

WESTERN DIGITAL CORP

Form 10-Q

February 07, 2007

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended December 29, 2006

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 1-8703
WESTERN DIGITAL CORPORATION
(Exact Name of Registrant as Specified in Its Charter)**

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

33-0956711
(I.R.S. Employer
Identification No.)

20511 Lake Forest Drive
Lake Forest, California
(Address of principal executive offices)

92630
(Zip Code)

Registrant's telephone number, including area code: (949) 672-7000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$.01 Par Value Per Share	New York Stock Exchange
Rights to Purchase Series A Junior Participating Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of the close of business on February 2, 2007, 222.0 million shares of common stock, par value \$.01 per share, were outstanding.

**WESTERN DIGITAL CORPORATION
INDEX**

	PAGE NO.
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (unaudited)</u>	
<u>Condensed Consolidated Balance Sheets December 29, 2006 and June 30, 2006</u>	3
<u>Condensed Consolidated Statements of Income Three and Six Months Ended December 29, 2006 and December 30, 2005</u>	4
<u>Condensed Consolidated Statements of Cash Flows Six Months Ended December 29, 2006 and December 30, 2005</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	22
<u>Item 4. Controls and Procedures</u>	22
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	23
<u>Item 1A. Risk Factors</u>	23
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	37
<u>Item 6. Exhibits</u>	38
<u>Signatures</u>	39
<u>EXHIBIT 10.16.2</u>	
<u>EXHIBIT 10.18.6</u>	
<u>EXHIBIT 10.22</u>	
<u>EXHIBIT 31.1</u>	
<u>EXHIBIT 31.2</u>	
<u>EXHIBIT 32.1</u>	
<u>EXHIBIT 32.2</u>	

We have a 52- or 53-week fiscal year, which typically ends on the Friday nearest to June 30. However, approximately every six years, we report a 53-week fiscal year to align our fiscal quarters with calendar quarters by adding a week to our fourth fiscal quarter. The quarters ended December 29, 2006 and December 30, 2005, were 13 weeks. Fiscal year 2006 was comprised of 52 weeks and ended on June 30, 2006. Fiscal year 2007 will be comprised of 52 weeks and will end on June 29, 2007. Unless otherwise indicated, references herein to specific years and quarters are to our fiscal years and fiscal quarters, and references to financial information are on a consolidated basis. As used herein, the terms we, us and our refer to Western Digital Corporation and its subsidiaries.

We are a Delaware corporation that operates as the parent company of our hard drive business, Western Digital Technologies, Inc., which was formed in 1970.

Our principal executive offices are located at 20511 Lake Forest Drive, Lake Forest, California 92630. Our telephone number is (949) 672-7000 and our web site is <http://www.westerndigital.com>. The information on our web site is not incorporated in this Quarterly Report on Form 10-Q.

Western Digital®, WD®, the WD logo, WD Caviar®, WD Raptor®, WD Scorpio®, WD Passport® and WD My Book are trademarks of Western Digital Technologies, Inc. and/or its affiliates. All other trademarks mentioned are the property of their respective owners.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS**

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except par values; unaudited)

	Dec. 29, 2006	Jun. 30, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 676	\$ 551
Short-term investments	154	148
Accounts receivable, net	668	481
Inventories	265	205
Advances to suppliers	76	80
Prepaid expenses and other	27	27
Total current assets	1,866	1,492
Property and equipment, net	637	549
Intangible and other assets	37	32
Total assets	\$ 2,540	\$ 2,073
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 816	\$ 632
Accrued expenses	140	131
Accrued warranty	72	71
Current portion of long-term debt	28	25
Total current liabilities	1,056	859
Long-term debt	21	19
Other liabilities	38	38
Total liabilities	1,115	916
Commitments and contingent liabilities (Note 5)		
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized 5.0 shares; Outstanding None		
Common stock, \$.01 par value; authorized 450.0 shares; Outstanding 223.3 and 221.7 shares, respectively	2	2
Additional paid-in capital	802	775
Accumulated comprehensive income		1
Retained earnings	622	391
Treasury stock - common shares at cost; 0.2 and 0.7 shares, respectively	(1)	(12)
Total shareholders' equity	1,425	1,157
Total liabilities and shareholders' equity	\$ 2,540	\$ 2,073

The accompanying notes are an integral part of these condensed consolidated financial statements.

