodily injury to or personal injury (including death) to a Covered Tenant Party (as defined herein) or on account of damage to property of a Covered Tenant Party (whether caused by the negligence of Landlord or its agents or representatives or otherwise) that arises out of such Covered Tenant Party's presence in a phase of the Premises prior to Substantial Completion of such phase of the Premises. The term " Covered Tenant Party " shall mean any employee, invitee or agent of Tenant (including any Approved Tenant Party) (but not of any employee, invitee or agent of Landlord) that accesses a phase of the Premises prior to Substantial Completion thereof.

Except as otherwise provided in Paragraph 5 of this Amendment below, Tenant shall comply with all of the provisions of the Lease, including Tenant's obligation to carry the types

and amounts of insurance required by Section 11.3 and to deposit with Landlord certificates of such insurance required by Section 11.3 before accessing the Premises, which shall specifically include, without limitation, certificates of such insurance of the Approved Tenant Parties."

5. Additional Rent; Base Rent . Notwithstanding anything to the contrary in the Lease or this Amendment, (a) Tenant shall commence paying Additional Rent as of the date of Substantial Completion of Phase II of the Premises; and (b) Tenant shall commence paying Base Rent as of the date that is [***] from the date of Substantial Completion of Phase II of the Premises.

6. Substantial Completion . The definition of " Substantial Completion " as set forth in Section (4)a of Exhibit B to the Lease shall be amended and restated as follows:

" Substantial Completion " shall be deemed to have occurred upon the date upon which the Landlord obtains a temporary certificate of occupancy (or local equivalent) for the Premises (or any portion thereof as depicted on Exhibit A-3), which shall permit Tenant to enter upon the Premises (or any portion thereof as depicted on Exhibit A-3) and commence Tenant's operation of the Premises (or any portion thereof as depicted on Exhibit A-3) for the Permitted Use.

7. Miscellaneous.

a. Except as modified by this Amendment, all other terms, covenants and conditions of the Lease not specifically amended hereby shall remain in full force and effect.

b. The Lease, as amended by this Amendment, contains the entire agreement of the parties hereto and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. The Lease may be further amended only in writing signed by both Landlord and Tenant.

c. This Amendment may be executed in several counterparts, each of which shall be deemed to be an original and all of which, collectively, shall be deemed to constitute one and the same instrument.

[Signature page follows]

[***]: Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

IN WITNESS WHEREOF, the Landlord and Tenant have executed this instrument as of the day and year first above written.

LANDLORD:

SOUTHWEST VALLEY PARTNERS, LLC

By: /s/ Michael S. Curless
Michael S. Curless
Executive Vice President

TENANT:

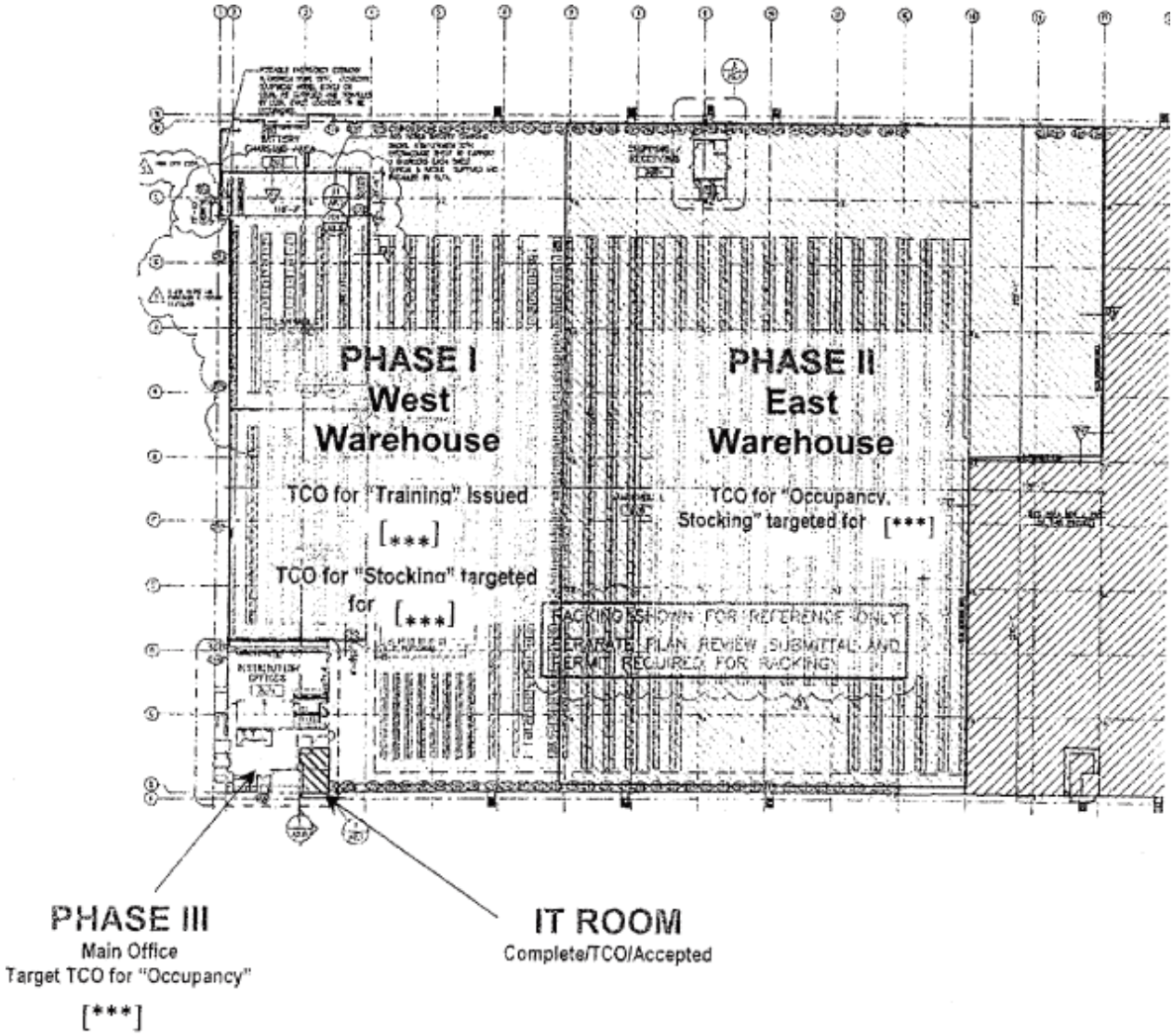
ULTA SALON, COSMETICS & FRAGRANCE, INC.

By: /s/ Alex.J. Lelli, Jr.
Alex J. Lelli, Jr.
Senior Vice President,
Growth & Development

EXHIBIT A-3
DEPICTION OF PHASED DELIVERY OF PREMISES

(See attached)

EXHIBIT A-3
DEPICTION OF PHASED DELIVERY OF PREMISES



[***]: Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT 10.3

ACCEPTANCE LETTER AND COMMENCEMENT DATE AGREEMENT

THIS AGREEMENT (the "Agreement") is made this 24th day of March 2008, by and between Southwest Valley Partners, LLC ("Landlord") and Ulta Salon, Cosmetics & Fragrance, Inc. ("Tenant").

WHEREAS effective as of June 21, 2007, Landlord and Tenant entered into a Lease, as amended (the "Lease") for the Premises consisting of approximately 328,995 sf located in the Riverside Business Center, Phoenix, Arizona, and

WHEREAS, Landlord and Tenant now desire to set forth the Commencement Date of the Premises and document other acknowledgements pursuant to the Lease.

NOW THEREFORE, in consideration of the rent reserved herein and their mutual undertakings, Landlord and Tenant agree as follows:

1. Commencement Date; Term . The Commencement Date of the Premises is [***], and the Expiration Date is [***].

2. Additional Rent/Base Rent . Tenant shall commence paying (a) Additional Rent (as defined in the Lease) as of [***] and (b) Base Bent (as defined in the Lease) as of [***].

3. Counterparts . This Agreement may be executed in several counterparts, each of which shall be deemed to be an original and all of which, collectively, shall be deemed to constitute one and the same instrument.

[Signatures to Follow.]

[***]: Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Agreement on the day and year first above written.

TENANT:

ULTA SALON, COSMETICS & FRAGRANCE, INC.

By: /s/ Alex J. Lelli, Jr.
Alex J. Lelli, Jr.,
Senior Vice President,
Growth and Development

LANDLORD:

SOUTHWEST VALLEY PARTNERS, LLC

By: /s/ Michael S. Curless
Michael S. Curless,
Executive Vice President

Exhibit 10.4

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into this 16th day of June, 2008, by and between Ulta Salon, Cosmetics & Fragrance, Inc., a Delaware corporation (the "Company"), and Lyn Kirby (the "Executive").

WITNESSETH:

WHEREAS, the Executive and the Company previously have entered into an employment agreement dated as of June 23, 2006 (the "Prior Agreement"), pursuant to which the Company has employed the Executive as its President and Chief Executive Officer; and

WHEREAS , the parties hereto (the "Parties") desire to continue the Executive's employment on the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and obligations hereinafter set forth, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Employment Term . The term of the Executive's employment under this Agreement shall commence on March 17, 2008 (the "Commencement Date") and shall continue unless sooner terminated under Section 5 through the later of the third anniversary thereof or the date on which the Company announces its fiscal year 2010-2011 earnings (the "Term"). Upon the expiration of the Term, the Executive's employment shall automatically terminate without further obligation of the Parties, other than Executive's continued compliance with the Policy (as defined in Section 10).