3

Table of Contents

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share amounts; unaudited)

	THREE MONTHS		SIX MONTHS	
	ENDED		ENDED	
	Dec. 29,	Dec. 30,	Dec. 29,	Dec. 30,
	2006	2005	2006	2005
Revenue, net	\$ 1,428	\$ 1,117	\$ 2,691	\$ 2,127
Cost of revenue	1,173	889	2,218	1,720
Gross margin	255	228	473	407
Operating expenses:				
Research and development	77	76	152	147
Selling, general and administrative	56	48	100	88
Total operating expenses	133	124	252	235
Operating income	122	104	221	172
Non-operating income:				
Interest income	8	4	15	7
Interest and other expense	2	1	2	2
Total non-operating income	6	3	13	5
Income before income taxes	128	107	234	177
Income tax provision		3	3	4
Net income	\$ 128	\$ 104	\$ 231	\$ 173
Income per common share:				
Basic	\$.58	\$.49	\$ 1.06	\$.81
Diluted	\$.57	\$.47	\$ 1.02	\$.78
Weighted average shares outstanding:				
Basic	220	213	219	213
Diluted	226	221	226	221

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions; unaudited)

	SIX MONTHS ENDED	
	Dec. 29, 2006	Dec. 30, 2005
Cash flows from operating activities		
Net income	\$ 231	\$ 173
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	94	74
Stock-based compensation	21	16
Other non-cash items		7
Changes in:		
Accounts receivable	(188)	(25)
Inventories	(60)	(15)
Accounts payable	193	20
Accrued expenses	8	(17)
Advances to suppliers	2	(62)
Prepaid expenses and other	(1)	(5)
Net cash provided by operating activities	300	166
Cash flows from investing activities		
Capital expenditures	(169)	(112)
Purchases of short-term investments	(6)	(54)
Redemption of short-term investments		73
Net cash used in investing activities	(175)	(93)
Cash flows from financing activities		
Issuance of common stock under employee plans	16	29
Repurchase of common stock		(26)
Repayment of long-term debt	(16)	(11)
Net cash used in financing activities		(8)
Net increase in cash and cash equivalents	125	65
Cash and cash equivalents, beginning of period	551	485
Cash and cash equivalents, end of period	\$ 676	\$ 550
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes	\$ 5	\$ 3
Cash paid during the period for interest	\$ 1	\$ 1

Supplemental disclosure of non-cash investing and financing activities:

Equipment acquired under capital lease	\$	21	\$	15
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The accompanying notes are an integral part of these condensed consolidated financial statements.

5

Table of Contents

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The accounting policies followed by Western Digital Corporation (the Company) are set forth in Note 1 of the Notes to Consolidated Financial Statements included in the Company s Annual Report on Form 10-K as of and for the year ended June 30, 2006. In the opinion of management, all adjustments necessary to fairly state the unaudited condensed consolidated financial statements have been made. All such adjustments are of a normal, recurring nature. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K as of and for the year ended June 30, 2006. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

Company management makes estimates and assumptions relating to the reporting of certain assets and liabilities in conformity with U.S. GAAP. These estimates and assumptions are applied using methodologies that are consistent throughout the periods presented. However, actual results can differ from these estimates. The Company makes adjustments to these estimates and assumptions in subsequent reporting periods as more current information becomes available.

Beginning in the second quarter of 2007, the presentation within the condensed consolidated statement of cash flows for capital expenditures has been corrected to reflect capital expenditures on a cash disbursements basis in accordance with Statement of Financial Accounting Standards (SFAS) No. 95, Statement of Cash Flows. Previously, the Company presented capital expenditures on an incurred (accrual) basis. The comparative amounts in the prior period have been corrected to conform to the current period presentation as follows (in millions):

	SIX MONTHS ENDED	
	Dec. 30, 2005	
	Current	Previous
	Classification	Classification
Changes in accounts payable	\$ 20	\$ 11
Net cash provided by operating activities	166	156
Capital expenditures	(112)	(102)
Net cash used in investing activities	(93)	(84)

2. Supplemental Financial Statement Data*Inventories*

	Dec.	Jun. 30,
	29,	2006
	2006	2006
	(in millions)	
Inventories:		
Raw materials and component parts	\$ 17	\$ 23
Work in process	90	62
Finished goods	158	120
Total inventories	\$ 265	\$ 205

Warranty

The Company records an accrual for estimated warranty costs when revenue is recognized. Warranty covers costs of repair or replacement of the hard drive over the warranty period, which generally ranges from one to five years. This accrual is based on estimated future returns within the warranty period and costs to repair, using factory test data, historical field returns and current repair costs by product type. Return rate and repair cost estimates are reviewed quarterly and updated to reflect management's current assessment of the impact of current results on prior expectations. If actual product return trends or costs to repair returned products demonstrate significant differences

Table of Contents

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

from expectations, a change in the warranty accrual is made. Changes in the warranty accrual for the three and six months ended December 29, 2006 and December 30, 2005 were as follows (in millions):

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	Dec. 29, 2006	Dec. 30, 2005	Dec. 29, 2006	Dec. 30, 2005
Warranty accrual, beginning of period	\$ 91	\$ 96	\$ 89	\$ 92
Charges to operations	17	19	36	41
Utilization	(13)	(10)	(24)	(20)
Changes in estimate related to pre-existing warranties	(7)	(10)	(13)	(18)
Warranty accrual, end of period	\$ 88	\$ 95	\$ 88	\$ 95

Accrued warranty also includes amounts classified in non-current liabilities of \$16 million at December 29, 2006, \$18 million at June 30, 2006, and \$17 million at December 30, 2005.

3. Income per Share

The Company computes basic income per share using the net income and the weighted average number of common shares outstanding during the period. Diluted income per share is computed using the net income and the weighted average number of common shares and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares include outstanding employee stock options, employee stock purchase plan shares and restricted stock awards.

The following table illustrates the computation of basic and diluted income per common share (in millions, except per share data):

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	Dec. 29, 2006	Dec. 30, 2005	Dec. 29, 2006	Dec. 30, 2005
Net income	\$ 128	\$ 104	\$ 231	\$ 173
Weighted average shares outstanding:				
Basic	220	213	219	213
Employee stock options and other	6	8	7	8
Diluted	226	221	226	221
Income per common share:				
Basic	\$.58	\$.49	\$ 1.06	\$.81
Diluted	\$.57	\$.47	\$ 1.02	\$.78
Antidilutive common share equivalents excluded	2	6	2	9

For purposes of computing diluted income per share, common share equivalents with an exercise price that exceeded the average fair market value of common stock for the period are considered antidilutive and have been excluded from the calculation of diluted shares outstanding.

4. Stock-Based Compensation

Stock-Based Compensation Expense

During the three and six months ended December 29, 2006, the Company charged to expense \$5 million and \$9 million, respectively, for stock-based compensation related to options issued under stock option and ESPP plans. At December 29, 2006, total compensation cost related to unvested stock options and ESPP issued to employees but not yet recognized was \$32 million and will be amortized on a straight-line basis over a weighted average vesting period of approximately 2.3 years.