2. Duties and Extent of Services .

(a) During the Term, the Executive shall serve as the President and Chief Executive Officer of the Company. In addition, at all times during the Term, the Company will nominate Executive to serve as a member the Board of Directors of the Company (the "Board"). The Executive shall have such duties and responsibilities as may be consistent with the position of President and Chief Executive Officer as reasonably determined, from time to time, by the Board. Executive shall report directly

to the Board and shall be subject to the direction and control of the Board, its committees and its non-executive chairman or any non-executive lead director.

(b) Notwithstanding Section 2(a), the Executive acknowledges and agrees upon request of the Board that she will participate in and assist and cooperate with the Board to establish and implement a successorship strategy in which she will transition the President and Chief Executive Officer duties to a successor chosen by the Board.

(c) The Executive shall be a full-time employee of the Company and shall devote her full business time and efforts to the duties required of her in the positions described in this Section 2, and in such other positions or offices of the Company or its subsidiaries or affiliates as may be required of her hereunder consistent with such positions. Notwithstanding the foregoing provisions of this Section 2, the Executive may from time to time engage in such other pursuits, including, without limitation personal legal and personal financial affairs, as shall not materially interfere with the proper performance of her duties and obligations hereunder.

3. Compensation .

(a) Salary . For her services hereunder, effective as of the Commencement Date, the Company shall pay the Executive a base salary of Seven Hundred Seventy Thousand Dollars ($770,000) per annum, subject to review annually by the Compensation Committee of the Board (the "Committee") and adjustment as the Committee based on such review may determine (such amount, the "Base Salary") ; provided, however, Executive's Base Salary may not be decreased without Executive's express written consent unless the decrease is pursuant to a general compensation reduction applicable to all, or substantially all, officers of the Company.

(b) Base Salary shall be paid in accordance with the regular payroll policies of the Company in effect from time to time.

(c) Incentive Bonus Compensation . The Executive shall be eligible to earn a bonus with respect to each fiscal year of the Company (each, a "Fiscal Year") completed during the Term based on Company achievement of performance targets established by

the Committee ("Annual Bonus"). The performance targets for the Annual Bonus shall be established according to the same terms and conditions applicable to other senior management of the Company. The Executive's target Annual Bonus for any Fiscal Year shall not be less than 100% of Base Salary ("Target Bonus Objective"), and the Executive shall be eligible to earn a maximum bonus of 200% of Base Salary. The actual bonus will be earned in full by the Executive as of the last day of the related Fiscal Year, based on achievement of the set performance targets, and paid to Executive no later than April 15 following the end of the related Fiscal Year, unless it is administratively not practicable to make payment by April 15 due to unforeseen circumstances, in which case it shall be paid as soon as administratively practical to make such payment but no later than December 31 of such year (the "Bonus Payment Date").

(d) Stock Option Grants .

(1) The 2008 Option . On March 24, 2008, pursuant to the terms of the Company's 2007 Incentive Award Plan (the "LTIP") the Company granted the Executive a stock option with respect to 625,000 shares (the "2008 Option Shares") of the common stock of the Company ("Common Stock"), par value $0.01 per share (the "2008 Option") at an exercise price equal to $14.06. The 2008 Option and the Executive's rights thereunder are subject to the terms and conditions of the LTIP and the form option agreement approved by the Committee for option grants under the LTIP; provided, that the 2008 Option shall vest in accordance with the following schedule, subject to Section 5 of this Agreement:

(A) the 2008 Option shall become vested as to 250,000 of the 2008 Option Shares on the date of the Company's announcement of its Fiscal Year 2008-2009 earnings;

(B) the 2008 Option shall become vested as to 250,000 of the 2008 Option Shares on the date of the Company's announcement of its Fiscal Year 2009-2010 earnings; and

(C) the 2008 Option shall become vested as to 125,000 of the 2008 Option Shares on the date of the Company's announcement of its Fiscal Year 2010-2011 earnings.

In addition, if Executive's employment is terminated without Cause under Section 5(c) prior to December 31, 2010 then, subject to Section 5(h) and Executive's continued compliance with the Policy (as defined in Section 10 below), the 2008 Option shall remain exercisable through March 24, 2011.

(2) The 2009 Option . The Company shall grant to the Executive, on the first date that the Company allows executives of the Company to trade in the Common Stock pursuant to the Company's trading policy (the "First Trading Date"), following the announcement of its Fiscal Year 2008-2009 earnings (the "2009 Grant Date"), a stock option with respect to 200,000 shares (the "2009 Option Shares") of Common Stock (the "2009 Option") at an exercise price equal to Fair Market Value (as determined under the LTIP or any successor plan thereto) on the 2009 Grant Date. The 2009 Option and the Executive's rights thereunder shall be subject to the terms of the LTIP (or any successor plan thereto) and the standard form option agreement approved by the Committee for option grants from time to time thereunder; provided, however, that the 2009 Option shall vest in accordance with the following schedule, subject to Section 5 of this Agreement:

(A) the 2009 Option shall become vested as to 100,000 of the 2009 Option Shares on the date of the Company's announcement of its Fiscal Year 2009-2010 earnings; and

(B) the 2009 Option shall become vested as to 100,000 of the 2009 Option Shares on the date of the Company's announcement of its Fiscal Year 2010-2011 earnings.

(3) The 2010 Option . The Company shall grant to the Executive, on the First Trading Date following the announcement of its Fiscal Year 2009-2010

earnings (the “2010 Grant Date”), a stock option with respect to 200,000 shares (the “2010 Option Shares,” and together with the 2008 and 2009 Options Shares, the “Option Shares”) of Common Stock (the “2010 Option”) at an exercise price equal to Fair Market Value (as determined under the LTIP or any successor plan thereto) on the 2010 Grant Date. The 2010 Option and the Executive’s rights thereunder shall be subject to the terms of the LTIP (or any successor plan thereto) and the standard form option agreement approved by the Committee for grants of options thereunder; provided, however, that the 2010 Option shall become vested on the date of the Company’s announcement of its Fiscal Year 2010-2011 earnings, subject to Section 5 of this Agreement.

(4) In the event that Executive’s employment is terminated without Cause under Section 5(c) prior to the date on which the 2009 and 2010 Options are otherwise scheduled to be granted under Sections 3(d)(2) and (3) above, then the 2009 and 2010 Options shall, subject to Section 5(h) be granted on the date immediately prior to the date Executive’s employment is so terminated, and shall be fully vested upon grant.

(5) Subject to continued compliance with the Policy, the 2009 and 2010 Options shall have a term of three years from the 2009 and 2010 Grant Dates (including if the grant date is under Section 3(d)(4)), respectively, during which Executive may exercise the 2009 and 2010 Options regardless of Executive’s continued employment; provided, however, that if Executive’s employment is terminated for Cause under Section 5(b) the 2009 and 2010 Options shall automatically expire and no longer be exercisable.

(6) Notwithstanding anything to the contrary contained in this Section 3(d), each of the 2008, 2009 and 2010 Options (collectively, the “Contract Options”) shall provide that they shall be fully-exercisable at all times during their respective terms; provided, however, after the termination of Executive’s employment for any reason, the Contract Options may be exercised only with respect to vested Option Shares (including any Contract Options which

vest upon termination) and all unvested Contract Options shall expire. In all events the Contract Options and the Option Shares shall be subject to the vesting provisions set forth in this Section 3(d), and to the extent the Contract Option is exercised before it has become vested, the Option Shares so acquired shall be, until the Executive's rights with respect to such Option Shares are vested in accordance with this Section 3(d), Restricted Stock (as defined in the LTIP) subject to forfeiture and cancellation upon the same terms and conditions as applicable to the Contract Options prior to their exercise. For this purpose, a Contract Option shall first be deemed to be exercised with respect to the vested portion thereof, and thereafter with respect to that portion which is due to become vested hereunder in the shortest time frame. As a condition to exercising the Contract Options, the Executive shall be required to (i) execute such agreements as ordinarily executed by recipients of Restricted Stock under the LTIP, and (ii) deliver in accordance with any method made available under the Plan by the Committee, cash, vested Option Shares acquired upon exercise of the Contract Options or other unrestricted shares of Common Stock held by Executive for at least six months, with a Fair Market Value (as determined under the LTIP or any successor plan thereto) equal to the minimum amount required to satisfy all income and employment tax withholding obligations of the Executive that may be due upon exercise of the Contract Options, vesting of the Restricted Stock or the filing of an election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code") with respect thereto.

(7) Tolling . In the event that upon the Executive's termination of employment, (i) the Option Shares may not be issued by reason of any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body or (ii) Executive shall be prohibited from selling the Option Shares by reason of her possession of material nonpublic information regarding the Company, then notwithstanding anything contained in the Contract Option agreements to the contrary, the Contract Options shall be exercisable through the earlier of (A) the term set forth in the option agreement notwithstanding any termination of employment; or (B)

the date that is 90 days following the date that the Company determines that the provisions of clause (i) or (ii) of this Section 3(d)(7) no longer apply. The determination of whether the extension of the option exercise period under this Section 3(d)(7) applies, and when it ends under clause (B) hereof shall be made in the discretion of the Company, with the approval of the Audit Committee of the Board of Directors upon the advice of outside legal counsel to the Company.