Table of Contents

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Fair Value Disclosures

The fair value of stock options granted during the three and six months ended December 29, 2006 was estimated using a binomial option pricing model. The binomial model requires the input of highly subjective assumptions including the expected stock price volatility, the expected price multiple at which employees are likely to exercise stock options and the expected employee termination rate. The Company uses historical data to estimate the rate at which employee options are exercised, employee terminations, and expected stock price volatility within the binomial model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The fair value of stock options granted during the six months ended December 29, 2006 was estimated using the following weighted average assumptions:

	THREE MONTHS ENDED Dec. 29, 2006	SIX MONTHS ENDED Dec. 29, 2006
Suboptimal exercise factor	1.63	1.63
Range of risk-free interest rates	4.70% to 5.00%	4.60% to 5.00%
Range of expected stock price volatility	0.42 to 0.77	0.42 to 0.77
Weighted average expected volatility	0.61	0.61
Post-vesting termination rate	5.34%	5.33%
Dividend yield		
Fair value	\$ 8.38	\$ 8.31

The fair value of ESPP shares issued are estimated at the date of issue using the Black-Scholes-Merton option-pricing model. The Black-Scholes-Merton option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The Black-Scholes-Merton option pricing model requires the input of highly subjective assumptions such as the expected stock price volatility and the expected period until options are exercised. Shares granted under the current ESPP provisions are issued on either June 1 or December 1, except for the initial offering period, which began on December 15, 2005. ESPP activity was immaterial to the condensed consolidated financial statements for the three and six months ended December 29, 2006.

Stock Options

The following table summarizes activity under the Company's stock option plans (in millions, except per share amounts):

	Number of Shares	Weighted Average Exercise Price Per Share	Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Options outstanding at June 30, 2006	12.4	\$ 10.65		
Granted	0.1	17.26		
Exercised	(0.2)	9.47		
Canceled or expired	(0.1)	11.62		
Options outstanding at September 29, 2006	12.2	\$ 10.73	5.9	\$ 102

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Granted	1.0		19.52		
Exercised	(0.9)		8.46		
Canceled or expired	(0.3)		18.98		
Options outstanding at December 29, 2006	12.0	\$	11.50	6.1	\$ 116
Exercisable at December 29, 2006	7.7	\$	9.86	4.8	\$ 89

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock for those awards that have an exercise price currently below the quoted price. As of December 29, 2006, the Company had options outstanding to purchase an aggregate of 7 million shares with an exercise price below the quoted price of the Company's stock resulting in an aggregate intrinsic value of \$116 million. During the three and six months ended December 29, 2006, the aggregate intrinsic

Table of Contents

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

value of options exercised under the Company's stock option plans was \$11 million and \$13 million, respectively, determined as of the date of exercise. The aggregate intrinsic value of options exercised under the Company's stock option plans during the three and six months ended December 30, 2005, was \$22 million and \$28 million, respectively.

Deferred Stock Compensation

The Company granted approximately 0.5 million shares of restricted stock during the six months ended December 29, 2006. The aggregate market value of these awards was \$10 million. As of December 29, 2006, the aggregate unamortized fair value of all unvested restricted stock awards was \$29 million and will be amortized on a straight-line basis over a weighted average vesting period of approximately 1.4 years. For the three and six months ended December 29, 2006, the Company charged to expense approximately \$7 million and \$11 million, respectively, related to restricted stock awards that were vested during the period. Of the \$7 million expensed during the second quarter of fiscal 2007, \$4 million represented the incremental cost from the modification of stock awards granted prior to fiscal 2007.

5. Legal Proceedings

In the normal course of business, the Company is subject to legal proceedings, lawsuits and other claims. Although the ultimate aggregate amount of monetary liability or financial impact with respect to these matters is subject to many uncertainties and is therefore not predictable with assurance, management believes that any monetary liability or financial impact to the Company from these matters or the specified matters below, individually and in the aggregate, beyond that provided at December 29, 2006, would not be material to the Company's financial condition. However, there can be no assurance with respect to such result, and monetary liability or financial impact to the Company from these legal proceedings, lawsuits and other claims could differ materially from those projected.