(8) Grants under LTIP . The Executive acknowledges that the Contract Options are being granted to her in lieu of her eligibility to participate in grants under the Company's Long Term Incentive Plan, any successor thereto, or any other plan or arrangement that the Company may adopt in the future with respect to equity compensation for senior executives. In addition, Executive agrees not to request to the Board or any Committee thereof any further equity compensation grants for herself. However, the parties acknowledge that nothing herein shall preclude the Committee from deciding, in its sole discretion, to grant the Executive additional equity awards at any time after the Commencement Date.

4. Benefits .

(a) Standard Benefits . During the Term, the Executive shall be eligible to participate in such medical, health, pension, welfare, and insurance plans offered by the Company to other management employees as she elects from time to time (subject to the terms of such plans). The Executive shall participate in any other benefit plans or arrangements on a basis that is at least as favorable to the Executive as that which is applicable to any other senior officer of the Company.

(b) Expenses . The Company agrees to reimburse the Executive for all reasonable travel and business expenses incurred by her in the performance of her duties hereunder in accordance with the Company's business expense reimbursement policies as in effect from time to time. All such reimbursements shall be made no later than December 31 of the year following the year in which the expense was incurred. The amount of reimbursements provided in one year shall not affect the amounts provided in

any subsequent year. Such reimbursements shall not be subject to liquidation or exchange for another benefit.

(c) Vacation . The Executive shall be entitled to four weeks of annual vacation to be accrued and taken in accordance with the Company's vacation policy for senior executives.

(d) Indemnification . The Executive shall be entitled to the same indemnification under the terms of the Company's By-Laws and Articles of Incorporation as is provided, and such liability insurance as the Company may from time to time purchase, for its Board members and senior officers, including such post-termination indemnification and liability insurance as applicable to other Board members and senior executives.

(e) New York State Tax . Each year during the Term, the Company shall reimburse Executive for the difference, if any, between the income taxes actually paid by Executive as a result of her performance of services for the Company in New York state, and the rate Executive would otherwise have paid on such income as a resident of Illinois. The Company shall also reimburse Executive for any penalties and interest payable by Executive with respect to income from service for the Company taxable in New York for years prior to 2007.

5. Termination .

(a) Death or Disability . The Executive's employment shall automatically terminate upon the death of the Executive, or Disability (defined below). In the event that the Executive's employment terminates by reason of Disability or death, the Executive shall be entitled to the following:

(1) Base Salary accrued through the last day of the Executive's employment with the Company (the "Termination Date"), all earned but unpaid Annual Bonus for the year prior to the year in which the Termination Date occurs, all accrued but unused vacation, and accrued benefits under the Company's

employee benefit plans (the “Accrued Benefits”), payable within the time required under state wage payment law;

(2) (i) The Executive’s Base Salary at the rate in effect on the Termination Date payable in twelve (12) equal monthly installments; and (ii) an amount equal to the Annual Bonus which Executive would have earned based on the Company’s performance in the Fiscal Year of such termination, multiplied by a fraction the numerator of which is the number of days in the Fiscal Year elapsed through the Termination Date and the denominator is 365 (the “Pro-Rated Bonus”) payable in a lump sum as provided in Section 5(a)(3); provided, however, that in the event of her termination for Disability, all amounts payable under Section 5(a)(2) shall be subject to Sections 5(h), Section 7 and continued compliance with the Policy; and

(3) Amounts payable under Section 5(a)(2)(i) shall commence on the Company’s first regularly scheduled payroll date following (A) the Release Effective Date (as defined in Section 5(h)) if payable upon the Disability, or (B) Executive’s death, if payable by reason of death. The Pro-Rated Bonus shall be payable on the Bonus Payment Date for such Fiscal Year or, if later, the Release Effective Date, if payable due to termination by reason of Disability.

The Executive’s rights and benefits under any other applicable Company plans or programs including, but not limited to, the LTIP (the “Company Plans”), shall be as determined under such plans or programs.

The term “Disability” shall mean a medical condition entitling the Executive to long-term disability compensation under the terms of any long-term disability plan applicable to the Executive and other management employees, and in the absence thereof shall mean that, due to physical or mental illness, the Executive shall have failed to perform her duties on a full-time basis hereunder for one hundred eighty (180) consecutive days (“Disability Period”). Any termination of the Executive’s employment by the Company for Disability shall be communicated by written notice of termination specifying the reason for termination (“Disability Termination Notice”) and the

Termination Date shall be the later of (i) the date of Disability or (ii) thirty (30) days following the Executive's receipt of the Disability Termination Notice. Any dispute as to the Executive's Disability shall be resolved by an independent physician selected by the Board and reasonably acceptable to the Executive or her legal representative.