Since the Company's announcement on July 27, 2006 that it was conducting a company-initiated, voluntary review of its historical stock option grants, several purported derivative actions were filed nominally on behalf of the Company against certain current and former directors and officers of the Company in the United States District Court for the Central District of California and the Superior Court of the State of California for the County of Orange. These complaints assert claims for violations of Sections 10(b), 14(a) and 20(a) of the Securities Exchange Act, accounting, breach of fiduciary duty and/or aiding and abetting, constructive fraud, waste of corporate assets, unjust enrichment, rescission, breach of contract, violation of the California Corporations Code, abuse of control, gross mismanagement, and constructive trust in connection with the Company's option granting practices. The complaints seek unspecified monetary damages and other relief against the individual defendants and certain governance reforms affecting the Company. The Company is named solely as a nominal defendant in each action. The Company has joined or intends to join the other defendants in filing motions to dismiss each action.

6. New Accounting Standards

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. FIN No. 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN No. 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The interpretation applies to all tax positions related to income taxes subject to SFAS No. 109. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. Differences between the amounts recognized in the statements of financial position prior to the adoption of FIN No. 48 and the amounts reported after adoption should be accounted for as a cumulative-effect adjustment recorded to the beginning balance of retained earnings. The Company is currently evaluating the impact the adoption of FIN No. 48 will have on its consolidated financial statements.

Table of Contents

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 provides guidance for using fair value to measure assets and liabilities. It also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances, but provides clarification on acceptable fair valuation methods and applications. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of SFAS No. 157 will have on its consolidated financial statements.

In September 2006, the SEC staff published Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108). SAB 108 addresses quantifying the financial statement effects of misstatements, specifically solid

#000000"> 4,263,440 **10** CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) **11** PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 7.3%¹¹ **12** TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) IN

¹¹ Based on 58,103,711 shares of the Issuer's Common Stock outstanding as of December 3, 2009, as set forth in the Issuer's quarterly report on Form 10-Q dated December 10, 2009.

1 NAMES OF REPORTING PERSONS.

Hervé J.F. Defforey

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

- 2**
 (a) p
 (b) o

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

France

5 SOLE VOTING POWER

NUMBER OF 367,240

SHARES BENEFICIALLY OWNED BY **6** SHARED VOTING POWER
 3,990,737

EACH REPORTING PERSON **7** SOLE DISPOSITIVE POWER
 367,240

WITH: **8** SHARED DISPOSITIVE POWER
 3,990,737

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

4,357,977

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

7.5%¹²

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IN

¹² Based on 58,103,711 shares of the Issuer's Common Stock outstanding as of December 3, 2009, as set forth in the Issuer's quarterly report on Form 10-Q dated December 10, 2009.

CUSIP No. 90384S303

13G

Page 14 of 19 Pages

Item 1(a). Name of Issuer:

Ulta Salon, Cosmetics & Fragrance, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:

1000 Remington Blvd., Suite 120

Bolingbrook, IL 60440

Item 2(a). Name of Person Filing:

- (1) GRP AQ, L.P.
- (2) GRP AQ, Inc.
- (3) GRP II Investors, L.P.
- (4) GRP II Partners, L.P.
- (5) GRP Management Services Corp.
- (6) GRPVC, L.P.
- (7) GRP Operations, Inc.
- (8) AOS Partners, LP
- (9) Hique, Inc.
- (10) Steven E. Lebow
- (11) Yves Sisteron
- (12) Hervé J.F. Defforey

Item 2(b). Address of Principal Business Office or, if none, Residence:

2121 Avenue of the Stars

31st Floor

Los Angeles, California 90067-5014

Attn: Steven Dietz

Item 2(c). Citizenship:

GRP AQ, L.P., GRP AQ, Inc., GRP II Investors, L.P., GRP II Partners, L.P., GRP Management Services Corp., GRPVC, L.P., GRP Operations, Inc., AOS Partners, LP and Hique, Inc.:

Delaware

Steven E. Lebow:

United States

Yves Sisteron:

United States

Hervé J.F. Defforey:

France

CUSIP No. 90384S303 13G Page 15 of 19 Pages

Item 2(d). Title of Class of Securities:

Common Stock, \$.01 par value per share

Item 2(e). CUSIP Number:

90384S303

Item 3. If this statement is filed pursuant to

§§240.13d-1(b) or 240.13d-2(b) or (c), check

whether the person filing is a:

Not applicable.

Item 4. Ownership.

The information in items 1 and 5 through 11 on the cover pages (pp. 2-13) of this Schedule 13G is hereby incorporated by reference. GRPVC, L.P. (GRPVC) is the general partner of GRP II Partners, L.P. (GRP II Partners). GRP Management Services Corp. (GRPMSC) is the general partner of GRPVC and GRP II Investors, L.P. (GRP II Investors). Hique, Inc. is the general partner of AOS Partners, LP. Messrs. Lebow, Sisteron and Defforey are members of the investment committee of GRP II Partners and GRP II Investors. Messrs. Lebow, Sisteron and Defforey own a majority of the voting stock of GRPMSC. Mr. Sisteron and Mr. Defforey own a majority of the voting stock of GRP AQ, Inc., which is the general partner of GRP AQ, L.P. Messrs. Lebow, Sisteron and Defforey disclaim beneficial ownership of all such shares except to the extent of their pecuniary interest therein.

Item 5. Ownership of Five Percent or Less of a Class.

Not applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Not applicable.

CUSIP No. 90384S303

13G

Page 16 of 19 Pages

**Item 7. Identification and Classification of the
Subsidiary Which Acquired the Security
Being Reported on by the Parent Holding
Company or Control Person.**

Not applicable.

Item 8. Identification and Classification of Members of the Group.

Please see attached [Exhibit 1](#).

Item 9. Notice of Dissolution of Group.

Not applicable.

Item 10. Certifications.

Not applicable.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 16, 2010

GRP AQ, L.P.

By: /s/ Robert S. Guttman

Robert S. Guttman, as attorney-in-
fact for GRP AQ, L.P.*

GRP AQ, Inc.

By: /s/ Robert S. Guttman

Robert S. Guttman, as attorney-in-
fact for GRP AQ, Inc.*****

GRP II Investors, L.P.

By: /s/ Robert S. Guttman

Robert S. Guttman, as attorney-in-
fact for GRP II Investors, L.P.**

GRP II Partners, L.P.

By: /s/ Robert S. Guttman

Robert S. Guttman, as attorney-in-
fact for GRP II Partners, L.P.**

GRP Management Services Corp.

By: /s/ Robert S. Guttman

Robert S. Guttman, as attorney-in-
fact for GRP Management Services Corp.**

GRPVC, L.P.

By: /s/ Robert S. Guttman

Robert S. Guttman, as attorney-in-
fact for GRPVC, L.P.***

GRP Operations, Inc.

By: /s/ Robert S. Guttman

Robert S. Guttman, as attorney-in-
fact for GRP Operations, Inc.*****

CUSIP No. 90384S303

13G

Page 18 of 19 Pages

AOS Partners, LP

By: /s/ Robert S. Guttman

Robert S. Guttman, as attorney-in-
fact for AOS Partners, LP****

Hique, Inc.

By: /s/ Robert S. Guttman

Robert S. Guttman, as attorney-in-
fact for Hique, Inc.****

/s/ Robert S. Guttman

Robert S. Guttman, as attorney-in-
fact for Steven E. Lebow*****

/s/ Robert S. Guttman

Robert S. Guttman, as attorney-in-
fact for Yves Sisteron*****

/s/ Robert S. Guttman

Robert S. Guttman, as attorney-in-
fact for Hervé J.F. Defforey*****

* Robert S.
Guttman is
signing on behalf
of GRP AQ, L.P.
as
attorney-in-fact
pursuant to a
power of attorney
previously filed
with the
Securities and
Exchange
Commission on
August 10, 2009,
and hereby
incorporated by
reference herein.

The power of attorney was filed as an attachment to a filing on Form 4/A for Ulta Salon, Cosmetics & Fragrance, Inc.

** Robert S. Guttman is signing on behalf of GRP II Investors, L.P., GRP II Partners, L.P. and GRP Management Services Corp. as attorney-in-fact pursuant to a power of attorney for each entity previously filed with the Securities and Exchange Commission on November 1, 2007, and hereby incorporated by reference herein. Each power of attorney was filed as an attachment to a filing on Form 3/A for Ulta Salon, Cosmetics & Fragrance, Inc.

*** Robert S. Guttman is signing on behalf of GRPVC, L.P. as attorney-in-fact pursuant to a power of attorney previously filed with the Securities and

Exchange
Commission on
February 12,
2008, and hereby
incorporated by
reference herein.
The power of
attorney was filed
as an attachment
to a filing on
Schedule 13G for
Ulta Salon,
Cosmetics &
Fragrance, Inc.

**** Robert S.
Guttman is
signing on behalf
of AOS Partners,
LP and Hique,
Inc. as
attorney-in-fact
pursuant to a
power of attorney
for each entity
previously filed
with the
Securities and
Exchange
Commission on
December, 23
2009, and hereby
incorporated by
reference herein.
Each power of
attorney was filed
as an attachment
to a filing on
Form 3 for Ulta
Salon, Cosmetics
& Fragrance, Inc.

***** Robert S.
Guttman is
signing on behalf
of Steven E.
Lebow, Yves
Sisteron, and
Hervé J.F.
Defforey as
attorney-in-fact

pursuant to a
power of attorney
for each
individual
previously filed
with the
Securities and
Exchange
Commission on
October 24, 2007,
and hereby
incorporated by
reference herein.
Each power of
attorney was filed
as an attachment
to a filing on
Form 3 for Ulta
Salon, Cosmetics
& Fragrance, Inc.

***** Robert S.
Guttman is
signing on behalf
of GRP AQ, Inc.
and GRP
Operations, Inc.
as
attorney-in-fact
pursuant to a
power of attorney
for each entity.
Each power of
attorney is filed
with the
Securities and
Exchange
Commission as
an attachment to
this
Schedule 13G/A.

EXHIBIT 1

Group Members

- (1) GRP AQ, L.P.
 - (2) GRP AQ, Inc.
 - (3) GRP II Investors, L.P.
 - (4) GRP II Partners, L.P.
 - (5) GRP Management Services Corp.
 - (6) GRPVC, L.P.
 - (7) GRP Operations, Inc.
 - (8) AOS Partners, LP
 - (9) Hique, Inc.
 - (10) Steven E. Lebow
 - (11) Yves Sisteron
 - (12) Hervé J.F. Defforey
-

POWER OF ATTORNEY

Know all by these present, that the undersigned party hereby constitutes and appoints each of Gregg R. Bodnar, Chief Financial Officer of Ulta Salon, Cosmetics & Fragrance, Inc. (**Ulta**) and Robert S. Guttman, General Counsel of Ulta, signing singly, such party's true and lawful attorney-in-fact to:

(1) execute for and on behalf of such party, all documents relating to the reporting of beneficial ownership of securities required to be filed with the United States Securities and Exchange Commission (the **SEC**) pursuant to Section 13(d) or Section 16(a) of the Securities Exchange Act of 1934 and the rules thereunder (the **Exchange Act**), including, without limitation, Schedule 13D and Schedule 13G and Form 3, Form 4 and Form 5 and successive forms thereto;

(2) do and perform any and all acts for and on behalf of such party that may be necessary or desirable to complete and execute any such documents, complete and execute any amendment or amendments thereto, and timely file such documents with the SEC and any stock exchange, automated quotation system or similar authority; and

(3) take any other action of any type whatsoever in furtherance of the foregoing which, in the opinion of such attorney-in-fact, may be of benefit to, in the best interest of, or legally required by, such party, it being understood that the documents executed by such attorney-in-fact on behalf of such party pursuant to this Power of Attorney shall be in such form and shall contain such terms and conditions as such attorney-in-fact may approve in such attorney-in-fact's discretion.