(b) Cause . The Company may terminate the Executive's employment for Cause (defined below) by written notice to the Executive at any time when Cause exists. In such case the Company shall pay the Executive the Accrued Benefits within the time period prescribed by state wage payment law and the Executive's rights under any of the Company Plans shall be as determined under the terms thereof. For purposes of this Agreement, "Cause" shall mean the Executive's:

(1) continued willful failure substantially to perform her duties, following written notice (other than by reason of disability);

(2) willful engagement in gross misconduct that is materially injurious to the Company;

(3) willful fraudulent or dishonest action that is materially detrimental to the business or reputation of the Company;

(4) willful and material breach of the Policy or any policy of the Company relating to discrimination, harassment or trading in the Company's securities, after the Executive has been given written notice detailing the specific event constituting such breach and a period of thirty (30) days following receipt of such notice to cure such event (if susceptible to cure); or

(5) conviction of, or plea of guilty or nolo contendere to a felony.

For purposes of this Section 5(b), an act or failure to act shall be considered "willful" only if done or omitted to be done without a good faith reasonable belief that such act or failure to act was in the best interests of the Company.

The Company shall provide Executive with at least ten (10) days written notice of its intent to terminate her employment for Cause and during any such notice period may

suspend Executive from her duties and position without pay. Any determination of Cause by the Company will be made by a resolution approved by a majority of the members of the Board after the Executive has been provided with the opportunity (with counsel of her choice) to contest the determination at a meeting of the Board. The determination of Cause by the Company may be made anytime before or after the Executive's Termination Date; provided that any retroactive determination that Executive's termination was for Cause shall be based on facts and circumstances not reasonably known to the Board on the Termination Date.

(c) Termination Without Cause . The Company may terminate the Executive's employment at any time without "Cause" (as defined below) by written notice to the Executive. In such case the Executive shall be entitled to:

(1) the Accrued Benefits, payable within the time period prescribed by state wage payment law;

(2) subject to Sections 5(h), Section 7 and continued compliance with the Policy, an amount equal to: (i) two (2) times the Executive's Base Salary at the rate in effect on the Termination Date payable in twelve (12) equal monthly installments commencing on the first regularly scheduled payroll date following the Release Effective Date, and (ii) the Pro-Rated Bonus payable in a lump sum on the later of (A) the Release Effective Date, or (B) the Bonus Payment Date for such Fiscal Year;

(3) subject to Sections 5(h) and continued compliance with the Policy; provided that the Executive elects continuation Coverage under Section 4980B of the Code ("COBRA"), then for the duration of the COBRA period, but not to exceed eighteen (18) months after the Termination Date, continued health benefits (including any medical, vision or dental benefits), under the Company's health plans and programs under COBRA, but at the same cost to the Executive as would have applied in the absence of such termination; and

(4) subject to Section 5(h) and continued compliance with the Policy all of the Contract Options (and any Restricted Stock into which Contract Stock was exercised under Section 3(c)(4)) shall vest, become fully exercisable and nonforfeitable on the Release Effective Date.

The Executive's rights and benefits under the Company Plans and any other option shall be as determined under such plans, programs and option agreements.

(d) Termination by Executive for Good Reason . The Executive may terminate her employment under this Agreement for Good Reason (defined below) by written notice to the Company. Any termination for Good Reason pursuant to this Section 5(d) shall be deemed to be a termination by the Company without Cause and Executive shall be eligible for the payments and benefits under Section 5(c) of this Agreement, subject to the terms and conditions thereof. For purposes of this Agreement, the term "Good Reason" means:

(1) A material reduction by the Company, without the Executive's written consent, in the Executive's material duties and responsibilities, including but not limited to loss of board position, or the assignment of duties materially inconsistent with the Executive's position with the Company as previously assigned by the Board; provided, however, that any reduction in Executive's duties and responsibilities and the assignment to Executive of new duties in connection with the implementation of the successorship plan described in Section 2(b) shall not constituted Good Reason under this Section 5(d)(1);

(2) An adverse or material change in reporting responsibilities, including any requirement that the Executive report to anyone other than the Board;

(3) The Company's appointment of a successor chief executive officer or executive chairman prior to January 1, 2011;

(4) Except as permitted by Section 3(a), any material reduction by the Company, without the Executive's written consent, of the Executive's Base Salary or Target Bonus Objective; or

(5) Any material breach by the Company of its obligations under this Agreement;

provided, that Executive must give written notice to the Company within thirty (30) days of any event giving rise to Good Reason and the Company must fail to cure within thirty (30) days of such notice in order for such event to qualify as a Good Reason termination.

(e) Termination by Executive other than for Good Reason . The Executive may terminate her employment other than for "Good Reason" at any time upon thirty (30) days prior written notice to the Company. In such case the Company shall pay to the Executive any Accrued Benefits within the time period prescribed by state wage payment law. The Executive's rights and benefits under any of the Company Plans shall be as determined under the terms thereof.

(f) Change in Control . In the event of a Change in Control (as defined in the LTIP) and the Executive's employment is terminated by the Company other than for Cause, or by the Executive for Good Reason within the twelve month period following the Change in Control, then, subject to Section 5(h), in addition to the Executive's rights under Section 5(c) or 5(d) above, all of the Executive's Options (whether or not granted prior to or following the Commencement Date), or any Restricted Stock into which the Contract Stock was exercised under Section 3 (d)(4), shall immediately vest, become fully exercisable and nonforfeitable on the Release Effective Date.

(g) Effect of Termination . Upon the termination of the Executive's employment with the Company for any reason and upon such termination, the Executive shall be deemed to have resigned immediately from all offices held by her in the Company or any of its subsidiaries.

(h) Release and Timing of Payment . Executive's rights to receive the payments and benefits under Section 5(a)(2), 5(c)(2), (3) and (4), 5 (f) and the grant of the 2009 and 2010 Options under Section 3(c)(4), (the "Severance Benefits") shall be subject to Executive's execution, delivery and not revoking a release of claims and covenant not to sue, in the form attached hereto as Exhibit A (the "Release"), following the Termination Date. The Release shall be effective on the 8 th day following Executive's execution and delivery of the Release, if Executive does not revoke the Release during such period (the "Release Effective Date"). However, in no event shall the Release Effective Date be later than seventy-five days following the Termination Date. Notwithstanding any provision herein to the contrary, the Severance Benefits shall be paid or provided only upon Employee's "separation from service" as defined in Treasury Regulation Section 1.409A-1(h).

6. Notices . Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be deemed given (i) when delivered or refused if sent by hand during regular business hours, (ii) three (3) business days after being sent by United States Postal Service, registered or certified mail, postage prepaid, return receipt requested, or (iii) when recorded as delivered by reputable overnight express mail service that provides tracing and proof of receipt or refusal at the address or addresses set forth below or such other addresses as the parties may designate in a notice given in accordance with this Section.

If to the Company:

c/o Global Retail Partners
Attn: Steven Lebow
Suite 1630
2121 Avenue of the Stars
Los Angeles, California 90067

with a copy to:

Latham & Watkins
Sears Tower, Suite 5800
233 South Wacker Drive
Chicago, Illinois 60606
Fax: (312) 993-9767
Attention: Robin Struve

If to the Executive:

Lyn Kirby
16 Ambriance Drive
Burr Ridge, Illinois 60521

with a copy to:

Bachelder & Dowling, P.A.
120 Exchange Street
P.O. Box 7003
Portland, ME 04112-7003
Attention: Stephan G. Bachelder

7. Special Rule for U.S. Income Tax Compliance . Notwithstanding anything in this Agreement to the contrary, the Parties intend that this Agreement comply with Section 409A of the Code and all guidance or regulations thereunder ("Section 409A"), and this Agreement and the payment of any benefits hereunder shall be operated and administered accordingly. Notwithstanding anything contained in this Agreement to the contrary, to the maximum extent permitted by applicable law, amounts payable to the Executive pursuant to Section 5(a)(2) or 5(c)(2) shall be made in reliance upon Treas. Reg. Section 1.409A-1(b)(9) (Separation Pay Plans) or Treas. Reg. Section 1.409A-1(b)(4) (Short-Term Deferrals). However, to the extent any such payments are treated as non-qualified deferred compensation subject to Section 409A of the Code, then if Executive is deemed at the time of her separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive's termination benefits shall not be provided to Executive prior to the earlier of (A) the expiration of the six-month period measured from the date of the Executive's "separation from service" or (B) the date of Executive's death. Upon the earlier of such dates, all payments deferred pursuant to this Section 7 shall be paid to the Executive in a lump sum without interest thereon. The determination of whether the Executive is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of her separation from service shall made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Treas. Reg. Section 1.409A-1(i) and any successor provision thereto). For purposes of this Agreement each

installment payable under Sections 5(a)(2) and 5(c)(2) shall be shall be considered a separate payment.

8. Entire Agreement . This Agreement constitutes the entire agreement between the parties hereto with respect to the transactions contemplated herein, and it supersedes all prior discussions, understandings or agreements between the parties, including the Prior Agreement. This Agreement supersedes all prior negotiations and discussions whether oral or written between the parties with respect to its subject matter.

Except as provided herein, the payment obligations of the Company hereunder shall not be subject to offset. The Executive shall have no obligation to take any action to mitigate or offset any amounts payable by the Company pursuant to this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer after the Termination Date or otherwise.

9. Waiver . No delay in exercising any right or remedy shall constitute a waiver thereof, and no waiver by the Company or the Executive of the breach of any covenant of this Agreement shall (a) be effective unless in writing and signed by the waiving party, or (b) be construed as a waiver of any preceding or succeeding breach of the same or any other covenant or condition of this Agreement.