Such party hereby grants to each such attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever requisite, necessary, or proper to be done in the exercise of any of the rights and powers herein granted, as fully to all intents and purposes as such party might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that such attorney-in-fact, or such attorney-in-fact's substitute or substitutes, shall lawfully do or cause to be done by virtue of this power of attorney and the rights and powers herein granted. The undersigned acknowledges that the foregoing attorneys-in-fact, in serving in such capacity at the request of such party, are not assuming, nor is Ulta assuming, any of the undersigned's responsibilities to comply with the Exchange Act.

This Power of Attorney shall remain in full force and effect until such party is no longer required to file such documents with respect to such party's holdings of and transactions in securities issued by Ulta, unless earlier revoked by such party in a signed writing delivered to the foregoing attorney-in-fact.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 9th day of February, 2010.

GRP Operations, Inc.

By: /s/ Yves Sisteron
Name: Yves Sisteron
Title: CEO

(Signature Page for Power of Attorney)

POWER OF ATTORNEY

Know all by these present, that the undersigned party hereby constitutes and appoints each of Gregg R. Bodnar, Chief Financial Officer of Ulta Salon, Cosmetics & Fragrance, Inc. (**Ulta**) and Robert S. Guttman, General Counsel of Ulta, signing singly, such party's true and lawful attorney-in-fact to:

(1) execute for and on behalf of such party, all documents relating to the reporting of beneficial ownership of securities required to be filed with the United States Securities and Exchange Commission (the **SEC**) pursuant to Section 13(d) or Section 16(a) of the Securities Exchange Act of 1934 and the rules thereunder (the **Exchange Act**), including, without limitation, Schedule 13D and Schedule 13G and Form 3, Form 4 and Form 5 and successive forms thereto;

(2) do and perform any and all acts for and on behalf of such party that may be necessary or desirable to complete and execute any such documents, complete and execute any amendment or amendments thereto, and timely file such documents with the SEC and any stock exchange, automated quotation system or similar authority; and

(3) take any other action of any type whatsoever in furtherance of the foregoing which, in the opinion of such attorney-in-fact, may be of benefit to, in the best interest of, or legally required by, such party, it being understood that the documents executed by such attorney-in-fact on behalf of such party pursuant to this Power of Attorney shall be in such form and shall contain such terms and conditions as such attorney-in-fact may approve in such attorney-in-fact's discretion.

Such party hereby grants to each such attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever requisite, necessary, or proper to be done in the exercise of any of the rights and powers herein granted, as fully to all intents and purposes as such party might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that such attorney-in-fact, or such attorney-in-fact's substitute or substitutes, shall lawfully do or cause to be done by virtue of this power of attorney and the rights and powers herein granted. The undersigned acknowledges that the foregoing attorneys-in-fact, in serving in such capacity at the request of such party, are not assuming, nor is Ulta assuming, any of the undersigned's responsibilities to comply with the Exchange Act.

This Power of Attorney shall remain in full force and effect until such party is no longer required to file such documents with respect to such party's holdings of and transactions in securities issued by Ulta, unless earlier revoked by such party in a signed writing delivered to the foregoing attorney-in-fact.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 9th day of February, 2010.

GRP AQ, Inc.

By: /s/ Yves Sisteron
Name: Yves Sisteron
Title: CEO

(Signature Page for Power of Attorney)