10. Policy Regarding Noncompetition, Nonsolicitation and Confidential Information . In connection with this Agreement, and in consideration of the severance benefits and option exercise periods under the Contract Options, Executive agrees to execute and comply with the terms of the Policy Regarding Noncompetition, Nonsolicitation and Confidential Information — As Amended and Restated in the form attached as Exhibit B . Executive's rights to the Severance Benefits are expressly conditioned upon continued compliance with the terms of the Policy, and in addition to the rights given to the Company therein, to the extent that Executive breaches the Policy, then (1) the Company's obligation to pay or continue providing the Severance Benefits shall cease, (2) all unexercised Options shall immediately be forfeited and cancelled, and (3) Executive shall repay to the Company the amount of the after-tax income received by the Executive upon the exercise of the Contract Options, and/or the sale of Option

Shares received upon the exercise of any Contract Options, which vested under Section 5(c)(4) on the Termination Date.

11. Governing Law . This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois applicable to contracts made and to be performed therein, without regard to conflict of law principles thereof. Subject to Section 12, any action to enforce any of the provisions of this Agreement shall be brought in a court of the State of Illinois or in a Federal court located within the State of Illinois. The parties consent to the jurisdiction of such courts and to the service of process in any manner provided by Illinois law.

12. Disputes . Any dispute or controversy arising under, out of, in connection with or in relation to this Agreement (except with respect to the Policy referred to in Section 10, which shall be governed by the dispute resolution provisions specified therein), including any claims for discrimination or other similar violation of federal law, shall be finally determined and settled by arbitration in Chicago, Illinois, in accordance with the rules and procedures regarding commercial contract disputes as established by the American Arbitration Association, and judgment upon the award may be entered in any court having jurisdiction thereof as provided in Section 11.

If any arbitration or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief that may be granted.

13. Assignability . The obligations of the Executive hereunder may not be delegated and, except with respect to the designation of beneficiaries in connection with any of the benefits payable to the Executive hereunder, the Executive may not, without the Company's written consent, assign, transfer, convey, pledge, encumber, hypothecate or otherwise dispose of this Agreement or any interest herein. Any such attempted delegation or disposition shall be null and void and without effect. The Company and the Executive agree that this Agreement and all of the Company's rights and obligations hereunder may be assigned or transferred by the Company

to and shall be assumed by and be binding upon any successor to the Company. The term “successor” means, with respect to the Company or any of its subsidiaries, any corporation or other business entity which, by merger, consolidation, purchase of the assets or otherwise acquires all or a material part of the assets of the Company.

14. Enforceability . It is the intention of the Parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies of each state and jurisdiction in which such enforcement is sought, but that the unenforceability (or the modification to conform with such laws or public policies) of any provisions hereof, shall not render unenforceable or impair the remainder of this Agreement. Accordingly, if any provision of this Agreement shall be determined to be invalid or unenforceable, either in whole or in part, this Agreement shall be deemed amended to delete or modify, as necessary, the offending provisions and to alter the balance of this Agreement in order to render the same valid and enforceable to the fullest extent permissible.

15. Successors and Assigns . This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

16. Amendment . This Agreement may be amended only by a written instrument executed by the Company and the Executive.

17. Expenses . The Company will reimburse the Executive for reasonable legal fees and expenses incurred by the Executive in the negotiation and documentation of this Agreement up to a maximum of $40,000. All such fees and expenses will be paid by the Company within thirty (30) days after the Company’s receipt of the invoices therefor.

18. Headings . All headings herein are inserted for convenience and ease of reference purposes only and are not to be considered in the construction or interpretation of this Agreement.

19. Counterparts . This Agreement may be executed in two (2) or more counterparts, each of which shall for all purposes constitute one (1) agreement which is binding on all of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first written above.

ULTA SALON, COSMETICS & FRAGRANCE, INC.

By: /s/ Steven Lebow
Name: Steven Lebow
Title: Director

EXECUTIVE

/s/ Lyn Kirby
Lyn Kirby

Exhibit 31.1

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynelle P. Kirby, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ulta Salon, Cosmetics & Fragrance, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 16, 2008

By: /s/ Lynelle P. Kirby
Lynelle P. Kirby
President, Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gregg R. Bodnar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ulta Salon, Cosmetics & Fragrance, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 16, 2008

By: /s/ Gregg R. Bodnar
Gregg R. Bodnar
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. §1350 (adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned President, Chief Executive Officer and Director of Ulta Salon, Cosmetics & Fragrance Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended May 3, 2008 (the "Report"), fully complies with the requirements of section 13(a) or 15 (d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: June 16, 2008

By: /s/ Lynelle P. Kirby
Lynelle P. Kirby
President, Chief Executive Officer and Director

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. §1350 (adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chief Financial Officer of Ulta Salon, Cosmetics & Fragrance Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended May 3, 2008 (the "Report"), fully complies with the requirements of section 13(a) or 15 (d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: June 16, 2008

By: /s/ Gregg R. Bodnar
Gregg R. Bodnar
Chief Financial Officer